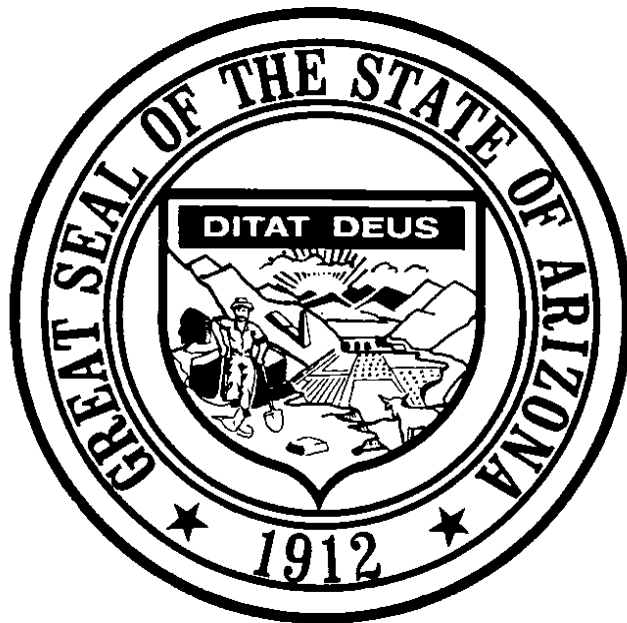
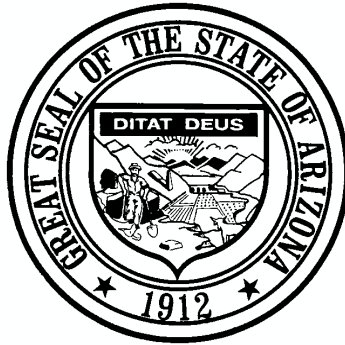


# STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2020



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



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



STATE OF ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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

August 4, 2021

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 of the State of Arizona for the fiscal year ended June 30, 2020. 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 Arizona 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 Arizona Auditor General. The Single Audit will be issued as a separate report.

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

The accompanying Comprehensive Annual Financial Report 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.

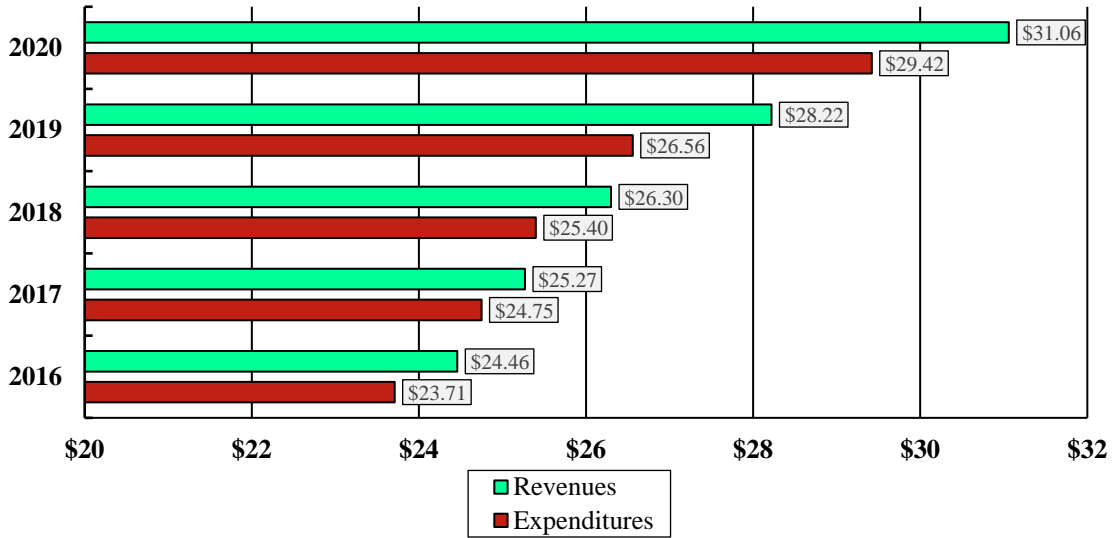
## **BUDGETARY CONTROLS**

The State adopts budgets by departments and program which ties to funding sources. The State's legally adopted budgets are not done at the individual fund level. Funds established in statutes may be subject to legislative appropriation, not subject to legislative appropriation, or partially subject to legislative appropriation. Thus, many funds have both legislative appropriation and non-appropriation. 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.

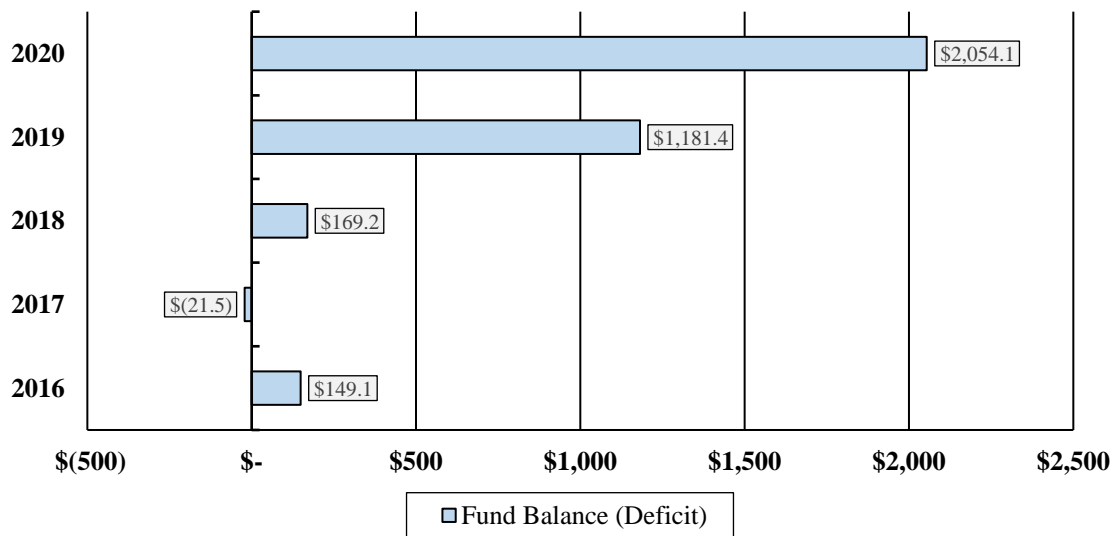
**Graph 1**  
**General Fund Revenues and Expenditures for the last 5 fiscal years**  
*(Dollars in billions)*



The General Fund ended the June 30, 2020 fiscal year with a total fund balance of \$2.1 billion. This compares to the previous year’s total fund balance of \$1.2 billion.

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**

*The following economic summary is based on the Industry and Occupation Employment Projections released on February 18, 2021, by the Office of Economic Opportunity.*

The employment projections estimation methodology is described below:

- The short-term projections process estimates employment eight quarters (two years) into the future
  - Historic Quarter 2 2020 employment data are used as the base year of the forecast
  - Employment estimates for Quarter 2 2020 are the latest available data published by the Bureau Labor Statistics' Quarterly Census of Employment and Wages (QCEW) program
  - Projected data are modeled for forecast year Quarter 2 2022
- Projections are estimated using historical industry employment trends
- Estimates are refined by a review of current U.S. and Arizona economic trends
- The principal data source was the QCEW data
- The QCEW industry classification structure differs slightly from the Center for Economic Studies (CES) industry classification
  - Notably:
    - QCEW: State and local government education employment is categorized in the Educational Services sector
    - CES: State and local government education employment is categorized in the Government sector

Industry projection methodology included and excluded data as follows:

- Industry Projections Estimates **Include**:
  - Nonfarm employment by subsector group (3-digit NAICS)
  - Self-employed workers who work for profit or fees in their own business, profession, trade, or farm
  - Private household workers employed as domestic workers
  - Railway workers
  - Religious organization employees
  - Farm workers
- Industry Projections Estimates **Exclude**:
  - Unpaid family workers
  - Active duty military service personnel

Economic assumptions influencing the projections are as follows:

- No major economic or political disruptions will occur
- Government agencies will operate within their budgets
- Population distribution will not differ significantly
- The U.S. economy framework will not differ significantly
- Long-term employment patterns will continue in most industries

The following are highlights of Arizona's industry employment forecast:

- Arizona employment is projected to grow by 325,040 jobs or 5.5% annually, from 2,853,646 in Quarter 2 2020 to 3,178,686 jobs in Quarter 2 2022
- All private sector industries are projected to add jobs
- Trade, Transportation, and Utilities is projected to add the largest number of jobs (86,473 jobs or 7.8% annualized growth)
- Leisure and Hospitality is projected to record the largest percentage gain, growing 12.8% annually (69,901 jobs)
- Accommodation and Food Services is projected to be the fastest growing industry in 7 of 15 counties

The following table summarizes Arizona’s Supersectors’ employment growth rates:

**Arizona Supersector Employment (2020 to 2022)**

| <b>Employment Supersectors</b>     | <b>Numeric Change</b> | <b>Percentage Change</b> |
|------------------------------------|-----------------------|--------------------------|
| Trade Transportation and Utilities | 86,473                | 7.8%                     |
| Leisure and Hospitality            | 69,901                | 12.8%                    |
| Education and Health Services      | 63,533                | 5.1%                     |
| Professional and Business Services | 38,195                | 4.4%                     |
| Financial Activities               | 15,360                | 3.4%                     |
| Manufacturing                      | 10,891                | 3.1%                     |
| Other Services                     | 10,257                | 5.6%                     |
| Construction                       | 9,844                 | 2.8%                     |
| Information                        | 4,139                 | 4.5%                     |
| Natural Resources and Mining       | 861                   | 0.9%                     |
| Government                         | (1,649)               | (0.5)%                   |

Impact of COVID-19 on economic activity:

- Favorable developments
  - The Arizona Department of Health Services announced that 6.4 million COVID-19 vaccination doses have been administered in Arizona and that 3.1 million people were fully vaccinated as of June 28, 2021
  - The U.S. is expected to secure 600 million COVID-19 vaccine doses by July, 2021
- Potential challenge
  - The UK COVID-19 variant was recently identified in a number of states, including Arizona

**MAJOR INITIATIVES**

The Major Initiatives for the year ended June 30, 2020, were as follows:

- The fiscal year 2020 budget continued delivering on the promise of a 20% teacher salary increase by school year 2020 (fiscal year 2021) with \$165 million for this initiative for a total of \$645 million by fiscal year 2021. Additionally, the budget continued the second-year phase in with \$136 million for the restoration of 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 2023.
- A \$26 million General Fund appropriation was approved for Developmental Disability provider rate increases. This funding reduced the discrepancy between current provider rates and the benchmark provider rates.
- The budget also included \$30 million to expand the Results-Based Funding program to schools with free and reduced-price lunch eligibility rates of less than 60% and with spring 2018 AzMerit test results in the top 13% versus top 10% for FY 2019. For schools with FRPL eligibility rates of 60% or more, it expands program eligibility in FY 2020 to schools with spring 2018 AzMerit test results in the top 27% versus top 10% in FY 2019. This program is designed to recognize and assist high-performing schools expand and replicate their successful models by using the funding to increase teacher salaries, hire instructional aides for math and English, provide additional professional development opportunities for teachers, and make other investments to improve student performance.
- To ensure the safety of Arizona’s children across school campuses, \$20 million was provided to enable more schools to participate in the School Safety Program which provides grants for schools for public safety employees, counselors, and social workers. This targeted funding increases behavioral and mental health resources for schools across the state.
- The School Facilities Board received a funding increase of \$25 million to fund school building initiatives, for a total of \$112.6 million. Of the \$112.6 million, \$36.7 million was directed to complete six schools and the remaining \$75.9 million was provided to begin construction on ten new schools or school expansions in districts across the State. Approximately \$80 million was dedicated to school building renewal projects to help maintain school facilities.
- Higher education received a \$95 million increase in funding to expand Arizona Teachers Academy, increase the capacity of the Aviation Technology Center at Pima Community College, double the enrollment capacity at Maricopa County Community College Districts’ healthcare professional training facility, support public university operational and capital improvements, expand the University of Arizona’s medical school, aid rural community colleges, and increase STEM and Workforce Development Aid for Maricopa and Pima districts.

- The Child Care Development Fund received a \$56 million grant award for child care subsidies which the Department of Child Safety and Department of Economic Security were given the authority to utilize. The funds increased the average subsidy rate by 17.5% and expanded services to approximately 5,000 children.
- The Department of Veterans' Services received \$1 million to ensure that the vital suicide prevention services could continue to be available in Arizona.
- The Housing Trust Fund received a \$15 million one-time deposit with 23% of the appropriation reserved for housing and support services for persons who have been determined to be seriously mentally ill and the chronically resistant to treatment.
- The FY 2020 Executive Budget committed \$50 million in funding for the Drought Contingency Plan, which will ensure the supply of water for generations of responsible users throughout Arizona. This investment included funding for temporary groundwater and irrigation projects and establishing contracts with holders of Colorado River Water rights to forgo water deliveries for conservation in Lake Mead.
- Preventative road surface maintenance spending increased by \$11 million for a total of \$51 million, which represents the highest recorded amount spent in State history.
- To improve Arizona's transportation systems, \$95 million was allocated for local transportation projects. Of this amount, \$18 million was for distribution to all cities and towns and the \$77 million was for six specific projects such as the State Route 24 bridge replacement or Interstate 40 traffic interchanges.
- The I-17 Expansion Project received \$130 million over 3 years, with \$40 million in FY 2020 to widen the highway between Anthem and Sunset Point.
- The Executive Budget appropriated \$190 million for debt payoff of 2010A, Recession-Era operating debt, which frees up \$24 million in annual debt service payments.
- One-time funding of \$3 million was approved to establish a Rural Broadband Developments Grants program to help rural leaders build high-speed internet infrastructure to increase Arizonans' access to high-speed internet.
- Approximately 14,485 public safety personnel at 13 different state agencies received a salary increase due to a \$73 million targeted investment aimed at improving employee recruitment and retention.
- In FY 2020 the Department of Corrections, Rehabilitation & Reentry, began a two-year contract with a new inmate health care vendor to improve inmate health services. A \$31 million investment was made to sign with the new vendor.
- The Department of Public Safety received \$11 million to enhance trooper presence with 48 new Highway Patrol Officers to secure the Arizona border, mitigate wrong-way and impaired driving, and increase highway patrol.
- To raise the General Fund's cash balance to \$1 billion, a \$271 million deposit were made to the Budget Stabilization Fund in both FY 2019 and FY 2020. This brought the fund to its highest level, both in nominal terms and as a share of General Fund spending.

**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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the sixteenth 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 Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Our current Comprehensive Annual Financial Report will include a qualified opinion issued for the Unemployment Compensation Fund financial statements. This is related to the COVID-19 pandemic and payments to claimants for the Pandemic Unemployment Assistance program estimated at \$116 million, but for which a determination of overpayments could not be determined by the issuance of this report. Due to this qualified opinion, we will not be eligible to submit to the GFOA for a certificate for this report.

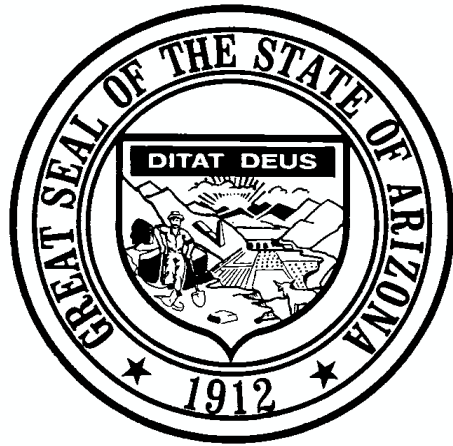
We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency,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



Andy Tobin  
Director



Ashley D. Ruiz  
State Comptroller







Government Finance Officers Association

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

Presented to

**State of Arizona**

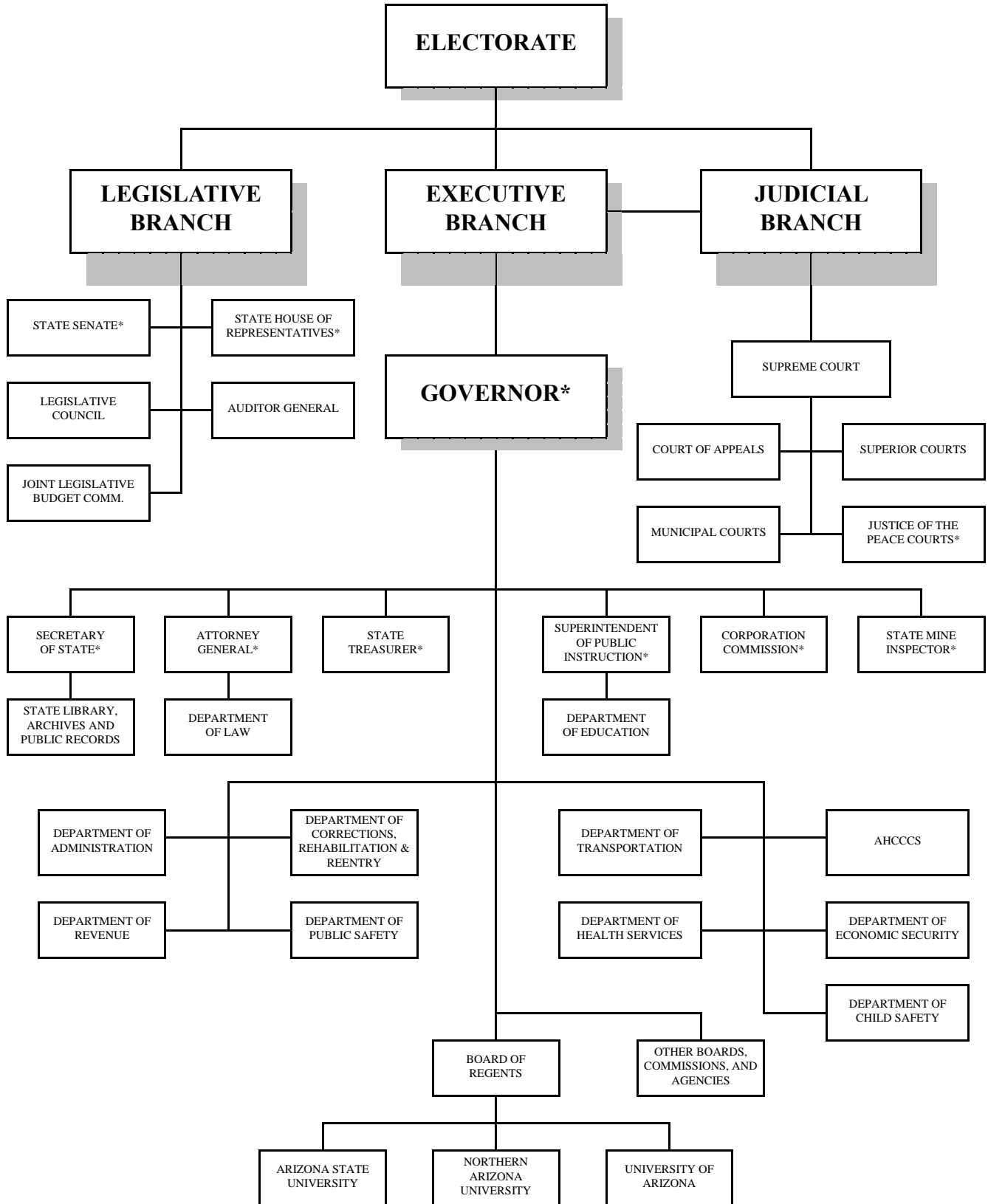
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morill*

Executive Director/CEO

# ARIZONA STATE GOVERNMENT ORGANIZATION



\*ELECTED OFFICIALS

STATE OF ARIZONA  
**PRINCIPAL STATE OFFICIALS**  
JUNE 30, 2020

**ELECTED OFFICIALS**

|   |  |
|---|--|
| Douglas A. Ducey, Governor                          | Bob Burns, Chairman - Corporation Commission - through December, 2020                |
| Senator Karen Fann, President of the Senate         | Boyd Dunn, Commissioner - Corporation Commission - through December, 2020            |
| Representative Russell Bowers, Speaker of the House | Lea Márquez Peterson, Commissioner - Corporation Commission – through December, 2020 |
| Katie Hobbs, Secretary of State                     | Lea Márquez Peterson, Chairwoman - Corporation Commission - current                  |
| Mark Brnovich, Attorney General                     | Justin Olson, Commissioner - Corporation Commission                                  |
| Joe Hart, State Mine Inspector                      | Sandra Kennedy, Commissioner - Corporation Commission                                |
| Kimberly Yee, State Treasurer                       | Jim O’Connor, Commissioner – Corporation Commission                                  |
| Kathy Hoffman, Superintendent of Public Instruction | Anna Tovar, Commissioner – Corporation Commission                                    |

**APPOINTED OFFICIALS**

**Executive Officials**

Andy Tobin, Director - Department of Administration

David Shinn, Director - Department of Corrections Rehabilitation & Reentry

Michael Wischart, Director - Department of Economic Security

Mike Faust, Director - Department of Child Safety

Carlton Woodruff, Director - Department of Revenue - to December, 2020

Rob Woods, Director – Department of Revenue - December, 2020 to current

Colonel Heston Silbert, 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**

Robert M. Brutinel, Chief Justice - Supreme Court

**Legislative Officials**

Michael E. Braun, Executive Director - Legislative Council

Richard Stavneak, Director - Joint Legislative Budget Committee

Lindsey Perry, CPA, CFE, Auditor General – Arizona Auditor General

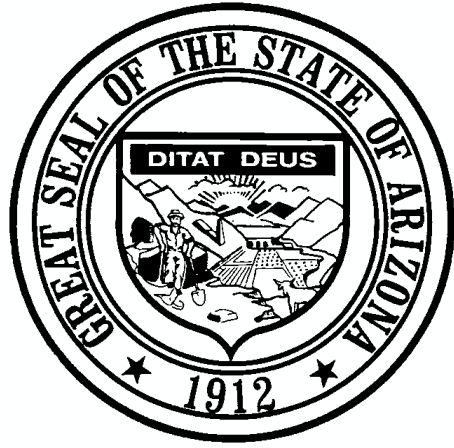
**University Officials**

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

Dr. Rita Cheng, President - Northern Arizona University - to June, 2021

Dr. José Luis Cruz Rivera, President – Northern Arizona University – June, 2021 to current

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



# FINANCIAL SECTION

**FINANCIAL SECTION**

**INDEPENDENT  
AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**





LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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, 2020, 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<br>deferred outflows<br>of resources | Revenues,<br>additions, and other<br>financing sources |
|---|---|--|
| <b>Government-wide statements</b>   |   |  |
| <b>Governmental activities</b>  |   |  |
| Arizona Department of Transportation  | 57.46%  | 12.64%   |
| Arizona Health Care Cost Containment System   | 4.89%   | 34.52%   |
| Early Childhood Development and Health Board  | 0.80%   | 0.35%  |
| <b>Business-type activities</b>   |   |  |
| Arizona Correctional Industries   | 0.26%   | 0.40%  |
| Arizona Department of Transportation  | 0.01%   | 0.00%  |
| Arizona State Lottery   | 1.05%   | 9.36%  |
| <b>Aggregate discretely presented component units</b>   | <b>92.79%</b>                                   | <b>88.04%</b>  |
| <b>Fund statements</b>  |   |  |
| <b>Major fund—General Fund</b>  |   |  |
| Arizona Health Care Cost Containment System   | 22.54%  | 38.32%   |
| <b>Major fund—Transportation and Aviation Planning, Highway<br/>Maintenance and Safety Fund</b> |   |  |
| Arizona Department of Transportation  | 100.00%   | 100.00%  |
| <b>Aggregate remaining fund information</b>   |   |  |
| Arizona Correctional Industries   | 0.05%   | 0.38%  |
| Arizona Department of Transportation  | 0.15%   | 7.07%  |
| Arizona Health Care Cost Containment System   | 0.22%   | 5.34%  |
| Arizona State Lottery   | 0.20%   | 8.98%  |
| Arizona State Retirement System   | 68.89%  | 24.53%   |
| Corrections Officer Retirement Plan   | 3.66%   | 2.23%  |
| Early Childhood Development and Health Board  | 0.57%   | 1.07%  |
| Elected Officials' Retirement Plan  | 0.51%   | 0.56%  |
| Public Safety Personnel Retirement System   | 14.02%  | 9.88%  |

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 qualified and unmodified audit opinions.

## **Opinions**

### ***Basis for qualified opinion on the Unemployment Compensation Fund***

The Arizona Department of Economic Security's (Department) Division of Employment and Rehabilitation Services—Unemployment Insurance Administration paid claimants, in part, an estimated \$116 million of federally funded Pandemic Unemployment Assistance monies as of and for the year ended June 30, 2020 but were unable to determine how much of these monies may have been overpayments to claimants who were ineligible to receive some of their payments. In instances where there are overpayments of federal benefits, the Department is required to collect from overpaid claimants and to return recovered monies to the U.S. Government. The Department did not make any financial statement adjustments for potential overpayments because it lacked evidence to complete the determinations necessary to support the amount of monies it would be required to collect from potentially overpaid claimants and return to the U.S. government. As a result of these matters, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Compensation Fund's other receivables and amounts due to the U.S. government financial statement line items. Consequently, we were unable to determine the effect of any adjustments to these amounts and whether they were necessary.

### ***Qualified opinion on the Unemployment Compensation Fund***

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on the Unemployment Compensation Fund paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Unemployment Compensation Fund of the State of Arizona as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Unmodified 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 except the Unemployment Compensation Fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other matters***

#### ***Required supplementary information***

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

| <b>Required supplementary information</b>  | <b>Pages</b> |
|--|--------------|
| Management's discussion and analysis   | 23 - 35      |
| Budgetary comparison schedules   | 157 - 173    |
| Infrastructure assets  | 174 - 176    |
| Schedules of the State's proportionate share of the net pension liability—<br>cost-sharing pension plans | 178 - 181    |
| Schedules of changes in the State's net pension liability and related ratios—<br>agent pension plans     | 182 - 185    |
| Schedules of State pension contributions   | 186 - 191    |
| Notes to required supplementary information—pension plan schedules                                       | 192          |
| Schedule of changes in the State's total OPEB liability and related ratios                               | 193          |

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 will issue our report 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 at a future date. 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 A. Perry, CPA, CFE  
Auditor General

August 4, 2021

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, 2020. 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 \$31.1 billion (reported as net position). Of this amount, a deficit of \$3.8 billion exists for unrestricted net position, \$9.7 billion is restricted for specific purposes (restricted net position), and \$25.2 billion is net investment in capital assets.
- Beginning net position has been restated (reduced) by \$109.6 million which consisted of \$94.0 million to reflect a change in method by which debt premiums are calculated, \$12.6 million due to the joint escrow bank account allocation between the Industrial Commission Special Fund and the Insurance Department Guaranty Funds (IDGF), and \$3.0 million due to reclassification of the IDGF from a non-major enterprise fund to a non-major component unit. After adjustments, the State's total net position increased in fiscal year 2020 by \$913.0 million. Net position of governmental activities increased by \$1.9 billion, while net position of the business-type activities decreased by \$1.0 billion.

#### Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$10.7 billion, an increase of \$611.9 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$5.9 billion, \$3.1 billion, and \$1.7 billion, respectively, the State's unassigned fund balance had a surplus of \$76.1 million, or 0.7% of combined fund balances.
- The Land Endowments Fund reported fund balance at fiscal year-end of \$5.8 billion, a decrease of \$223.6 million during the 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 \$2.9 billion, a decrease of \$1.0 billion during the year.

#### Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to \$8.2 billion, a decrease of \$640.4 million or (7.3%). Changes during the year included the addition of revenue bonds of \$1.3 billion and COPs of \$425.0 million. Also, the State retired \$1.5 billion of revenue bonds and \$884.4 million of COPs. Included within the change of long-term primary government debt are increases and decreases in net issuance premiums of \$180.4 million and \$216.4 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 39**.

## 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 39-41)** 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 43)** 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 44-46)** 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, Insurance Department Guaranty Funds, 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 43**) and a statement of activities (**page 46**). See **pages 71-75 and 139-153** for more information on discretely presented component units.



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

The fund financial statements begin on **page 48** 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 198** 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 50 and 54-55**) 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 48-49 and 52-53 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 57-58**.

**Proprietary fund financial statements can be found on pages 56-61 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 62**. 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 62 and 63 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 71 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 157 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 198 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, 2020 and 2019 (expressed in thousands)

|                                  | Governmental Activities |               | Business-type Activities |              | Primary Government Total |               |
|----------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
|                                  | 2020                    | 2019          | 2020                     | 2019         | 2020                     | 2019          |
| Current assets                   | \$ 10,781,636           | \$ 7,756,523  | \$ 2,676,852             | \$ 2,685,971 | \$ 13,458,488            | \$ 10,442,494 |
| Capital assets                   | 25,748,133              | 25,093,264    | 6,258,833                | 5,942,988    | 32,006,966               | 31,036,252    |
| Other non-current assets         | 7,162,211               | 7,638,174     | 2,460,128                | 2,867,499    | 9,622,339                | 10,505,673    |
| Total Assets                     | 43,691,980              | 40,487,961    | 11,395,813               | 11,496,458   | 55,087,793               | 51,984,419    |
| Deferred outflows of resources   | 844,334                 | 769,419       | 484,335                  | 357,390      | 1,328,669                | 1,126,809     |
| Current liabilities              | 7,016,643               | 5,172,165     | 2,071,475                | 1,111,713    | 9,088,118                | 6,283,878     |
| Non-current liabilities          | 8,829,116               | 9,098,147     | 6,445,331                | 6,222,552    | 15,274,447               | 15,320,699    |
| Total Liabilities                | 15,845,759              | 14,270,312    | 8,516,806                | 7,334,265    | 24,362,565               | 21,604,577    |
| Deferred inflows of resources    | 518,125                 | 664,063       | 395,352                  | 505,585      | 913,477                  | 1,169,648     |
| Net position:                    |                         |               |                          |              |                          |               |
| Net investment in capital assets | 22,951,428              | 22,109,991    | 2,291,691                | 2,073,576    | 25,243,119               | 24,183,567    |
| Restricted                       | 8,903,600               | 8,136,654     | 823,013                  | 1,809,076    | 9,726,613                | 9,945,730     |
| Unrestricted                     | (3,682,598)             | (3,923,640)   | (146,714)                | 131,346      | (3,829,312)              | (3,792,294)   |
| Total Net Position               | \$ 28,172,430           | \$ 26,323,005 | \$ 2,967,990             | \$ 4,013,998 | \$ 31,140,420            | \$ 30,337,003 |

For the year ended June 30, 2020, the State's combined net position totaled \$31.1 billion reflecting an increase of \$913.0 million during the current fiscal year.

The largest portion of the State's net position (81.1%) represents net investment in capital assets of \$25.2 billion. Additions to roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$841.4 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 \$9.7 billion (31.2%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of \$766.9 million is largely a result of an increase in restriction for general government due to \$1.2 billion in federal monies received as a result of COVID-19 that had not been spent as of June 30, 2020. This increase was offset with decreases in both the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund and the amount restricted for capital projects for \$321.3 million and \$188.7 million, respectively. The business-type activities decrease in restricted net position of \$986.1 million is primarily due to a decrease of \$961.6 million in the amount restricted for the Unemployment Compensation Fund caused by a large surge of unemployment claims paid due to COVID-19.

After accounting for the above net position restrictions, the State has a remaining deficit of \$3.8 billion (12.3%) reported as unrestricted net position.

**More detailed information regarding beginning net position restatements is on page 132.**

**State of Arizona-Primary Government**  
**Changes in Net Position for Fiscal Years June 30, 2020 and 2019**  
(expressed in thousands)

|  | Governmental Activities |                      | Business-type Activities |                     | Primary Government Total |                      |
|--|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|  | 2020                    | 2019                 | 2020                     | 2019                | 2020                     | 2019                 |
| Revenues:  |                         |                      |                          |                     |                          |                      |
| Program revenues:                                      |                         |                      |                          |                     |                          |                      |
| Charges for services                                   | \$ 1,458,080            | \$ 1,447,525         | \$ 4,565,250             | \$ 4,536,148        | \$ 6,023,330             | \$ 5,983,673         |
| Operating grants and contributions                     | 17,169,249              | 15,659,663           | 6,223,027                | 1,659,758           | 23,392,276               | 17,319,421           |
| Capital grants and contributions                       | 566,951                 | 519,021              | 106,734                  | 27,255              | 673,685                  | 546,276              |
| General revenues:                                      |                         |                      |                          |                     |                          |                      |
| Sales taxes  | 8,193,712               | 7,673,015            | 81,701                   | 81,418              | 8,275,413                | 7,754,433            |
| Income taxes   | 5,852,309               | 5,579,102            | —                        | —                   | 5,852,309                | 5,579,102            |
| Tobacco taxes  | 295,163                 | 287,875              | —                        | —                   | 295,163                  | 287,875              |
| Property taxes   | 42,601                  | 42,208               | —                        | —                   | 42,601                   | 42,208               |
| Motor vehicle and fuel taxes                           | 2,256,884               | 2,202,693            | —                        | —                   | 2,256,884                | 2,202,693            |
| Other taxes  | 684,256                 | 701,912              | —                        | —                   | 684,256                  | 701,912              |
| Unrestricted investment earnings                       | 145,654                 | 165,228              | 92,528                   | 136,913             | 238,182                  | 302,141              |
| Unrestricted grants and contributions                  | 28,539                  | 29,964               | 10                       | —                   | 28,549                   | 29,964               |
| Gain on sale of trust land                             | 13,595                  | 201,327              | —                        | —                   | 13,595                   | 201,327              |
| Miscellaneous revenue                                  | 339,967                 | 245,486              | 79,277                   | 77,764              | 419,244                  | 323,250              |
| <b>Total Revenues</b>                                  | <b>37,046,960</b>       | <b>34,755,019</b>    | <b>11,148,527</b>        | <b>6,519,256</b>    | <b>48,195,487</b>        | <b>41,274,275</b>    |
| Expenses:  |                         |                      |                          |                     |                          |                      |
| General government                                     | 1,194,320               | 793,504              | —                        | —                   | 1,194,320                | 793,504              |
| Health and welfare                                     | 18,201,947              | 16,873,025           | —                        | —                   | 18,201,947               | 16,873,025           |
| Inspection and regulation                              | 194,800                 | 149,976              | —                        | —                   | 194,800                  | 149,976              |
| Education  | 7,854,849               | 7,161,842            | —                        | —                   | 7,854,849                | 7,161,842            |
| Protection and safety                                  | 1,853,972               | 1,601,975            | —                        | —                   | 1,853,972                | 1,601,975            |
| Transportation   | 971,909                 | 842,112              | —                        | —                   | 971,909                  | 842,112              |
| Natural resources                                      | 238,873                 | 235,835              | —                        | —                   | 238,873                  | 235,835              |
| Intergovernmental revenue sharing                      | 3,874,998               | 3,708,063            | —                        | —                   | 3,874,998                | 3,708,063            |
| Interest on long-term debt                             | 140,206                 | 172,071              | —                        | —                   | 140,206                  | 172,071              |
| Universities   | —                       | —                    | 5,882,039                | 5,476,780           | 5,882,039                | 5,476,780            |
| Unemployment compensation                              | —                       | —                    | 5,889,387                | 230,259             | 5,889,387                | 230,259              |
| Other business-type activities                         | —                       | —                    | 988,092                  | 947,792             | 988,092                  | 947,792              |
| <b>Total Expenses</b>                                  | <b>34,525,874</b>       | <b>31,538,403</b>    | <b>12,759,518</b>        | <b>6,654,831</b>    | <b>47,285,392</b>        | <b>38,193,234</b>    |
| Excess (deficiency) before contributions and transfers | 2,521,086               | 3,216,616            | (1,610,991)              | (135,575)           | 910,095                  | 3,081,041            |
| Contributions to permanent endowments                  | —                       | —                    | 2,873                    | 6,838               | 2,873                    | 6,838                |
| Transfers  | (577,672)               | (495,502)            | 577,672                  | 495,502             | —                        | —                    |
| <b>Change in Net Position</b>                          | <b>1,943,414</b>        | <b>2,721,114</b>     | <b>(1,030,446)</b>       | <b>366,765</b>      | <b>912,968</b>           | <b>3,087,879</b>     |
| Net Position - Beginning, as restated                  | 26,229,016              | 23,601,891           | 3,998,436                | 3,647,233           | 30,227,452               | 27,249,124           |
| <b>Net Position - Ending</b>                           | <b>\$ 28,172,430</b>    | <b>\$ 26,323,005</b> | <b>\$ 2,967,990</b>      | <b>\$ 4,013,998</b> | <b>\$ 31,140,420</b>     | <b>\$ 30,337,003</b> |

For additional information on the difference between fiscal year 2019 ending net position and fiscal year 2020 beginning net position, see Note 8.B.

## Change in Net Position

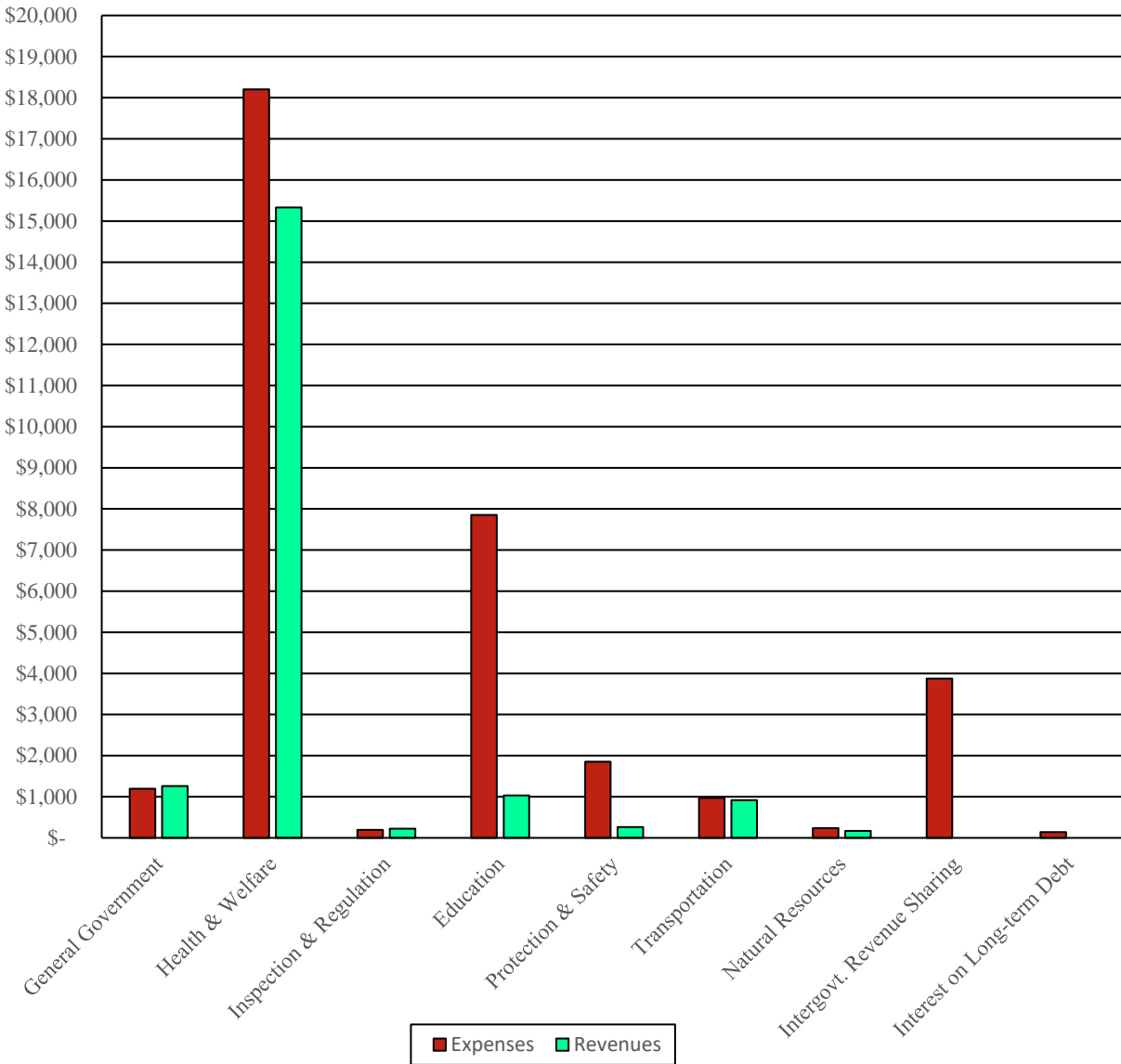
*Governmental Activities* - Net Position increased by \$1.9 billion from fiscal year 2019, or a 7% increase from fiscal year 2019. Reported sales and income tax revenues increased by \$520.7 million, or 7% and \$273.2 million, or 5%, from fiscal year 2019, respectively. The increase in tax collections generally reflects increased economic activity in the State during fiscal year 2020. Net taxable sales increased by 5% from fiscal year 2019, resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2020 were in retail and contracting. A new tax, remote seller/marketplace facilitator also contributed to the increase in reported sales. These increases were offset with a decrease in net taxable sales for restaurants and bars. The increase in income tax revenue for the State during fiscal year 2020 reflects increased withholding and corporate tax collections, offset with decreases of individual tax withholdings. Furthermore, operating grants and contributions increased by \$1.5 billion (10%) over fiscal year 2019. This increase is mostly attributable to the rise in federal and local government grants received by: (1) the Arizona Health Care Cost Containment System (AHCCCS) due to an increase in the Federal Medical Assistance Percentage of 6.2% from the Families First Coronavirus Response Act as well as increases in the funding received for the designated State health programs for the targeted investment program, access to professional services initiative and hospital assessment collections, (2) the Department of Economic Security as both the capitation and membership for the long-term care system fund increased, and (3) the Department for Child Safety partially due to COVID-19 funding. The increase in operating grants and contributions discussed above was offset by a decrease of \$348.8 million in the amount of gains in the fair value of the Permanent Fund investment portfolio from fiscal year 2019. The increase in health and welfare expenses of \$1.3 billion (8%) is mostly due to AHCCCS utilization, capitation rate increases, the additional opioid substance use disorders grants, and enrollment growth. The increase in education expenses of \$693.0 million (10%) was primarily due to the second year of a 3-year plan to raise teacher salaries by 20%, the second and third years of a 5-year plan to restore additional assistance funding, increased student enrollment growth, and inflation. Additionally, the Governor's office received \$1.9 billion in COVID-19 relief monies from the federal government of which \$1.2 billion was unearned at June 30, 2020. The Governor's office distributed approximately \$434.0 million to State agencies and \$248.4 million to municipalities and counties which mostly attributed to the general government expenses increase of \$400.8 million (51%).

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2019 and 2020. 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 |                      |
|-----------------------------------|------------------------|----------------------|-------------------------------|----------------------|
|                                   | 2020                   | 2019                 | 2020                          | 2019                 |
| <b>Functions/Programs:</b>        |                        |                      |                               |                      |
| General government                | \$ 1,194,320           | \$ 793,504           | \$ (67,307)                   | \$ 373,125           |
| Health and welfare                | 18,201,947             | 16,873,025           | 2,869,155                     | 2,772,886            |
| Inspection and regulation         | 194,800                | 149,976              | (27,083)                      | (48,446)             |
| Education                         | 7,854,849              | 7,161,842            | 6,824,301                     | 5,616,986            |
| Protection and safety             | 1,853,972              | 1,601,975            | 1,592,141                     | 1,355,163            |
| Transportation                    | 971,909                | 842,112              | 56,012                        | (79,437)             |
| Natural resources                 | 238,873                | 235,835              | 69,171                        | 41,783               |
| Intergovernmental revenue sharing | 3,874,998              | 3,708,063            | 3,874,998                     | 3,708,063            |
| Interest on long-term debt        | 140,206                | 172,071              | 140,206                       | 172,071              |
| Total Governmental Activities     | <u>\$ 34,525,874</u>   | <u>\$ 31,538,403</u> | <u>\$ 15,331,594</u>          | <u>\$ 13,912,194</u> |

**Expenses and Program Revenues  
Governmental Activities for Fiscal Year 2020  
(in millions of dollars)**



*Business-type Activities* - Net Position decreased by \$1.0 billion from fiscal year 2019, or 26%. This decrease is primarily due to decreases in net position for the Unemployment Compensation Fund and the Universities of \$961.6 million and \$74.4 million, respectively. The Unemployment Compensation Fund's operating revenue increased by \$4.5 billion, and cost of sales (unemployment insurance claims) increased by \$5.7 billion. The fund experienced an unprecedented amount of activity due to the impacts of COVID-19 as the number of claims filed rose from 197,855 in fiscal year 2019 to 873,422 in fiscal year 2020 representing a 341.4% increase. The Universities' operating revenue increased by \$60.2 million over fiscal year 2019 mostly due to an increase in net student tuition and fees revenue, largely as a result of an increase in enrollment and a modest increase in tuition and fee rates. This increase was offset by the Universities' rise in operating expenses of \$408.0 million primarily due to increases in expenses for instructional, student support, and research activities and increases in pension and other post-employment benefits due to recognition of actuarial differences between expected and actual experience as well as changes in actuarial assumptions. Non-operating revenues and transfers from the General Fund helped to offset the increase in operating expenses.

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 2019 and 2020. 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.

| <b>Business-type Activities<br/>(expressed in thousands)</b> |                               |              |                                      |             |  |
|--|-------------------------------|--------------|--------------------------------------|-------------|--|
|  | <b>Total Cost of Services</b> |              | <b>Net Cost (Income) of Services</b> |             |  |
|  | <b>2020</b>                   | <b>2019</b>  | <b>2020</b>                          | <b>2019</b> |  |
| <b>Functions/Programs:</b>                                   |                               |              |                                      |             |  |
| Universities   | \$ 5,882,039                  | \$ 5,476,780 | \$ 1,123,169                         | \$ 906,292  |  |
| Unemployment compensation                                    | 5,889,387                     | 230,259      | 964,922                              | 448,170     |  |
| Other  | 988,092                       | 947,792      | (223,584)                            | (922,792)   |  |
| Total Business-type Activities                               | \$ 12,759,518                 | \$ 6,654,831 | \$ 1,864,507                         | \$ 431,670  |  |

## 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, 2020, the non-spendable, restricted and committed fund balances were: \$15.7 million, \$1.7 billion, and \$257.6 million, respectively.

The fund balance of the State's General Fund increased \$872.7 million during the fiscal year. Revenues exceeded expenditures by \$1.6 billion, before other financing sources and uses. However, other financing sources and uses offset this excess by \$769.7 million, which consisted 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 \$2.8 billion (10%) and expenditures increased by \$2.9 billion (11%) from fiscal year 2019. Primary reasons for increases in fund balance during the fiscal year are increased sales and income taxes and increased intergovernmental revenue, including a rise in federal and local government funding received by AHCCCS and the Department of Education. Primary reasons for decreases in fund balance during the fiscal year are due to expenditure increases for health and welfare, education, and general government. The significant increases and decreases were discussed in the government-wide financial analysis beginning on **page 27**.

### 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 decreased by \$92.0 million during fiscal year 2020. Although, revenues exceeded expenditures by \$189.8 million, transfers to non-major governmental funds of \$314.3 million, to pay debt service, largely offset this excess. Overall, revenue increased by \$18.2 million (1%) and expenditures increased by \$306.2 million (11%), 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 2020, the Land Endowments Fund total fund balance decreased by \$223.6 million. Endowment investments decreased by \$220.4 million at fiscal year end, mainly due to a net decrease in the fair value of investments of \$122.9 million, decreased land sales of \$15.2 million, and increased distributions resulting from Proposition 123. This was partially offset by realized gains of \$149.2 million.

## 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 27**.

### 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 \$3.4 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- \$662.0 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$1.1 billion increase to the Department of Education's original budget is primarily due to the basic state aid deferred payment from fiscal year 2019, which was appropriated as a supplemental appropriation in the fiscal year 2020 budget, as well as teacher salary increases that are in addition to teacher salary increases provided for in fiscal year 2019, and additional state aid funding.
- The \$611.0 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for traditional Medicaid services, voluntary payments from political subdivisions related to graduate medical education, Arizona Long Term Care Services, and Proposition 204 services.
- The \$445.6 million increase to the General Accounting Office's original budget is primarily due to General Fund transfers for the System Conservation Fund to implement the Lower Basin State Drought Contingency Plan; for the School Facilities Board for the construction of facilities for school districts; for the Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater; for the Universities for the Capital Infrastructure Fund; for the Crisis Contingency and Safety Net Fund which may only be spent following a state of emergency declaration by the governor for: housing assistance, services for homeless persons, economic assistance to small businesses, non-profit organizations and health care providers, and food bank operations; 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 81**
- The \$190.4 million increase to the Arizona Department of Administration's (ADOA) original budget is primarily due to a supplemental appropriation for retirement of lease-purchase agreements.
- The \$62.0 million increase to the Universities' original budget is primarily due to one-time funding increases, and for lease-purchase payments for research infrastructure facilities.
- The \$58.8 million increase to the Treasurer's original budget is primarily due to supplemental appropriations to the Public Health Emergencies Fund to pay the expenses of public health emergency responses of the State following a state of emergency declaration by the governor related to COVID-19, and community college out-of-county reimbursements.
- The \$53.8 million increase to the Health Services' original budget is primarily due to supplemental appropriations for the Public Health Emergencies Fund to pay the expenses of the State's responses to the public health emergency declaration by the governor related to COVID-19 and salary increases for the Arizona State Hospital.

The actual expenditures were less than the final budget by \$1.7 billion. Of this amount, \$174.3 million will continue as legislative multiple fiscal year spending authority for fiscal years 2021 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$1.5 billion represents the unused portion of the State's legislatively authorized annual operating budget.

**Additional budgetary information can be found on pages 157-170 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, 2020 totaled \$32.0 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 5% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$514.3 million.

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

- The ADOT started or completed roads and bridges totaling \$690.0 million during the fiscal year.
- The Universities' additions to capital assets totaled \$752.1 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, 2020 and 2019 are presented below (expressed in thousands):

|                                   | Governmental Activities |               | Business-type Activities |              | Total         |               |
|-----------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|                                   | 2020                    | 2019          | 2020                     | 2019         | 2020          | 2019          |
| Land                              | \$ 3,654,586            | \$ 3,680,293  | \$ 295,034               | \$ 299,057   | \$ 3,949,620  | \$ 3,979,350  |
| Buildings                         | 2,497,082               | 2,490,482     | 7,753,845                | 7,365,896    | 10,250,927    | 9,856,378     |
| Improvements other than buildings | 213,009                 | 207,893       | 16,233                   | 15,739       | 229,242       | 223,632       |
| Equipment                         | 950,911                 | 956,995       | 1,739,250                | 1,668,165    | 2,690,161     | 2,625,160     |
| Software and other intangibles    | 523,640                 | 416,770       | 161,510                  | 160,295      | 685,150       | 577,065       |
| Collections (non-depreciable)     | —                       | —             | 28,006                   | 22,330       | 28,006        | 22,330        |
| Infrastructure                    | 16,590,211              | 16,473,601    | 681,996                  | 630,125      | 17,272,207    | 17,103,726    |
| Construction in progress          | 3,553,636               | 2,953,055     | 445,445                  | 342,683      | 3,999,081     | 3,295,738     |
| Development in progress           | 53,228                  | 114,547       | 77,546                   | 77,364       | 130,774       | 191,911       |
| Total Capital Assets              | 28,036,303              | 27,293,636    | 11,198,865               | 10,581,654   | 39,235,168    | 37,875,290    |
| Less: accumulated depreciation    | (2,288,170)             | (2,200,372)   | (4,940,032)              | (4,638,666)  | (7,228,202)   | (6,839,038)   |
| Total Capital Assets, Net         | \$ 25,748,133           | \$ 25,093,264 | \$ 6,258,833             | \$ 5,942,988 | \$ 32,006,966 | \$ 31,036,252 |

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 4,900 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 3.54 was achieved for fiscal year 2020.

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 0.9% of the bridges were so classified for fiscal year 2020.

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 completes 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 freeway is now substantially complete. Actual costs incurred by the ADOT through June 30, 2020 for this project are \$1.6 billion.

**More detailed information regarding capital assets is on pages 100 and 101.**

## 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 refunding bonds for \$510.3 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.
- The ADOA issued revenue refunding bonds and refunding certificates of participation totaling \$671.4 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.
- The Universities issued revenue bonds and revenue refunding bonds for \$573.3 million primarily to fund the purchase, construction and renovation of capital facilities and to refund existing debt.

### State of Arizona-Primary Government Outstanding Major Long-Term Debt as of June 30, 2020 and 2019 (expressed in thousands)

|                               | Governmental Activities |              | Business-type Activities |              | Total        |              |
|-------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                               | 2020                    | 2019         | 2020                     | 2019         | 2020         | 2019         |
| Revenue bonds                 | \$ 2,100,710            | \$ 2,366,595 | \$ 3,243,430             | \$ 3,296,480 | \$ 5,344,140 | \$ 5,663,075 |
| Grant anticipation notes      | 204,220                 | 223,885      | —                        | —            | 204,220      | 223,885      |
| Certificates of participation | 958,270                 | 1,393,865    | 307,510                  | 451,831      | 1,265,780    | 1,845,696    |
| Capital leases                | 136,745                 | 152,153      | 117,336                  | 124,952      | 254,081      | 277,105      |
| Total                         | \$ 3,399,945            | \$ 4,136,498 | \$ 3,668,276             | \$ 3,873,263 | \$ 7,068,221 | \$ 8,009,761 |

More detailed information regarding long-term debt can be found on pages 117-130

## ECONOMIC CONDITION AND OUTLOOK

The Office of Economic Opportunity within the ADOA is forecasting the State to gain a projected 325,040 jobs, representing an annual growth rate of 5.5% over the two-year projected employment period of 2020 (quarter 2) to 2022 (quarter 2).

*The following budgetary information is based on the State of Arizona's Fiscal Year 2021 Appropriations Report that was updated to reflect COVID-19 impacts.*

The State's fiscal year 2021 General Fund budget reflects projected growth in base revenues of 3.8%. The net revenues are projected to decline from \$11.7 billion in fiscal year 2020 to \$11.1 billion in fiscal year 2021. General Fund spending is projected to decrease from \$11.9 billion in fiscal year 2020 to \$11.6 billion in fiscal year 2021. The budget includes increased spending for K-12 education changes, increases for AHCCCS spending, offset with decreases for School Facilities Board (SFB) spending and decreases for University and Community college funding. The General Fund fiscal year 2021 cash balance is projected to be a \$518.0 million shortfall.

The enacted budget's 3-year spending plan provides estimates of fiscal year 2022 and fiscal year 2023 spending.

The fiscal year 2022 General Fund budget was initially forecasted to have revenues of \$12.4 billion and expenditures of \$12.1 billion, with a \$212.0 million balance. After accounting for the June budget update (due to COVID-19) and technical adjustments, fiscal year 2022 revenues are projected to be \$11.7 billion compared to spending of \$12.4 billion, reflecting a loss in revenues as well as expected increased Medicaid expenditures. The fiscal year 2022 balance is estimated to be a \$720.0 million shortfall assuming the fiscal year 2021 shortfall is resolved. The fiscal year 2022 ongoing revenue estimates are primarily based on a net growth rate of 4.4%. The fiscal year 2022 spending projection includes statutory formula caseload growth (including higher Medicaid expenditures as a result of the COVID-19 pandemic) and removal of fiscal year 2021 spending categorized as one-time in the fiscal year 2021 budget process. It also reflects new one-time spending, including \$43.0 million in one-time fiscal year 2022 spending to complete SFB school construction projects started in fiscal year 2021 and start SFB projects anticipated to begin

in fiscal year 2022, \$68.0 million to accelerate the final year of additional assistance phase-in for schools, \$30.0 million to pay off a portion of the K-12 rollover, and \$20.0 million for the costs of a 27<sup>th</sup> pay period for Universities' employees.

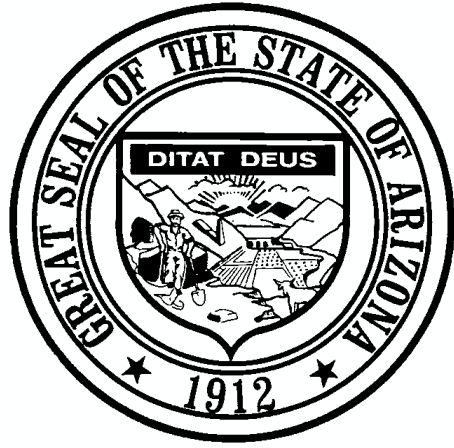
The fiscal year 2023 General Fund budget was initially forecasted to have revenues of \$12.8 billion and expenditures of \$12.4 billion, with a \$433.0 million balance. After accounting for the June budget update (due to COVID-19) and technical adjustments, fiscal year 2023 revenues are projected to be \$12.2 billion compared to spending of \$12.5 billion, again reflecting a loss in revenues as well as expected increased Medicaid expenditures. The fiscal year 2023 budget is estimated to have a \$293.0 million shortfall, assuming the fiscal year 2022 shortfall is resolved. The fiscal year 2023 ongoing revenue estimates are primarily based on a net growth rate of 5.1%. The fiscal year 2023 spending projection includes statutory formula caseload growth (including higher Medicaid expenditures as a result of the COVID-19 pandemic) and removal of one-time fiscal year 2022 spending. It also reflects new one-time spending, including \$77.0 million to complete SFB school construction projects anticipated to start in fiscal year 2022 and start SFB projects anticipated to begin in fiscal year 2023.

In response to COVID-19, Arizona is set to receive approximately \$4.8 billion in COVID relief funds from the recently passed American Rescue Plan Act of 2021. These funds will be used to respond to COVID-19 or its negative economic impacts, premium pay to essential workers, lost revenues, and water/sewer/broadband infrastructure.

### **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 71**.



# BASIC FINANCIAL STATEMENTS

**BASIC FINANCIAL STATEMENTS**

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
JUNE 30, 2020  
(Expressed in Thousands)

|   | PRIMARY GOVERNMENT         |                             |                             | COMPONENT<br>UNITS |
|---|----------------------------|-----------------------------|-----------------------------|--------------------|
|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL PRIMARY<br>GOVERNMENT |                    |
| <b>ASSETS</b>   |                            |                             |                             |                    |
| Current Assets:   |                            |                             |                             |                    |
| Cash  | \$ 4,031                   | \$ 403,453                  | \$ 407,484                  | \$ 37,406          |
| Cash with U.S. Treasury   | —                          | 998,787                     | 998,787                     | —                  |
| Cash and pooled investments<br>with State Treasurer                             | 6,585,297                  | 251,099                     | 6,836,396                   | 464,985            |
| Restricted cash and pooled investments<br>with State Treasurer                  | 354,649                    | —                           | 354,649                     | —                  |
| Cash held by trustee  | —                          | —                           | —                           | 26,418             |
| Collateral investment pool  | 261,685                    | —                           | 261,685                     | 7,699              |
| Short-term investments  | —                          | 397,556                     | 397,556                     | 134,648            |
| Restricted investments held by trustee  | —                          | —                           | —                           | 1,163              |
| Receivables, net of allowances:   |                            |                             |                             |                    |
| Taxes   | 1,729,235                  | 74,083                      | 1,803,318                   | —                  |
| Interest  | 18,008                     | 2,068                       | 20,076                      | 4,116              |
| Loans and notes   | 21,113                     | 2,892                       | 24,005                      | 61,344             |
| Other   | 552,549                    | 299,439                     | 851,988                     | 7,537              |
| Internal balances   | (11,532)                   | 11,532                      | —                           | —                  |
| Due from U.S. Government  | 897,097                    | 188,527                     | 1,085,624                   | —                  |
| Due from local governments  | 82,843                     | —                           | 82,843                      | —                  |
| Due from others   | 250,862                    | —                           | 250,862                     | —                  |
| Due from primary government   | —                          | —                           | —                           | 1,325              |
| Inventories, at cost  | 18,763                     | 16,824                      | 35,587                      | —                  |
| Other current assets  | 17,036                     | 30,592                      | 47,628                      | 678                |
| Total Current Assets  | <u>10,781,636</u>          | <u>2,676,852</u>            | <u>13,458,488</u>           | <u>747,319</u>     |
| Noncurrent Assets:  |                            |                             |                             |                    |
| Restricted assets:  |                            |                             |                             |                    |
| Cash  | 21                         | 21,070                      | 21,091                      | —                  |
| Cash and pooled investments<br>with State Treasurer                             | 1,083,893                  | —                           | 1,083,893                   | 11,965             |
| Cash held by trustee  | 51,360                     | 329,226                     | 380,586                     | 82,686             |
| Investments   | 3,346                      | —                           | 3,346                       | —                  |
| Investments held by trustee   | —                          | 290,558                     | 290,558                     | 1,803              |
| Receivables, net of allowances:   |                            |                             |                             |                    |
| Loans and notes   | 119,740                    | 25,591                      | 145,331                     | 671,659            |
| Securities held in escheat  | 47,930                     | —                           | 47,930                      | —                  |
| Equity interest in joint venture  | —                          | 8,834                       | 8,834                       | —                  |
| Investments   | —                          | 1,197,432                   | 1,197,432                   | 158,304            |
| Endowment investments   | 5,819,940                  | 576,200                     | 6,396,140                   | —                  |
| Net OPEB asset  | 35,981                     | 55                          | 36,036                      | 1                  |
| Other noncurrent assets   | —                          | 11,162                      | 11,162                      | 23,075             |
| Capital assets:   |                            |                             |                             |                    |
| Infrastructure, land, and other non-depreciable                                 | 23,828,576                 | 846,031                     | 24,674,607                  | 22,796             |
| Buildings, equipment, and other depreciable,<br>net of accumulated depreciation | 1,919,557                  | 5,412,802                   | 7,332,359                   | 78,595             |
| Total Noncurrent Assets   | <u>32,910,344</u>          | <u>8,718,961</u>            | <u>41,629,305</u>           | <u>1,050,884</u>   |
| Total Assets  | <u>43,691,980</u>          | <u>11,395,813</u>           | <u>55,087,793</u>           | <u>1,798,203</u>   |

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

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2020  
 (Expressed in Thousands)

|  | PRIMARY GOVERNMENT         |                             |                             | COMPONENT<br>UNITS |
|--|----------------------------|-----------------------------|-----------------------------|--------------------|
|  | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL PRIMARY<br>GOVERNMENT |                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                            |                             |                             |                    |
| Related to pensions  | \$ 601,052                 | \$ 219,836                  | \$ 820,888                  | \$ 404             |
| Related to OPEB  | 153,233                    | 167,753                     | 320,986                     | 22                 |
| Loss on debt refundings  | 90,049                     | 76,639                      | 166,688                     | 35,783             |
| Interest rate swap   | —                          | 20,107                      | 20,107                      | —                  |
| Total Deferred Outflows of Resources                             | 844,334                    | 484,335                     | 1,328,669                   | 36,209             |
| <b>LIABILITIES</b>   |                            |                             |                             |                    |
| Current Liabilities:   |                            |                             |                             |                    |
| Accounts payable and other current liabilities                   | 672,817                    | 287,217                     | 960,034                     | 12,235             |
| Payable for securities purchased                                 | —                          | 2,675                       | 2,675                       | —                  |
| Accrued liabilities  | 1,299,209                  | 164,460                     | 1,463,669                   | 5,424              |
| Obligations under securities loan agreements                     | 261,685                    | —                           | 261,685                     | 7,699              |
| Tax refunds payable  | 6,831                      | —                           | 6,831                       | —                  |
| Due to U.S. Government   | 351,066                    | 36,309                      | 387,375                     | —                  |
| Due to local governments   | 1,719,268                  | —                           | 1,719,268                   | —                  |
| Due to others  | 615,466                    | 730,371                     | 1,345,837                   | —                  |
| Due to component units   | 1,325                      | —                           | 1,325                       | —                  |
| Unearned revenue   | 1,323,205                  | 545,645                     | 1,868,850                   | 2,468              |
| Current portion of accrued insurance losses                      | 145,955                    | 11,462                      | 157,417                     | 24,783             |
| Current portion of long-term debt and<br>other lease obligations | 436,109                    | 273,410                     | 709,519                     | 34,987             |
| Current portion of other long-term liabilities                   | 183,707                    | 19,926                      | 203,633                     | 100                |
| Total Current Liabilities  | 7,016,643                  | 2,071,475                   | 9,088,118                   | 87,696             |
| Noncurrent Liabilities:  |                            |                             |                             |                    |
| Unearned revenue   | 70,458                     | —                           | 70,458                      | 6,228              |
| Accrued insurance losses   | 364,472                    | 221,868                     | 586,340                     | 201,501            |
| Funds held for others  | —                          | 19,347                      | 19,347                      | —                  |
| Net pension liability  | 3,993,889                  | 1,476,605                   | 5,470,494                   | 2,553              |
| Net OPEB liability   | 757,300                    | 524,692                     | 1,281,992                   | 90                 |
| Long-term debt and other lease obligations                       | 3,420,778                  | 4,058,338                   | 7,479,116                   | 580,844            |
| Derivative instrument - interest rate swap                       | —                          | 20,107                      | 20,107                      | —                  |
| Other long-term liabilities                                      | 222,219                    | 124,374                     | 346,593                     | —                  |
| Total Noncurrent Liabilities                                     | 8,829,116                  | 6,445,331                   | 15,274,447                  | 791,216            |
| Total Liabilities  | 15,845,759                 | 8,516,806                   | 24,362,565                  | 878,912            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                            |                             |                             |                    |
| Related to pensions  | 316,254                    | 88,402                      | 404,656                     | 480                |
| Related to OPEB  | 128,149                    | 113,946                     | 242,095                     | 15                 |
| Resources received before time<br>requirements met               | —                          | 191,030                     | 191,030                     | —                  |
| Gain on debt refundings  | 73,722                     | 1,974                       | 75,696                      | —                  |
| Total Deferred Inflows of Resources                              | 518,125                    | 395,352                     | 913,477                     | 495                |

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

(Continued)



STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2020  
 (Expressed in Thousands)

|                                       | PRIMARY GOVERNMENT         |                             |                             | COMPONENT<br>UNITS |
|---------------------------------------|----------------------------|-----------------------------|-----------------------------|--------------------|
|                                       | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL PRIMARY<br>GOVERNMENT |                    |
| <b>NET POSITION</b>                   |                            |                             |                             |                    |
| Net investment in capital assets      | \$ 22,951,428              | \$ 2,291,691                | \$ 25,243,119               | \$ 48,102          |
| Restricted for:                       |                            |                             |                             |                    |
| General government                    | 1,231,360                  | —                           | 1,231,360                   | —                  |
| Health and welfare                    | 422,568                    | —                           | 422,568                     | —                  |
| Inspection and regulation             | 10,502                     | —                           | 10,502                      | —                  |
| Education                             | 439,020                    | —                           | 439,020                     | —                  |
| Protection and safety                 | 52,388                     | —                           | 52,388                      | —                  |
| Natural resources                     | 17,455                     | —                           | 17,455                      | —                  |
| Unemployment Compensation             | —                          | 153,126                     | 153,126                     | —                  |
| Capital projects                      | 765,472                    | 17,466                      | 782,938                     | —                  |
| Debt service                          | —                          | 30,813                      | 30,813                      | 82,382             |
| Permanent funds and University funds: |                            |                             |                             |                    |
| Expendable                            | —                          | 337,350                     | 337,350                     | —                  |
| Nonexpendable                         | 5,954,964                  | 264,017                     | 6,218,981                   | —                  |
| Loans and other financial assistance: |                            |                             |                             |                    |
| Expendable                            | 9,871                      | —                           | 9,871                       | 668,230            |
| Other                                 | —                          | 20,241                      | 20,241                      | 31,776             |
| Unrestricted (deficit)                | (3,682,598)                | (146,714)                   | (3,829,312)                 | 124,515            |
| <b>Total Net Position</b>             | <b>\$ 28,172,430</b>       | <b>\$ 2,967,990</b>         | <b>\$ 31,140,420</b>        | <b>\$ 955,005</b>  |

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, 2020  
(Expressed in Thousands)

**ASSETS**

|  |                  |
|--|------------------|
| Cash and cash equivalent investments                       | \$ 148,961       |
| Receivables:   |                  |
| Pledges receivable   | 260,514          |
| Notes receivable   | 13,542           |
| Other receivables  | 60,475           |
| Total receivables  | <u>334,531</u>   |
| Investments:   |                  |
| Investments in securities                                  | 2,380,163        |
| Other investments  | 95,880           |
| Total investments  | <u>2,476,043</u> |
| Net direct financing leases                                | 58,371           |
| Property and equipment, net of<br>accumulated depreciation | 189,209          |
| Other assets   | 31,348           |
| Total Assets   | <u>3,238,463</u> |

**LIABILITIES**

|  |                |
|--|----------------|
| Accounts payable and accrued liabilities   | 46,516         |
| Liability under endowment trust agreements | 495,274        |
| Long-term debt                             | 324,768        |
| Deferred revenue                           | 24,546         |
| Other liabilities                          | 35,545         |
| Total Liabilities                          | <u>926,649</u> |

**NET ASSETS**

|                            |                     |
|----------------------------|---------------------|
| With donor restrictions    | 2,117,496           |
| Without donor restrictions | 194,318             |
| Total Net Assets           | <u>\$ 2,311,814</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, 2020  
 (Expressed in Thousands)

| FUNCTIONS/PROGRAMS                | EXPENSES             | PROGRAM REVENUES     |                                    |                                  |
|-----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                   |                      | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| <b>PRIMARY GOVERNMENT:</b>        |                      |                      |                                    |                                  |
| Governmental Activities:          |                      |                      |                                    |                                  |
| General government                | \$ 1,194,320         | \$ 230,511           | \$ 1,031,116                       | \$ —                             |
| Health and welfare                | 18,201,947           | 563,157              | 14,757,360                         | 12,275                           |
| Inspection and regulation         | 194,800              | 176,051              | 45,832                             | —                                |
| Education                         | 7,854,849            | 65,534               | 965,014                            | —                                |
| Protection and safety             | 1,853,972            | 118,003              | 143,828                            | —                                |
| Transportation                    | 971,909              | 209,658              | 152,493                            | 553,746                          |
| Natural resources                 | 238,873              | 95,166               | 73,606                             | 930                              |
| Intergovernmental revenue sharing | 3,874,998            | —                    | —                                  | —                                |
| Interest on long-term debt        | 140,206              | —                    | —                                  | —                                |
| Total Governmental Activities     | <u>34,525,874</u>    | <u>1,458,080</u>     | <u>17,169,249</u>                  | <u>566,951</u>                   |
| Business-type Activities:         |                      |                      |                                    |                                  |
| Universities                      | 5,882,039            | 2,974,123            | 1,678,013                          | 106,734                          |
| Unemployment Compensation         | 5,889,387            | 379,451              | 4,545,014                          | —                                |
| Other                             | 988,092              | 1,211,676            | —                                  | —                                |
| Total Business-type Activities    | <u>12,759,518</u>    | <u>4,565,250</u>     | <u>6,223,027</u>                   | <u>106,734</u>                   |
| Total Primary Government          | <u>\$ 47,285,392</u> | <u>\$ 6,023,330</u>  | <u>\$ 23,392,276</u>               | <u>\$ 673,685</u>                |
| <b>COMPONENT UNITS:</b>           |                      |                      |                                    |                                  |
| Arizona Finance Authority         | \$ 85,362            | \$ 83,993            | \$ 36,107                          | \$ —                             |
| Other Component Units             | 89,134               | 47,581               | 4,332                              | —                                |
| Total Component Units             | <u>\$ 174,496</u>    | <u>\$ 131,574</u>    | <u>\$ 40,439</u>                   | <u>\$ —</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
- Gain on forgiveness of debt
- 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. M.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

| PRIMARY GOVERNMENT         |                             |                                |                    |
|----------------------------|-----------------------------|--------------------------------|--------------------|
| GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL<br>PRIMARY<br>GOVERNMENT | COMPONENT<br>UNITS |
| \$ 67,307                  |                             | \$ 67,307                      |                    |
| (2,869,155)                |                             | (2,869,155)                    |                    |
| 27,083                     |                             | 27,083                         |                    |
| (6,824,301)                |                             | (6,824,301)                    |                    |
| (1,592,141)                |                             | (1,592,141)                    |                    |
| (56,012)                   |                             | (56,012)                       |                    |
| (69,171)                   |                             | (69,171)                       |                    |
| (3,874,998)                |                             | (3,874,998)                    |                    |
| (140,206)                  |                             | (140,206)                      |                    |
| <u>(15,331,594)</u>        |                             | <u>(15,331,594)</u>            |                    |
|                            | \$ (1,123,169)              | (1,123,169)                    |                    |
|                            | (964,922)                   | (964,922)                      |                    |
|                            | 223,584                     | 223,584                        |                    |
|                            | <u>(1,864,507)</u>          | <u>(1,864,507)</u>             |                    |
| <u>(15,331,594)</u>        | <u>(1,864,507)</u>          | <u>(17,196,101)</u>            |                    |
|                            |                             |                                | \$ 34,738          |
|                            |                             |                                | <u>(37,221)</u>    |
|                            |                             |                                | <u>(2,483)</u>     |
| 8,193,712                  | 81,701                      | 8,275,413                      | —                  |
| 5,852,309                  | —                           | 5,852,309                      | —                  |
| 295,163                    | —                           | 295,163                        | —                  |
| 42,601                     | —                           | 42,601                         | —                  |
| 2,256,884                  | —                           | 2,256,884                      | —                  |
| 684,256                    | —                           | 684,256                        | —                  |
| 145,654                    | 92,528                      | 238,182                        | 21,192             |
| 28,539                     | 10                          | 28,549                         | 215                |
| 13,595                     | —                           | 13,595                         | —                  |
| —                          | —                           | —                              | 38,727             |
| —                          | —                           | —                              | 41,278             |
| 339,967                    | 79,277                      | 419,244                        | 232                |
| —                          | 2,873                       | 2,873                          | —                  |
| (577,672)                  | 577,672                     | —                              | —                  |
| <u>17,275,008</u>          | <u>834,061</u>              | <u>18,109,069</u>              | <u>101,644</u>     |
| <u>1,943,414</u>           | <u>(1,030,446)</u>          | <u>912,968</u>                 | <u>99,161</u>      |
| <u>26,229,016</u>          | <u>3,998,436</u>            | <u>30,227,452</u>              | <u>855,844</u>     |
| <u>\$ 28,172,430</u>       | <u>\$ 2,967,990</u>         | <u>\$ 31,140,420</u>           | <u>\$ 955,005</u>  |

STATE OF ARIZONA  
**STATEMENT OF ACTIVITIES**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|                                       | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| <b>REVENUES</b>                       |                               |                            |                     |
| Contributions                         | \$ 57,805                     | \$ 291,338                 | \$ 349,143          |
| Rental revenue                        | 46,284                        | —                          | 46,284              |
| Sales and services                    | 52,343                        | —                          | 52,343              |
| Net investment income                 | (30,262)                      | 6,205                      | (24,057)            |
| Grants and aid                        | 37,517                        | 890                        | 38,407              |
| Other revenues                        | 25,837                        | 2,847                      | 28,684              |
| Net assets released from restrictions | 262,036                       | (262,036)                  | —                   |
| Total Revenues                        | <u>451,560</u>                | <u>39,244</u>              | <u>490,804</u>      |
| <b>EXPENSES</b>                       |                               |                            |                     |
| Program services:                     |                               |                            |                     |
| Payments to Universities              | 240,507                       | —                          | 240,507             |
| Leasing related expenses              | 12,396                        | —                          | 12,396              |
| Payments on behalf of Universities    | 16,941                        | —                          | 16,941              |
| Other program services                | 10,512                        | —                          | 10,512              |
| Management and general expenses       | 117,119                       | —                          | 117,119             |
| Fundraising expenses                  | 14,285                        | —                          | 14,285              |
| Interest                              | 9,616                         | —                          | 9,616               |
| Depreciation and amortization         | 11,968                        | —                          | 11,968              |
| Other expenses                        | 14,078                        | —                          | 14,078              |
| Total Expenses                        | <u>447,422</u>                | <u>—</u>                   | <u>447,422</u>      |
| Increase in Net Assets, before loss   | 4,138                         | 39,244                     | 43,382              |
| Loss on sale of capital assets        | (182)                         | —                          | (182)               |
| Increase in Net Assets                | 3,956                         | 39,244                     | 43,200              |
| Net Assets - Beginning                | 190,255                       | 2,078,359                  | 2,268,614           |
| Transfers                             | 107                           | (107)                      | —                   |
| Net Assets - Ending                   | <u>\$ 194,318</u>             | <u>\$ 2,117,496</u>        | <u>\$ 2,311,814</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, 2020  
(Expressed in Thousands)

|  | GENERAL<br>FUND     | TRANSPORTATION &<br>AVIATION PLANNING,<br>HIGHWAY<br>MAINTENANCE &<br>SAFETY FUND | LAND<br>ENDOWMENTS<br>FUND |
|--|---------------------|---|----------------------------|
| <b>ASSETS</b>  |                     |   |                            |
| Cash   | \$ 175              | \$ —  | \$ 28                      |
| Cash and pooled investments with State Treasurer                     | 4,471,878           | 443,702   | 115,475                    |
| Collateral investment pool   | 143,128             | —   | 103,157                    |
| Receivables, net of allowances:                                      |                     |   |                            |
| Taxes  | 1,562,732           | 65,308  | —                          |
| Interest   | 420                 | —   | 17,588                     |
| Loans and notes  | 38,083              | 409   | 102,361                    |
| Other  | 307,563             | 26,643  | 3,130                      |
| Due from U.S. Government   | 791,962             | 80,165  | —                          |
| Due from local governments   | 82,843              | —   | —                          |
| Due from others  | 249,562             | —   | —                          |
| Due from other funds   | 50,042              | 712   | 148                        |
| Inventories, at cost   | 15,710              | 437   | —                          |
| Restricted assets:   |                     |   |                            |
| Cash   | 21                  | —   | —                          |
| Cash and pooled investments with State Treasurer                     | 115,933             | 949,628   | —                          |
| Cash held by trustee   | 175                 | 1,698   | —                          |
| Investments  | 3,346               | —   | —                          |
| Securities held in escheat   | 47,930              | —   | —                          |
| Endowment investments  | —                   | —   | 5,819,940                  |
| Other  | —                   | —   | 19                         |
| Total Assets   | <u>\$ 7,881,503</u> | <u>\$ 1,568,702</u>   | <u>\$ 6,161,846</u>        |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> |                     |   |                            |
| Liabilities:   |                     |   |                            |
| Accounts payable and other current liabilities                       | \$ 473,326          | \$ 104,869  | \$ 7,315                   |
| Accrued liabilities  | 921,031             | 12,279  | 1,294                      |
| Obligations under securities loan agreements                         | 143,128             | —   | 103,157                    |
| Tax refunds payable  | 305                 | 6,526   | —                          |
| Due to U.S. Government   | 346,233             | —   | —                          |
| Due to local governments   | 1,308,802           | 148,024   | —                          |
| Due to component units   | 1,325               | —   | —                          |
| Due to others  | 602,513             | —   | —                          |
| Due to other funds   | 83,689              | 21,630  | 4,887                      |
| Unearned revenue   | 1,293,585           | 1,738   | 97,038                     |
| Total Liabilities  | <u>5,173,937</u>    | <u>295,066</u>  | <u>213,691</u>             |
| Deferred Inflows of Resources:                                       |                     |   |                            |
| Unavailable revenue  | 653,476             | 11,854  | 109,264                    |
| Fund Balances:   |                     |   |                            |
| Nonspendable   | 15,710              | 437   | 5,852,603                  |
| Restricted   | 1,691,058           | 762,441   | —                          |
| Committed  | 257,556             | 498,904   | —                          |
| Unassigned   | 89,766              | —   | (13,712)                   |
| Total Fund Balances  | <u>2,054,090</u>    | <u>1,261,782</u>  | <u>5,838,891</u>           |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances  | <u>\$ 7,881,503</u> | <u>\$ 1,568,702</u>   | <u>\$ 6,161,846</u>        |

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



| OTHER<br>GOVERNMENTAL<br>FUNDS |                  | TOTAL     |                   |
|--------------------------------|------------------|-----------|-------------------|
| \$                             | 3,828            | \$        | 4,031             |
|                                | 1,325,259        |           | 6,356,314         |
|                                | 15,400           |           | 261,685           |
|                                | 101,195          |           | 1,729,235         |
|                                | —                |           | 18,008            |
|                                | —                |           | 140,853           |
|                                | 16,905           |           | 354,241           |
|                                | 24,970           |           | 897,097           |
|                                | —                |           | 82,843            |
|                                | 1,300            |           | 250,862           |
|                                | 103,429          |           | 154,331           |
|                                | 637              |           | 16,784            |
|                                | —                |           | 21                |
|                                | 372,981          |           | 1,438,542         |
|                                | 49,487           |           | 51,360            |
|                                | —                |           | 3,346             |
|                                | —                |           | 47,930            |
|                                | —                |           | 5,819,940         |
|                                | 14               |           | 33                |
| <u>\$</u>                      | <u>2,015,405</u> | <u>\$</u> | <u>17,627,456</u> |

|           |                  |           |                   |
|-----------|------------------|-----------|-------------------|
| \$        | 59,031           | \$        | 644,541           |
|           | 61,522           |           | 996,126           |
|           | 15,400           |           | 261,685           |
|           | —                |           | 6,831             |
|           | —                |           | 346,233           |
|           | 262,442          |           | 1,719,268         |
|           | —                |           | 1,325             |
|           | 12,953           |           | 615,466           |
|           | 16,017           |           | 126,223           |
|           | 1,302            |           | 1,393,663         |
| <u>\$</u> | <u>428,667</u>   | <u>\$</u> | <u>6,111,361</u>  |
|           | 414              |           | 775,008           |
|           | 637              |           | 5,869,387         |
|           | 656,239          |           | 3,109,738         |
|           | 929,448          |           | 1,685,908         |
|           | —                |           | 76,054            |
| <u>\$</u> | <u>1,586,324</u> | <u>\$</u> | <u>10,741,087</u> |
| <u>\$</u> | <u>2,015,405</u> | <u>\$</u> | <u>17,627,456</u> |

**STATE OF ARIZONA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
 JUNE 30, 2020  
 (Expressed in Thousands)

**Total fund balances - governmental funds** \$ 10,741,087

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. 25,666,472

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. 775,008

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. (411,231)

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. (42,641)

Accrued receivable for AHCCCS programmatic costs' reimbursements are not available in the current period and, therefore, are not reported in the governmental funds. 177,726

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. 35,917

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 | 90,049  |         |
| Related to pensions       | 596,188 |         |
| Related to OPEB           | 150,556 | 836,793 |
|                           |         |         |

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                                       | (3,948,796) |             |
| Net OPEB  | (746,137)   |             |
| Revenue bonds                                     | (2,100,710) |             |
| Grant anticipation notes                          | (204,220)   |             |
| Certificates of participation                     | (958,270)   |             |
| Direct placement                                  | (4,010)     |             |
| Accrued interest on certificates of participation | (13,562)    |             |
| Capital leases                                    | (136,745)   |             |
| Premium on debt                                   | (452,932)   |             |
| Compensated absences                              | (166,746)   |             |
| Pollution remediation obligations                 | (60,050)    |             |
| Other   | (17,123)    | (8,809,301) |
|   |             |             |

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. (287,474)

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

|                           |           |           |
|---------------------------|-----------|-----------|
| Gain on refunding of debt | (73,722)  |           |
| Related to pensions       | (310,620) |           |
| Related to OPEB           | (125,584) | (509,926) |
|                           |           |           |

**Net position of governmental activities** **\$ 28,172,430**

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, 2020  
(Expressed in Thousands)

|   | GENERAL<br>FUND     | TRANSPORTATION &<br>AVIATION PLANNING,<br>HIGHWAY<br>MAINTENANCE &<br>SAFETY FUND | LAND<br>ENDOWMENTS<br>FUND |
|---|---------------------|---|----------------------------|
| <b>REVENUES</b>   |                     |   |                            |
| Taxes:  |                     |   |                            |
| Sales   | \$ 7,067,479        | \$ 331,044  | \$ —                       |
| Income  | 5,771,734           | —   | —                          |
| Tobacco   | 57,159              | —   | —                          |
| Property  | 25,706              | 16,895  | —                          |
| Motor vehicle and fuel  | 45,906              | 1,962,426   | —                          |
| Other   | 578,215             | —   | —                          |
| Intergovernmental   | 16,748,902          | 706,912   | —                          |
| Licenses, fees, and permits                                       | 114,715             | 181,605   | 2,575                      |
| Hospital and nursing facility assessments                         | —                   | —   | —                          |
| Earnings on investments   | 92,085              | 28,449  | (59,802)                   |
| Sales and charges for services                                    | 128,840             | 28,034  | 33,868                     |
| Fines, forfeitures, and penalties                                 | 17,510              | —   | —                          |
| Gaming  | 6,138               | —   | —                          |
| Tobacco settlement  | 94,283              | —   | —                          |
| Proceeds from sale of trust land                                  | —                   | —   | 126,416                    |
| Other   | 311,106             | 19,916  | 3,254                      |
| Total Revenues  | <u>31,059,778</u>   | <u>3,275,281</u>  | <u>106,311</u>             |
| <b>EXPENDITURES</b>   |                     |   |                            |
| Current:  |                     |   |                            |
| General government  | 1,050,814           | —   | 6,580                      |
| Health and welfare  | 17,420,661          | —   | 7,553                      |
| Inspection and regulation   | 41,261              | —   | —                          |
| Education   | 6,595,718           | —   | 299,336                    |
| Protection and safety   | 1,427,214           | —   | 7,551                      |
| Transportation  | —                   | 893,533   | —                          |
| Natural resources   | 86,355              | —   | 5,601                      |
| Intergovernmental revenue sharing                                 | 2,380,749           | 1,484,276   | —                          |
| Debt service:   |                     |   |                            |
| Principal   | 312,952             | —   | —                          |
| Interest and other fiscal charges                                 | 19,368              | —   | —                          |
| Capital outlay  | 82,246              | 707,659   | 1,718                      |
| Total Expenditures  | <u>29,417,338</u>   | <u>3,085,468</u>  | <u>328,339</u>             |
| Excess (Deficiency) before Expenditures                           | <u>1,642,440</u>    | <u>189,813</u>  | <u>(222,028)</u>           |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                     |   |                            |
| Transfers in  | 262,267             | 30,812  | —                          |
| Transfers out   | (1,031,983)         | (314,255)   | (1,551)                    |
| Proceeds from sale of capital assets                              | —                   | 1,591   | —                          |
| Refunding bonds issued  | —                   | —   | —                          |
| Refunding certificates of<br>participation issued                 | —                   | —   | —                          |
| Payment to refunded bond escrow agent                             | —                   | —   | —                          |
| Payment to refunded certificates<br>of participation escrow agent | —                   | —   | —                          |
| Premium on debt issued  | —                   | —   | —                          |
| Total Other Financing Sources (Uses)                              | <u>(769,716)</u>    | <u>(281,852)</u>  | <u>(1,551)</u>             |
| Net Change in Fund Balances                                       | <u>872,724</u>      | <u>(92,039)</u>   | <u>(223,579)</u>           |
| Fund Balances - Beginning   | 1,181,366           | 1,353,821   | 6,062,470                  |
| Fund Balances - Ending  | <u>\$ 2,054,090</u> | <u>\$ 1,261,782</u>   | <u>\$ 5,838,891</u>        |

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

| OTHER<br>GOVERNMENTAL<br>FUNDS |                  | TOTAL                |
|--------------------------------|------------------|----------------------|
| \$                             | 726,591          | \$ 8,125,114         |
|                                | —                | 5,771,734            |
|                                | 238,004          | 295,163              |
|                                | —                | 42,601               |
|                                | 248,552          | 2,256,884            |
|                                | 106,041          | 684,256              |
|                                | 255,219          | 17,711,033           |
|                                | 388,859          | 687,754              |
|                                | 360,157          | 360,157              |
|                                | 111,764          | 172,496              |
|                                | 54,449           | 245,191              |
|                                | 147,485          | 164,995              |
|                                | 106,310          | 112,448              |
|                                | —                | 94,283               |
|                                | —                | 126,416              |
|                                | 36,542           | 370,818              |
|                                | <u>2,779,973</u> | <u>37,221,343</u>    |
|                                | 182,387          | 1,239,781            |
|                                | 865,544          | 18,293,758           |
|                                | 153,523          | 194,784              |
|                                | 958,881          | 7,853,935            |
|                                | 269,843          | 1,704,608            |
|                                | 32,170           | 925,703              |
|                                | 131,581          | 223,537              |
|                                | 9,973            | 3,874,998            |
|                                | 390,779          | 703,731              |
|                                | 158,059          | 177,427              |
|                                | 59,314           | 850,937              |
|                                | <u>3,212,054</u> | <u>36,043,199</u>    |
|                                | <u>(432,081)</u> | <u>1,178,144</u>     |
|                                | 628,632          | 921,711              |
|                                | (149,113)        | (1,496,902)          |
|                                | —                | 1,591                |
|                                | 756,630          | 756,630              |
|                                | 425,005          | 425,005              |
|                                | (782,272)        | (782,272)            |
|                                | (480,097)        | (480,097)            |
|                                | 88,080           | 88,080               |
|                                | <u>486,865</u>   | <u>(566,254)</u>     |
|                                | 54,784           | 611,890              |
|                                | 1,531,540        | 10,129,197           |
| \$                             | <u>1,586,324</u> | \$ <u>10,741,087</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, 2020**  
(Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ 611,890

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            | 850,937          |         |
| Infrastructure adjustment | (41,408)         |         |
| Depreciation expense      | <u>(152,851)</u> | 656,678 |

The net expense of the internal service funds allocable to governmental activities is included in the Statement of Activities. (17,172)

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      | 68,598       |        |
| Income taxes     | 80,575       |        |
| Operating grants | (131,753)    |        |
| Capital grants   | 1,051        |        |
| Other revenue    | <u>(579)</u> | 17,892 |

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 2020, mortgage payments received exceeded gains resulting from current year land sales. 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 mortgage receipts over gain on sale of land | (112,821)       |           |
| Accrued interest on land sales' contracts             | <u>(80,940)</u> | (193,761) |

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 2020 | 343,477          |          |
| Pension expense and pension-related grant expense  | <u>(297,768)</u> | 45,709   |
| OPEB contributions during fiscal year 2020         | 22,323           |          |
| OPEB expense                                       | <u>(64,935)</u>  | (42,612) |

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, 2020**  
(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 | 179,348        |         |
| Compensated absences              | (16,024)       |         |
| Pollution remediation obligation  | (32,140)       |         |
| Interest on long-term obligations | <u>(4,623)</u> | 126,561 |

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:

|  |                 |             |
|--|-----------------|-------------|
| Refunding certificates of participation issued | (425,005)       |             |
| Refunding bonds issued                         | (756,630)       |             |
| Premium on debt issued                         | <u>(88,080)</u> | (1,269,715) |

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   | 703,731         |                  |
| Payment to refunded bond escrow agent                          | 782,272         |                  |
| Payment to refunded certificates of participation escrow agent | 480,097         |                  |
| Debt premium/discount amortization                             | 51,891          |                  |
| Amortization of deferred gains/losses on refundings            | <u>(10,047)</u> | <u>2,007,944</u> |

**Change in net position of governmental activities** \$ 1,943,414

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

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 PROPRIETARY FUNDS  
 JUNE 30, 2020  
 (Expressed in Thousands)

|   | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |                              |                |                              | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE FUNDS |
|---|---|------------------------------|----------------|------------------------------|---|
|   | UNIVERSITIES                                | UNEMPLOYMENT<br>COMPENSATION | OTHER          | TOTAL<br>ENTERPRISE<br>FUNDS |   |
| <b>ASSETS</b>   |   |                              |                |                              |   |
| Current Assets:   |   |                              |                |                              |   |
| Cash  | \$ 364,365                                  | \$ —                         | \$ 39,088      | \$ 403,453                   | \$ —  |
| Cash with U.S. Treasury   | —   | 998,787                      | —              | 998,787                      | —   |
| Cash and pooled investments<br>with State Treasurer                             | 150,397                                     | —                            | 100,702        | 251,099                      | 228,983   |
| Short-term investments  | 397,556                                     | —                            | —              | 397,556                      | —   |
| Receivables, net of allowances:   |   |                              |                |                              |   |
| Taxes   | —   | 74,083                       | —              | 74,083                       | —   |
| Interest  | 1,019                                       | —                            | 1,049          | 2,068                        | —   |
| Loans and notes   | 2,892                                       | —                            | —              | 2,892                        | —   |
| Other   | 234,109                                     | 28,200                       | 37,130         | 299,439                      | 20,582  |
| Due from U.S. Government  | 188,527                                     | —                            | —              | 188,527                      | —   |
| Due from other funds  | —   | —                            | —              | —                            | 3,713   |
| Inventories, at cost  | 7,222                                       | —                            | 9,602          | 16,824                       | 1,979   |
| Other current assets  | 26,446                                      | —                            | 4,146          | 30,592                       | 17,003  |
| Total Current Assets  | <u>1,372,533</u>                            | <u>1,101,070</u>             | <u>191,717</u> | <u>2,665,320</u>             | <u>272,260</u>  |
| Noncurrent Assets:  |   |                              |                |                              |   |
| Restricted assets:  |   |                              |                |                              |   |
| Cash  | 21,070                                      | —                            | —              | 21,070                       | —   |
| Cash held by trustee  | 329,226                                     | —                            | —              | 329,226                      | —   |
| Investments held by trustee   | 290,558                                     | —                            | —              | 290,558                      | —   |
| Receivables, net of allowances:   |   |                              |                |                              |   |
| Loans and notes   | 25,591                                      | —                            | —              | 25,591                       | —   |
| Equity interest in joint venture  | 8,834                                       | —                            | —              | 8,834                        | —   |
| Investments   | 898,521                                     | —                            | 298,911        | 1,197,432                    | —   |
| Endowment investments   | 576,200                                     | —                            | —              | 576,200                      | —   |
| Net OPEB asset  | —   | —                            | 55             | 55                           | 64  |
| Other noncurrent assets   | 676   | —                            | 10,486         | 11,162                       | —   |
| Capital assets:   |   |                              |                |                              |   |
| Land and other non-depreciable  | 836,339                                     | —                            | 9,692          | 846,031                      | —   |
| Buildings, equipment, and other depreciable,<br>net of accumulated depreciation | 5,373,493                                   | —                            | 39,309         | 5,412,802                    | 81,661  |
| Total Noncurrent Assets   | <u>8,360,508</u>                            | <u>—</u>                     | <u>358,453</u> | <u>8,718,961</u>             | <u>81,725</u>   |
| Total Assets  | <u>9,733,041</u>                            | <u>1,101,070</u>             | <u>550,170</u> | <u>11,384,281</u>            | <u>353,985</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |   |                              |                |                              |   |
| Related to pensions   | 214,949                                     | —                            | 4,887          | 219,836                      | 4,864   |
| Related to OPEB   | 164,492                                     | —                            | 3,261          | 167,753                      | 2,677   |
| Loss on debt refundings   | 76,639                                      | —                            | —              | 76,639                       | —   |
| Interest rate swap  | 20,107                                      | —                            | —              | 20,107                       | —   |
| Total Deferred Outflows of Resources  | <u>476,187</u>                              | <u>—</u>                     | <u>8,148</u>   | <u>484,335</u>               | <u>7,541</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, 2020  
 (Expressed in Thousands)

|   | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |                              |                   |                              | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE FUNDS |
|---|---|------------------------------|-------------------|------------------------------|---|
|   | UNIVERSITIES                                | UNEMPLOYMENT<br>COMPENSATION | OTHER             | TOTAL<br>ENTERPRISE<br>FUNDS |   |
| <b>LIABILITIES</b>  |   |                              |                   |                              |   |
| Current Liabilities:  |   |                              |                   |                              |   |
| Accounts payable and other current liabilities  | \$ 275,329                                  | \$ 1,091                     | \$ 10,797         | \$ 287,217                   | \$ 28,276   |
| Payable for securities purchased  | —   | —                            | 2,675             | 2,675                        | —   |
| Accrued liabilities   | 94,110                                      | 68,697                       | 1,653             | 164,460                      | 2,047   |
| Due to U.S. Government  | —   | 36,309                       | —                 | 36,309                       | 4,833   |
| Due to others   | 24,440                                      | 646,225                      | 59,706            | 730,371                      | —   |
| Due to other funds  | —   | 1,499                        | 29,610            | 31,109                       | 712   |
| Unearned revenue  | 351,522                                     | 194,123                      | —                 | 545,645                      | —   |
| Current portion of accrued insurance losses   | —   | —                            | 11,462            | 11,462                       | 145,955   |
| Current portion of long-term debt and<br>other lease obligations  | 273,410                                     | —                            | —                 | 273,410                      | —   |
| Current portion of other long-term liabilities  | 17,952                                      | —                            | 1,974             | 19,926                       | 13,456  |
| Total Current Liabilities   | <u>1,036,763</u>                            | <u>947,944</u>               | <u>117,877</u>    | <u>2,102,584</u>             | <u>195,279</u>  |
| Noncurrent Liabilities:   |   |                              |                   |                              |   |
| Accrued insurance losses  | —   | —                            | 221,868           | 221,868                      | 364,472   |
| Funds held for others   | 19,347                                      | —                            | —                 | 19,347                       | —   |
| Net pension liability   | 1,442,100                                   | —                            | 34,505            | 1,476,605                    | 45,093  |
| Net OPEB liability  | 512,125                                     | —                            | 12,567            | 524,692                      | 11,163  |
| Long-term debt and other lease obligations  | 4,058,338                                   | —                            | —                 | 4,058,338                    | —   |
| Derivative instrument - interest rate swap  | 20,107                                      | —                            | —                 | 20,107                       | —   |
| Other long-term liabilities   | 124,374                                     | —                            | —                 | 124,374                      | 148,551   |
| Total Noncurrent Liabilities  | <u>6,176,391</u>                            | <u>—</u>                     | <u>268,940</u>    | <u>6,445,331</u>             | <u>569,279</u>  |
| Total Liabilities   | <u>7,213,154</u>                            | <u>947,944</u>               | <u>386,817</u>    | <u>8,547,915</u>             | <u>764,558</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |                              |                   |                              |   |
| Related to pensions   | 85,693                                      | —                            | 2,709             | 88,402                       | 5,634   |
| Related to OPEB   | 111,963                                     | —                            | 1,983             | 113,946                      | 2,565   |
| Resources received before time<br>requirements met  | 191,030                                     | —                            | —                 | 191,030                      | —   |
| Gain on debt refundings   | 1,974                                       | —                            | —                 | 1,974                        | —   |
| Total Deferred Inflows of Resources   | <u>390,660</u>                              | <u>—</u>                     | <u>4,692</u>      | <u>395,352</u>               | <u>8,199</u>  |
| <b>NET POSITION</b>   |   |                              |                   |                              |   |
| Net investment in capital assets  | 2,242,690                                   | —                            | 49,001            | 2,291,691                    | 81,661  |
| Restricted for:   |   |                              |                   |                              |   |
| Unemployment compensation   | —   | 153,126                      | —                 | 153,126                      | —   |
| Capital projects  | 17,466                                      | —                            | —                 | 17,466                       | —   |
| Debt service  | 30,813                                      | —                            | —                 | 30,813                       | —   |
| Universities fund:  |   |                              |                   |                              |   |
| Expendable  | 337,350                                     | —                            | —                 | 337,350                      | —   |
| Nonexpendable   | 264,017                                     | —                            | —                 | 264,017                      | —   |
| Other   | —   | —                            | 20,241            | 20,241                       | —   |
| Unrestricted (deficit)  | (286,922)                                   | —                            | 97,567            | (189,355)                    | (492,892)   |
| Total Net Position  | <u>\$ 2,605,414</u>                         | <u>\$ 153,126</u>            | <u>\$ 166,809</u> | <u>\$ 2,925,349</u>          | <u>\$ (411,231)</u>                                       |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |   |                              |                   | 42,641                       |   |
| Net position of business-type activities  |   |                              |                   | <u>\$ 2,967,990</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, 2020**  
(Expressed in Thousands)

|   | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |                              |                   |                              | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE FUNDS |
|---|---|------------------------------|-------------------|------------------------------|---|
|   | UNIVERSITIES                                | UNEMPLOYMENT<br>COMPENSATION | OTHER             | TOTAL<br>ENTERPRISE<br>FUNDS |   |
| <b>OPERATING REVENUES</b>   |   |                              |                   |                              |   |
| Sales and charges for services:   |   |                              |                   |                              |   |
| Student tuition and fees, net of<br>scholarship allowances of \$885,482                                 | \$ 2,428,844                                | \$ —                         | \$ —              | \$ 2,428,844                 | \$ —  |
| Auxiliary enterprises, net of<br>scholarship allowances of \$40,744                                     | 415,206                                     | —                            | —                 | 415,206                      | —   |
| Educational department  | 130,073                                     | —                            | —                 | 130,073                      | —   |
| Other   | —   | —                            | 1,197,032         | 1,197,032                    | 1,058,916   |
| Assessments   | —   | 377,370                      | —                 | 377,370                      | —   |
| Intergovernmental   | 653,841                                     | 4,518,688                    | —                 | 5,172,529                    | —   |
| Nongovernmental grants and contracts  | 264,540                                     | —                            | —                 | 264,540                      | —   |
| Fines, forfeitures, and penalties   | —   | 2,081                        | —                 | 2,081                        | —   |
| Settlement income   | —   | —                            | 14,644            | 14,644                       | —   |
| Other   | 52,114                                      | 9,606                        | 2,229             | 63,949                       | 4,091   |
| Total Operating Revenues  | <u>3,944,618</u>                            | <u>4,907,745</u>             | <u>1,213,905</u>  | <u>10,066,268</u>            | <u>1,063,007</u>  |
| <b>OPERATING EXPENSES</b>   |   |                              |                   |                              |   |
| Cost of sales and benefits  | 1,535,723                                   | 5,889,387                    | 885,229           | 8,310,339                    | 918,617   |
| Scholarships and fellowships  | 410,762                                     | —                            | —                 | 410,762                      | —   |
| Personal services   | 3,422,657                                   | —                            | 40,920            | 3,463,577                    | 50,075  |
| Contractual services  | —   | —                            | 22,625            | 22,625                       | 35,149  |
| Depreciation and amortization   | 338,619                                     | —                            | 5,861             | 344,480                      | 17,006  |
| Insurance   | —   | —                            | 615               | 615                          | 57,518  |
| Other   | —   | —                            | 14,631            | 14,631                       | 16,997  |
| Total Operating Expenses  | <u>5,707,761</u>                            | <u>5,889,387</u>             | <u>969,881</u>    | <u>12,567,029</u>            | <u>1,095,362</u>  |
| Operating Income (Loss)   | <u>(1,763,143)</u>                          | <u>(981,642)</u>             | <u>244,024</u>    | <u>(2,500,761)</u>           | <u>(32,355)</u>   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |   |                              |                   |                              |   |
| Share of State sales tax revenues   | 81,701                                      | —                            | —                 | 81,701                       | —   |
| Intergovernmental   | 446,456                                     | —                            | —                 | 446,456                      | —   |
| Gifts and donations   | 338,447                                     | —                            | 10                | 338,457                      | —   |
| Gain (loss) on sale of capital assets   | (197)                                       | —                            | 98                | (99)                         | 958   |
| Investment income   | 88,111                                      | 26,326                       | 4,417             | 118,854                      | 81  |
| Endowment earnings on investments   | (25,271)                                    | —                            | —                 | (25,271)                     | —   |
| Gain on extinguishment of debt  | —   | —                            | —                 | —                            | 2,133   |
| Other non-operating revenue   | 13,041                                      | —                            | 2,386             | 15,427                       | 182   |
| Distributions   | —   | —                            | (14,973)          | (14,973)                     | —   |
| Interest expense  | (149,519)                                   | —                            | —                 | (149,519)                    | —   |
| Other non-operating expense   | (15,982)                                    | —                            | (3,238)           | (19,220)                     | (3,651)   |
| Total Non-Operating Revenues (Expenses)   | <u>776,787</u>                              | <u>26,326</u>                | <u>(11,300)</u>   | <u>791,813</u>               | <u>(297)</u>  |
| Income (Loss) Before Contributions and Transfers  | <u>(986,356)</u>                            | <u>(955,316)</u>             | <u>232,724</u>    | <u>(1,708,948)</u>           | <u>(32,652)</u>   |
| Capital grants and contributions  | 106,734                                     | —                            | —                 | 106,734                      | 9,184   |
| Contributions to permanent endowments   | 2,873                                       | —                            | —                 | 2,873                        | —   |
| Transfers in  | 802,321                                     | —                            | 3,767             | 806,088                      | 3,217   |
| Transfers out   | —   | (6,304)                      | (222,112)         | (228,416)                    | (5,698)   |
| Change in Net Position  | <u>(74,428)</u>                             | <u>(961,620)</u>             | <u>14,379</u>     | <u>(1,021,669)</u>           | <u>(25,949)</u>   |
| Total Net Position - Beginning, as restated   | <u>2,679,842</u>                            | <u>1,114,746</u>             | <u>152,430</u>    | <u>3,947,018</u>             | <u>(385,282)</u>  |
| Total Net Position - Ending   | <u>\$ 2,605,414</u>                         | <u>\$ 153,126</u>            | <u>\$ 166,809</u> | <u>\$ 2,925,349</u>          | <u>\$ (411,231)</u>                                       |
| Change in net position of enterprise funds  |   |                              |                   | \$ (1,021,669)               |   |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds |   |                              |                   | (8,777)                      |   |
| Change in net position of business-type activities  |   |                              |                   | <u>\$ (1,030,446)</u>        |   |

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

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STATE OF ARIZONA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(Expressed in Thousands)

|  | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |                              |            | TOTAL<br>ENTERPRISE<br>FUNDS | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE FUNDS |
|--|---|------------------------------|------------|------------------------------|---|
|  | UNIVERSITIES                                | UNEMPLOYMENT<br>COMPENSATION | OTHER      |                              |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                              |            |                              |   |
| Receipts from customers  | \$ —  | \$ —                         | \$ 813,530 | \$ 813,530                   | \$ —  |
| Receipts from assessments  | —   | 392,650                      | —          | 392,650                      | —   |
| Receipts from student tuition and fees   | 2,394,955                                   | —                            | —          | 2,394,955                    | —   |
| Receipts from sales and services of auxiliary enterprises                          | 446,540                                     | —                            | —          | 446,540                      | —   |
| Receipts from sales and services of educational departments                        | 127,559                                     | —                            | —          | 127,559                      | —   |
| Receipts from interfund services / premiums  | —   | —                            | —          | —                            | 1,078,679   |
| Receipts from grants and contracts   | 924,090                                     | 4,741,011                    | —          | 5,665,101                    | —   |
| Receipts from student loans collected  | 5,924                                       | —                            | —          | 5,924                        | —   |
| Receipts from settlement income  | —   | —                            | 10,340     | 10,340                       | —   |
| Payments to suppliers, prize winners, claimants, or insurance companies            | (1,513,089)                                 | (5,267,864)                  | (546,790)  | (7,327,743)                  | (1,042,822)   |
| Payments to employees  | (3,210,462)                                 | —                            | (56,573)   | (3,267,035)                  | (46,891)  |
| Payments to retirees   | —   | —                            | —          | —                            | (14,135)  |
| Payments for scholarships and fellowships  | (404,136)                                   | —                            | —          | (404,136)                    | —   |
| Payments for student loans issued  | (4,169)                                     | —                            | —          | (4,169)                      | —   |
| Other receipts   | 20,436                                      | 11,687                       | 4,311      | 36,434                       | 6,386   |
| Other payments   | (9,433)                                     | —                            | —          | (9,433)                      | (3,651)   |
| Net Cash Provided (Used) by Operating Activities                                   | (1,221,785)                                 | (122,516)                    | 224,818    | (1,119,483)                  | (22,434)  |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                            |   |                              |            |                              |   |
| Receipts from custodial funds  | 263,452                                     | —                            | —          | 263,452                      | —   |
| Receipts from share of State sales tax   | 87,024                                      | —                            | —          | 87,024                       | —   |
| Receipts from grants and contributions   | 1,896,248                                   | —                            | —          | 1,896,248                    | —   |
| Transfers from other funds   | 706,350                                     | —                            | 3,767      | 710,117                      | —   |
| Custodial funds disbursed  | (266,185)                                   | —                            | —          | (266,185)                    | —   |
| Grants and contributions disbursed   | (1,094,153)                                 | —                            | —          | (1,094,153)                  | —   |
| Distributions  | —   | —                            | (14,973)   | (14,973)                     | —   |
| Transfers to other funds   | —   | (6,138)                      | (234,816)  | (240,954)                    | (5,698)   |
| Other receipts   | 5,423                                       | —                            | —          | 5,423                        | —   |
| Net Cash Provided (Used) by Non-capital Financing Activities                       | 1,598,159                                   | (6,138)                      | (246,022)  | 1,345,999                    | (5,698)   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                    |   |                              |            |                              |   |
| Proceeds from sale of capital assets   | 9,265                                       | —                            | 23         | 9,288                        | 2,284   |
| Proceeds from capital debt, installment purchase contracts, and capital leases     | 485,294                                     | —                            | —          | 485,294                      | —   |
| Receipts from federal subsidy  | 5,149                                       | —                            | —          | 5,149                        | —   |
| Receipts from capital grants and contributions                                     | 42,539                                      | —                            | —          | 42,539                       | —   |
| Transfers from other funds   | 55,105                                      | —                            | —          | 55,105                       | 3,217   |
| Acquisition and construction of capital assets                                     | (577,995)                                   | —                            | (13,565)   | (591,560)                    | (5,349)   |
| Interest paid on capital debt, installment purchase contracts, and capital leases  | (178,249)                                   | —                            | —          | (178,249)                    | —   |
| Principal paid on capital debt, installment purchase contracts, and capital leases | (378,319)                                   | —                            | —          | (378,319)                    | —   |
| Net Cash Provided (Used) by Capital and Related Financing Activities               | (537,211)                                   | —                            | (13,542)   | (550,753)                    | 152   |

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, 2020**  
(Expressed in Thousands)

|   | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |                              |            | TOTAL<br>ENTERPRISE<br>FUNDS | GOVERNMENTAL<br>ACTIVITIES -<br>INTERNAL<br>SERVICE FUNDS |
|---|---|------------------------------|------------|------------------------------|---|
|   | UNIVERSITIES                                | UNEMPLOYMENT<br>COMPENSATION | OTHER      |                              |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                              |            |                              |   |
| Proceeds from sales and maturities of investments   | 1,626,794                                   | —                            | 142,096    | 1,768,890                    | —   |
| Interest and dividends from investments   | 63,129                                      | 26,326                       | 8,449      | 97,904                       | 81  |
| Purchase of investments   | (1,446,810)                                 | —                            | (150,638)  | (1,597,448)                  | —   |
| Net Cash Provided (Used) by Investing Activities  | 243,113                                     | 26,326                       | (93)       | 269,346                      | 81  |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 82,276                                      | (102,328)                    | (34,839)   | (54,891)                     | (27,899)  |
| Cash and Cash Equivalents - Beginning, as restated  | 782,782                                     | 1,101,115                    | 174,629    | 2,058,526                    | 256,882   |
| Cash and Cash Equivalents - Ending  | \$ 865,058                                  | \$ 998,787                   | \$ 139,790 | \$ 2,003,635                 | \$ 228,983  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |   |                              |            |                              |   |
| Operating income (loss)   | \$ (1,763,143)                              | \$ (981,642)                 | \$ 244,024 | \$ (2,500,761)               | \$ (32,355)   |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities   |   |                              |            |                              |   |
| Depreciation and amortization   | 338,619                                     | —                            | 5,861      | 344,480                      | 17,006  |
| Provision for uncollectible accounts  | —   | —                            | 221        | 221                          | —   |
| Miscellaneous income (expense)  | (10,987)                                    | —                            | 125        | (10,862)                     | (1,336)   |
| Net changes in assets, deferred outflows of resources,<br>liabilities, and deferred inflows of resources: |   |                              |            |                              |   |
| (Increase) decrease in receivables, net of allowances   | (4,829)                                     | (18,450)                     | (19,530)   | (42,809)                     | 15,898  |
| Decrease in due from other funds  | —   | —                            | —          | —                            | 3,829   |
| (Increase) decrease in inventories, at cost   | (771)                                       | —                            | 1,776      | 1,005                        | 67  |
| (Increase) decrease in other assets   | (2,427)                                     | —                            | 12         | (2,415)                      | (1,737)   |
| Decrease in net OPEB asset  | —   | —                            | 13         | 13                           | 21  |
| Decrease in equity interest in joint venture  | 1,177                                       | —                            | —          | 1,177                        | —   |
| Decrease in deferred pension outflows of resources  | 24,290                                      | —                            | 255        | 24,545                       | 2,588   |
| (Increase) in deferred OPEB outflows of resources   | (140,617)                                   | —                            | (2,708)    | (143,325)                    | (2,061)   |
| Increase (decrease) in accounts payable   | 29,746                                      | —                            | (5,040)    | 24,706                       | (7,504)   |
| Increase (decrease) in accrued liabilities  | 43,687                                      | 12,736                       | (7,860)    | 48,563                       | 327   |
| Increase (decrease) in due to U.S. Government   | —   | 37,305                       | —          | 37,305                       | (7,365)   |
| (Decrease) in due to other funds  | —   | —                            | —          | —                            | (67)  |
| Increase in due to others   | —   | 633,412                      | —          | 633,412                      | —   |
| Increase in unearned revenue  | 39,912                                      | 194,123                      | 12         | 234,047                      | —   |
| Increase (decrease) in accrued insurance losses   | —   | —                            | 2,294      | 2,294                        | (5,513)   |
| Increase in net pension liability   | 113,012                                     | —                            | 2,946      | 115,958                      | 884   |
| Increase in net OPEB liability  | 194,395                                     | —                            | 4,273      | 198,668                      | 2,302   |
| Increase (decrease) in other liabilities  | —   | —                            | 173        | 173                          | (6,097)   |
| (Decrease) in deferred pension inflows of resources   | (63,523)                                    | —                            | (1,783)    | (65,306)                     | (1,508)   |
| Increase (decrease) in deferred OPEB inflows of resources   | (20,326)                                    | —                            | (246)      | (20,572)                     | 187   |
| Net Cash Provided (Used) by Operating Activities  | \$ (1,221,785)                              | \$ (122,516)                 | \$ 224,818 | \$ (1,119,483)               | \$ (22,434)   |
| <b>SCHEDULE OF NONCASH INVESTING, CAPITAL<br/>AND NON-CAPITAL FINANCING ACTIVITIES</b>                    |   |                              |            |                              |   |
| Contribution of capital assets from other funds   | \$ —  | \$ —                         | \$ —       | \$ —                         | \$ 9,184  |
| Acquisition of capital assets through capital leases  | 83,378                                      | —                            | —          | 83,378                       | —   |
| Gain on disposal of capital assets, net   | 6,960                                       | —                            | —          | 6,960                        | —   |
| Increase (decrease) in fair value of investments  | 17,766                                      | —                            | (4,875)    | 12,891                       | —   |
| (Decrease) in fair value of investments held by trustee   | (5,582)                                     | —                            | —          | (5,582)                      | —   |
| Amortization of bond premium  | 28,732                                      | —                            | —          | 28,732                       | —   |
| Refinancing long-term debt  | 218,545                                     | —                            | —          | 218,545                      | —   |
| CARES Act receivable  | 15,129                                      | —                            | —          | 15,129                       | —   |
| Total Noncash Investing, Capital and Non-capital<br>Financing Activities                                  | \$ 364,928                                  | \$ —                         | \$ (4,875) | \$ 360,053                   | \$ 9,184  |

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

STATE OF ARIZONA  
**STATEMENT OF FIDUCIARY NET POSITION**  
 FIDUCIARY FUNDS  
 JUNE 30, 2020  
 (Expressed in Thousands)

|   | PENSION AND OTHER<br>EMPLOYEE BENEFIT<br>TRUST FUNDS | INVESTMENT<br>TRUST FUNDS | AGENCY<br>FUNDS |
|---|--|---------------------------|-----------------|
| <b>ASSETS</b>   |  |                           |                 |
| Cash  | \$ 328,708   | \$ —                      | \$ 26,399       |
| Cash and pooled investments with State Treasurer        | —  | 783                       | 79,095          |
| Receivables, net of allowances:                         |  |                           |                 |
| Accrued interest and dividends                          | 39,949   | 2,720                     | 1               |
| Securities sold   | 19,315   | —                         | —               |
| Futures contracts                                       | 5,984  | —                         | —               |
| Contributions   | 131,494  | —                         | —               |
| Court fees  | 926  | —                         | —               |
| Due from other funds                                    | 10,007   | —                         | —               |
| Other   | 53,351   | —                         | 306             |
| Total receivables                                       | <u>261,026</u>                                       | <u>2,720</u>              | <u>307</u>      |
| Investments, at fair value:                             |  |                           |                 |
| Short-term investments                                  | 1,093,658  | —                         | —               |
| Fixed income securities                                 | 12,427,021   | 4,386,097                 | —               |
| Equity  | 29,099,547   | —                         | —               |
| Core bonds  | 130,092  | —                         | —               |
| Private credit  | 1,502,769  | —                         | —               |
| Real estate   | 6,739,265  | —                         | —               |
| Diversifying strategies                                 | 1,407,534  | —                         | —               |
| Collateral investment pool                              | 362,422  | 12,562                    | 1,153           |
| Other investments                                       | 349,306  | —                         | —               |
| Total investments                                       | <u>53,111,614</u>                                    | <u>4,398,659</u>          | <u>1,153</u>    |
| Due from others   | —  | —                         | 73,903          |
| Custodial securities in safekeeping                     | —  | —                         | 449,463         |
| Property and equipment, net of accumulated depreciation | 3,325  | —                         | —               |
| Total Assets  | <u>53,704,673</u>                                    | <u>4,402,162</u>          | <u>630,320</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |  |                           |                 |
| Related to pensions                                     | 829  | —                         | —               |
| <b>LIABILITIES</b>                                      |  |                           |                 |
| Accounts payable and other current liabilities          | 14,019   | —                         | —               |
| Payable for securities purchased                        | 1,271,056  | —                         | —               |
| Management fee payable                                  | —  | 205                       | —               |
| Obligation under securities loan agreements             | 362,422  | 12,562                    | 1,153           |
| Futures contracts payable                               | 1,603  | —                         | —               |
| Due to local governments                                | —  | —                         | 10,758          |
| Due to others   | —  | —                         | 618,409         |
| Due to other funds                                      | 10,007   | —                         | —               |
| Net pension liability                                   | 7,725  | —                         | —               |
| Total Liabilities                                       | <u>1,666,832</u>                                     | <u>12,767</u>             | <u>630,320</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |  |                           |                 |
| Related to pensions                                     | 229  | —                         | —               |
| <b>NET POSITION</b>                                     |  |                           |                 |
| Restricted for:   |  |                           |                 |
| Pension benefits  | 49,631,495   | —                         | —               |
| Other post-employment benefits                          | 2,406,946  | —                         | —               |
| Held in trust for pool participants                     | —  | 4,389,395                 | —               |
| Total Net Position                                      | <u>\$ 52,038,441</u>                                 | <u>\$ 4,389,395</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, 2020  
 (Expressed in Thousands)

|   | PENSION AND OTHER<br>EMPLOYEE BENEFIT<br>TRUST FUNDS | INVESTMENT<br>TRUST FUNDS |
|---|--|---------------------------|
| <b>ADDITIONS:</b>                                     |  |                           |
| Member contributions                                  | \$ 1,472,457   | \$ —                      |
| Employer contributions                                | 2,493,804  | —                         |
| Non-employer entity contributions                     | 5,000  | —                         |
| Member purchase of service credit                     | 24,162   | —                         |
| Court fees  | 11,010   | —                         |
| Investment income:                                    |  |                           |
| Net increase in fair value of investments             | 213,748  | 13,160                    |
| Interest income                                       | 77,317   | 69,711                    |
| Dividends   | 428,312  | —                         |
| Other investment income                               | 100,779  | —                         |
| Securities lending income                             | 11,998   | 552                       |
| Total investment income                               | <u>832,154</u>                                       | <u>83,423</u>             |
| Less investment expenses:                             |  |                           |
| Investment activity expenses                          | 282,530  | 2,295                     |
| Securities lending expenses                           | 5,900  | 221                       |
| Net investment income                                 | <u>543,724</u>                                       | <u>80,907</u>             |
| Capital share and individual account transactions:    |  |                           |
| Shares sold   | —  | 6,005,010                 |
| Reinvested interest income                            | —  | 67,026                    |
| Shares redeemed                                       | —  | (5,449,691)               |
| Net capital share and individual account transactions | <u>—</u>   | <u>622,345</u>            |
| Other additions                                       | <u>2,140</u>   | <u>—</u>                  |
| Total Additions                                       | <u>4,552,297</u>                                     | <u>703,252</u>            |
| <b>DEDUCTIONS:</b>                                    |  |                           |
| Retirement, disability, and survivor benefits         | 4,468,682  | —                         |
| Health insurance subsidy                              | 163,314  | —                         |
| Refunds to withdrawing members, including interest    | 277,140  | —                         |
| Administrative expense                                | 40,835   | —                         |
| Dividends to investors                                | —  | 80,654                    |
| Other deductions                                      | 3,216  | —                         |
| Total Deductions                                      | <u>4,953,187</u>                                     | <u>80,654</u>             |
| Change in net position restricted in trust for:       |  |                           |
| Pension benefits                                      | (306,138)  | —                         |
| Other post-employment benefits                        | (94,752)   | —                         |
| Pool participants                                     | —  | 622,598                   |
| Net Position - Beginning                              | <u>52,439,331</u>                                    | <u>3,766,797</u>          |
| Net Position - Ending                                 | <u>\$ 52,038,441</u>                                 | <u>\$ 4,389,395</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, 2020  
 (Expressed in Thousands)

|   | ARIZONA<br>FINANCE<br>AUTHORITY | OTHER<br>COMPONENT<br>UNITS | TOTAL            |
|---|---------------------------------|-----------------------------|------------------|
| <b>ASSETS</b>   |                                 |                             |                  |
| Current Assets:   |                                 |                             |                  |
| Cash  | \$ 4,651                        | \$ 32,755                   | \$ 37,406        |
| Cash and pooled investments with State Treasurer                                | 256,159                         | 208,826                     | 464,985          |
| Cash held by trustee  | 26,418                          | —                           | 26,418           |
| Collateral investment pool  | 4,993                           | 2,706                       | 7,699            |
| Short-term investments  | —                               | 134,648                     | 134,648          |
| Restricted investments held by trustee  | —                               | 1,163                       | 1,163            |
| Receivables, net of allowances:   |                                 |                             |                  |
| Interest  | 4,116                           | —                           | 4,116            |
| Loans and notes   | 60,938                          | 406                         | 61,344           |
| Other   | 4,025                           | 3,512                       | 7,537            |
| Due from primary government   | 242                             | 1,083                       | 1,325            |
| Other current assets  | —                               | 678                         | 678              |
| Total Current Assets  | <u>361,542</u>                  | <u>385,777</u>              | <u>747,319</u>   |
| Noncurrent Assets:  |                                 |                             |                  |
| Restricted assets:  |                                 |                             |                  |
| Cash and pooled investments with State Treasurer                                | 11,965                          | —                           | 11,965           |
| Cash held by trustee  | —                               | 82,686                      | 82,686           |
| Investments held by trustee   | —                               | 1,803                       | 1,803            |
| Loans and notes receivable, net of allowances                                   | 659,816                         | 11,843                      | 671,659          |
| Investments   | 61,565                          | 96,739                      | 158,304          |
| Net OPEB asset  | —                               | 1                           | 1                |
| Other noncurrent assets   | —                               | 23,075                      | 23,075           |
| Capital assets:   |                                 |                             |                  |
| Land and other non-depreciable  | —                               | 22,796                      | 22,796           |
| Buildings, equipment, and other depreciable,<br>net of accumulated depreciation | 7                               | 78,588                      | 78,595           |
| Total Noncurrent Assets   | <u>733,353</u>                  | <u>317,531</u>              | <u>1,050,884</u> |
| Total Assets  | <u>1,094,895</u>                | <u>703,308</u>              | <u>1,798,203</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                                 |                             |                  |
| Related to pensions   | 227                             | 177                         | 404              |
| Related to OPEB   | —                               | 22                          | 22               |
| Loss on debt refundings   | 31,549                          | 4,234                       | 35,783           |
| Total Deferred Outflows of Resources  | <u>31,776</u>                   | <u>4,433</u>                | <u>36,209</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, 2020  
 (Expressed in Thousands)

|  | ARIZONA<br>FINANCE<br>AUTHORITY | OTHER<br>COMPONENT<br>UNITS | TOTAL             |
|--|---------------------------------|-----------------------------|-------------------|
| <b>LIABILITIES</b>                             |                                 |                             |                   |
| Current Liabilities:                           |                                 |                             |                   |
| Accounts payable and other current liabilities | \$ 276                          | \$ 11,959                   | \$ 12,235         |
| Accrued liabilities                            | 4,167                           | 1,257                       | 5,424             |
| Obligations under securities loan agreements   | 4,993                           | 2,706                       | 7,699             |
| Unearned revenue                               | —                               | 2,468                       | 2,468             |
| Current portion of accrued insurance losses    | —                               | 24,783                      | 24,783            |
| Current portion of long-term debt              | 28,395                          | 6,592                       | 34,987            |
| Current portion of other long-term liabilities | 69                              | 31                          | 100               |
| Total Current Liabilities                      | <u>37,900</u>                   | <u>49,796</u>               | <u>87,696</u>     |
| Noncurrent Liabilities:                        |                                 |                             |                   |
| Unearned revenue                               | 1,839                           | 4,389                       | 6,228             |
| Accrued insurance losses                       | —                               | 201,501                     | 201,501           |
| Net pension liability                          | 1,170                           | 1,383                       | 2,553             |
| Net OPEB liability                             | —                               | 90                          | 90                |
| Long-term debt                                 | 365,319                         | 215,525                     | 580,844           |
| Total Noncurrent Liabilities                   | <u>368,328</u>                  | <u>422,888</u>              | <u>791,216</u>    |
| Total Liabilities                              | <u>406,228</u>                  | <u>472,684</u>              | <u>878,912</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                                 |                             |                   |
| Related to pensions                            | 372                             | 108                         | 480               |
| Related to OPEB                                | —                               | 15                          | 15                |
| Total Deferred Inflows of Resources            | <u>372</u>                      | <u>123</u>                  | <u>495</u>        |
| <b>NET POSITION</b>                            |                                 |                             |                   |
| Net investment in capital assets               | 7                               | 48,095                      | 48,102            |
| Restricted for:                                |                                 |                             |                   |
| Debt service                                   | 70,968                          | 11,414                      | 82,382            |
| Loans and other financial assistance           | 643,212                         | 25,018                      | 668,230           |
| Other  | —                               | 31,776                      | 31,776            |
| Unrestricted                                   | 5,884                           | 118,631                     | 124,515           |
| Total Net Position                             | <u>\$ 720,071</u>               | <u>\$ 234,934</u>           | <u>\$ 955,005</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, 2020  
 (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 | \$ 85,362               | \$ 83,993                   | \$ 36,107                                 |
| Other Component Units     | 89,134                  | 47,581                      | 4,332                                     |
| Total                     | <u>\$ 174,496</u>       | <u>\$ 131,574</u>           | <u>\$ 40,439</u>                          |

General Revenues:  
 Unrestricted investment earnings  
 Unrestricted grants and contributions  
 Payments from primary government  
 Gain on forgiveness of debt  
 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. M.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

| ARIZONA<br>FINANCE<br>AUTHORITY | OTHER<br>COMPONENT<br>UNITS | TOTAL      |
|---------------------------------|-----------------------------|------------|
| \$ 34,738                       | \$ —                        | \$ 34,738  |
| —                               | (37,221)                    | (37,221)   |
|                                 |                             |            |
| 9,116                           | 12,076                      | 21,192     |
| —                               | 215                         | 215        |
| —                               | 38,727                      | 38,727     |
| —                               | 41,278                      | 41,278     |
| 68                              | 164                         | 232        |
| 43,922                          | 55,239                      | 99,161     |
| 676,149                         | 179,695                     | 855,844    |
| \$ 720,071                      | \$ 234,934                  | \$ 955,005 |

STATE OF ARIZONA  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2020  
(Expressed in Thousands)

|  | ARIZONA STATE<br>UNIVERSITY<br>ENTERPRISE<br>PARTNERS | UNIVERSITY<br>OF ARIZONA<br>FOUNDATION | ARIZONA CAPITAL<br>FACILITIES<br>FINANCE<br>CORPORATION | OTHER<br>COMPONENT<br>UNITS | TOTAL               |
|--|---|--|---|-----------------------------|---------------------|
| <b>ASSETS</b>  |   |  |   |                             |                     |
| Cash and cash equivalent investments                       | \$ 11,791   | \$ 100,920                             | \$ 4,714  | \$ 31,536                   | \$ 148,961          |
| Receivables:   |   |  |   |                             |                     |
| Pledges receivable, net of allowances                      | 165,354   | 49,147                                 | —   | 46,013                      | 260,514             |
| Notes receivable   | —   | —                                      | —   | 13,542                      | 13,542              |
| Other receivables  | 7,747   | —                                      | 138   | 52,590                      | 60,475              |
| Total receivables  | <u>173,101</u>  | <u>49,147</u>                          | <u>138</u>  | <u>112,145</u>              | <u>334,531</u>      |
| Investments:   |   |  |   |                             |                     |
| Investments in securities                                  | 1,178,427   | 959,270                                | 17,044  | 225,422                     | 2,380,163           |
| Other investments  | 81,447  | —                                      | —   | 14,433                      | 95,880              |
| Total investments  | <u>1,259,874</u>                                      | <u>959,270</u>                         | <u>17,044</u>   | <u>239,855</u>              | <u>2,476,043</u>    |
| Net direct financing leases                                | 19,030  | —                                      | 35,212  | 4,129                       | 58,371              |
| Property and equipment, net of<br>accumulated depreciation | 14,465  | 2,234                                  | 124,983   | 47,527                      | 189,209             |
| Other assets   | 19,055  | 2,802                                  | 7   | 9,484                       | 31,348              |
| Total Assets   | <u>1,497,316</u>                                      | <u>1,114,373</u>                       | <u>182,098</u>  | <u>444,676</u>              | <u>3,238,463</u>    |
| <b>LIABILITIES</b>   |   |  |   |                             |                     |
| Accounts payable and accrued liabilities                   | 23,315  | 4,235                                  | 9,711   | 9,255                       | 46,516              |
| Liability under endowment trust<br>agreements              | 256,932   | 203,268                                | —   | 35,074                      | 495,274             |
| Long-term debt   | 88,539  | 1,575                                  | 221,865   | 12,789                      | 324,768             |
| Deferred revenue   | —   | —                                      | —   | 24,546                      | 24,546              |
| Other liabilities  | 30,635  | —                                      | —   | 4,910                       | 35,545              |
| Total Liabilities  | <u>399,421</u>  | <u>209,078</u>                         | <u>231,576</u>  | <u>86,574</u>               | <u>926,649</u>      |
| <b>NET ASSETS</b>  |   |  |   |                             |                     |
| With donor restrictions                                    | 993,992   | 887,255                                | —   | 236,249                     | 2,117,496           |
| Without donor restrictions                                 | 103,903   | 18,040                                 | (49,478)  | 121,853                     | 194,318             |
| Total Net Assets   | <u>\$ 1,097,895</u>                                   | <u>\$ 905,295</u>                      | <u>\$ (49,478)</u>                                      | <u>\$ 358,102</u>           | <u>\$ 2,311,814</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, 2020  
(Expressed in Thousands)

|  | ARIZONA STATE<br>UNIVERSITY<br>ENTERPRISE<br>PARTNERS | UNIVERSITY<br>OF ARIZONA<br>FOUNDATION | ARIZONA CAPITAL<br>FACILITIES<br>FINANCE<br>CORPORATION | OTHER<br>COMPONENT<br>UNITS | TOTAL        |
|--|---|--|---|-----------------------------|--------------|
| <b>REVENUES</b>                                |   |  |   |                             |              |
| Contributions                                  | \$ 207,333  | \$ 100,548                             | \$ —  | \$ 41,262                   | \$ 349,143   |
| Rental revenue                                 | 1,911   | —                                      | 16,038  | 28,335                      | 46,284       |
| Sales and services                             | 29,168  | 6,200                                  | 12,740  | 4,235                       | 52,343       |
| Net investment income                          | (2,356)   | (31,750)                               | 202   | 9,847                       | (24,057)     |
| Grants and aid                                 | —   | —                                      | —   | 38,407                      | 38,407       |
| Other revenues                                 | 4,981   | 10,980                                 | 4,389   | 8,334                       | 28,684       |
| Total Revenues                                 | 241,037   | 85,978                                 | 33,369  | 130,420                     | 490,804      |
| <b>EXPENSES</b>                                |   |  |   |                             |              |
| Program services:                              |   |  |   |                             |              |
| Payments to Universities                       | 141,625   | 77,823                                 | 3,927   | 17,132                      | 240,507      |
| Leasing related expenses                       | —   | —                                      | —   | 12,396                      | 12,396       |
| Payments on behalf of Universities             | —   | 11,613                                 | —   | 5,328                       | 16,941       |
| Other program services                         | —   | —                                      | —   | 10,512                      | 10,512       |
| Management and general expenses                | 45,718  | 8,430                                  | 10,669  | 52,302                      | 117,119      |
| Fundraising expenses                           | —   | 8,439                                  | —   | 5,846                       | 14,285       |
| Interest                                       | 1,479   | —                                      | 8,020   | 117                         | 9,616        |
| Depreciation and amortization                  | 1,187   | —                                      | 10,376  | 405                         | 11,968       |
| Other expenses                                 | 12,643  | —                                      | 2   | 1,433                       | 14,078       |
| Total Expenses                                 | 202,652   | 106,305                                | 32,994  | 105,471                     | 447,422      |
| Increase (decrease) in Net Assets, before loss | 38,385  | (20,327)                               | 375   | 24,949                      | 43,382       |
| Loss on sale of capital assets                 | —   | —                                      | —   | (182)                       | (182)        |
| Increase (decrease) in Net Assets              | 38,385  | (20,327)                               | 375   | 24,767                      | 43,200       |
| Net Assets - Beginning                         | 1,059,510   | 925,622                                | (49,853)  | 333,335                     | 2,268,614    |
| Net Assets - Ending                            | \$ 1,097,895  | \$ 905,295                             | \$ (49,478)   | \$ 358,102                  | \$ 2,311,814 |

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

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. The State's component units have a June 30 year-end, with the exception of the Arizona Power Authority, which has a September 30 year-end, and the Insurance Department Guaranty Funds, which has a December 31 year-end.

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 229 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. The Rio Nuevo receives a portion of the State's sales tax revenue generated from within its multipurpose facilities site. 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 the Speaker of the



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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 1703 East Broadway Boulevard, Tucson, AZ 85719, (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.

Insurance Department Guaranty Funds (IDGF) – The IDGF, a division of the Arizona Department of Insurance (ADI), is comprised of the Arizona Property and Casualty Insurance Guaranty Fund (APCIGF) and the Arizona Life and Disability Insurance Guaranty Fund (ALDIGF). The IDGF pays 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 APCIGF and ALDIGF hold corporate powers in accordance with A.R.S. § 20-664 and A.R.S. § 20-685 respectively, which distinguish them as being legally separate from the State. The APCIGF and the ALDIGF are each governed by an eleven-member board of directors appointed by the Governor. The ADI maintains the ability to hire and dismiss the persons responsible for day-to-day operations of the IDGF; thus, the State has the ability to impose its will on the IDGF. Complete financial statements may be obtained from the IDGF's administrative office at 100 North 15<sup>th</sup> Avenue, Suite 261, Phoenix, AZ 85007, (602) 364-3863.

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.

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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.

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, 2020, as there was no financial activity.

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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 organizations described below are not included in the State's financial statements.

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

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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.

*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 funds:

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

*Unemployment Compensation* - pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

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.

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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.
- *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 market 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.

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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, 2020. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2020, 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.

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.

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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 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.

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**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.

**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.



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**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.

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, 2020, was \$978.4 million.

**Q. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN REPORTING ENTITY**

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. The State has implemented this standard.

The Unemployment Compensation Fund, reported as a non-major enterprise fund in fiscal year 2019, met the GASB major fund criteria in fiscal year 2020 and, as a result, is reported as a major enterprise fund.

The Insurance Department Guaranty Funds reported as a non-major enterprise fund in fiscal year 2019 and was reclassified to a non-major component unit.

The Arizona Power Authority and the Insurance Department Guaranty Funds, both non-major component units, changed from a June 30 year-end to a September 30 and December 31 year-end, respectively.

**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, and the Industrial Commission (the Commission). 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 pool based on average daily cash balances. There is no income from investments associated with one pool that is assigned to another pool.

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

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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 \$0.2 million was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received was 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, 2020, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.2 million and \$0.3 million, respectively. There was a distribution in June 2020 during fiscal year 2020. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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

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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.

## **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, 2020, the State had \$35.4 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 external 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.

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The following table presents the State Treasurer's, the ASRS', the ASU's, and the Commission's weighted average maturity in years by investment type as of June 30, 2020 (expressed in thousands):

| <b>Investment Type</b>                              | <b>Fair Value</b>    | <b>Weighted Average Maturity (in years)</b> |
|---|----------------------|---|
| Asset backed securities                             | \$ 364,808           | 3.24  |
| Commercial mortgage backed securities               | 99,805               | 26.30                                       |
| Commercial paper                                    | 1,700,312            | 0.16  |
| Commingled funds - fixed income                     | 1,696,399            | 8.00  |
| Corporate notes & bonds                             | 3,386,301            | 5.04  |
| Government bonds                                    | 1,273,039            | 6.08  |
| Money market mutual funds                           | 1,603,483            | 0.02  |
| Private market fixed income                         | 8,701,606            | *   |
| Repurchase agreements                               | 4,106,106            | —   |
| U.S. agency mortgage backed securities              | 1,495,413            | 19.35                                       |
| U.S. agency mortgage backed securities - full faith | 565,785              | 20.74                                       |
| U.S. agency securities                              | 597,612              | 2.92  |
| U.S. agency securities - full faith                 | 115,489              | 0.89  |
| U.S. Treasury securities                            | 3,791,206            | 0.67  |
| Other   | 3,106                | 18.54                                       |
| Total   | <u>\$ 29,500,470</u> |   |

\*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, 2020 (expressed in thousands):

| <b>Investment Type</b>                 | <b>Fair Value</b> | <b>Effective Duration (in years)</b> |
|--|-------------------|--------------------------------------|
| Asset backed securities                | \$ 17,210         | 1.17                                 |
| Commercial mortgage backed securities  | 7,706             | 3.23                                 |
| Corporate notes & bonds                | 63,799            | 8.24                                 |
| Government bonds                       | 699               | 16.02                                |
| Private market fixed income            | 52                | 0.07                                 |
| U.S. agency mortgage backed securities | 51,081            | 3.40                                 |
| U.S. agency securities                 | 3,788             | 13.39                                |
| Other                                  | (14,243)          | 0.06                                 |
| Total                                  | <u>\$ 130,092</u> |                                      |

Negative amounts are due to the timing of trade settlements and committed cash earmarked for mortgage TBA positions.

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, 2020 (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) | \$ 55,223  | \$ 45,081                        | \$ 10,142  | \$ —     | \$ —         |
| Corporate notes & bonds              | 349,344    | 135,437                          | 211,608    | 2,299    | —            |
| Government bonds                     | 2,071      | —                                | 2,071      | —        | —            |
| Money market mutual funds            | 207,763    | 207,763                          | —          | —        | —            |
| U.S. agency securities               | 21,420     | 5,024                            | 16,396     | —        | —            |
| U.S. Treasury securities             | 171,088    | 96,845                           | 73,878     | 365      | —            |
| Other                                | 4,298      | —                                | 685        | 2,428    | 1,185        |
| Total                                | \$ 811,207 | \$ 490,150                       | \$ 314,780 | \$ 5,092 | \$ 1,185     |

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, 2020 (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) or Secured Overnight Financing Rate (SOFR) plus/minus a fixed basis point which resets monthly, quarterly, or semi-annually.   | \$ 528,887                   | \$ 150,038             | \$ —      | \$ 678,925   |
| Asset backed securities with coupon tied to the LIBOR or SOFR plus/minus a fixed basis point which resets from monthly to quarterly.  | 50,643                       | —                      | —         | 50,643       |
| 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.   | 44,044                       | 1,504,644              | —         | 1,548,688    |
| 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.  | —                            | —                      | 11,019    | 11,019       |
| 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. | 186,115                      | —                      | —         | 186,115      |
| Other investments (including full faith) with high sensitivity to rate changes.   | —                            | 23,723                 | —         | 23,723       |
| Total   | \$ 809,689                   | \$ 1,678,405           | \$ 11,019 | \$ 2,499,113 |

**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 when purchased. 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 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 from S & P or Baa or better rating from Moody's at the time of purchase and that the investment will be sold in an orderly manner or held until maturity without further investments being made if it falls below this credit rating; 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 following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2020. The ratings are presented using S & P's rating scale (expressed in thousands):

| <b>Investment Type</b>                 | <b>Fair Value</b>    | <b>AAA</b>          | <b>AA</b>           | <b>A</b>            | <b>BBB</b>          | <b>BB</b>        | <b>B<br/>Thru C</b> | <b>A-1 Thru A-3</b> | <b>Not<br/>Rated</b> |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|------------------|---------------------|---------------------|----------------------|
| Asset backed securities                | \$ 371,297           | \$ 306,771          | \$ 17,068           | \$ —                | \$ 1,465            | \$ 1             | \$ —                | \$ 27,813           | \$ 18,179            |
| Certificates of deposit (negotiable)   | 43,479               | —                   | —                   | —                   | —                   | —                | —                   | —                   | 43,479               |
| Commercial mortgage backed securities  | 107,511              | 90,985              | 1,372               | —                   | —                   | —                | —                   | —                   | 15,154               |
| Commercial paper                       | 1,700,312            | —                   | 1,999               | —                   | —                   | —                | —                   | 1,698,313           | —                    |
| Commingled funds - fixed income        | 1,696,399            | —                   | —                   | —                   | —                   | —                | —                   | —                   | 1,696,399            |
| Corporate notes & bonds                | 3,816,307            | 133,390             | 440,804             | 1,776,247           | 1,355,610           | 59,821           | —                   | 26,136              | 24,299               |
| Government bonds                       | 1,260,205            | 956,360             | 249,326             | 46,263              | 7,209               | —                | —                   | 74                  | 973                  |
| Money market mutual funds              | 1,811,246            | 1,811,246           | —                   | —                   | —                   | —                | —                   | —                   | —                    |
| Private market fixed income            | 8,701,658            | —                   | —                   | —                   | —                   | —                | 3                   | —                   | 8,701,655            |
| Repurchase agreements                  | 2,060,000            | —                   | 2,060,000           | —                   | —                   | —                | —                   | —                   | —                    |
| U.S. agency mortgage backed securities | 1,533,432            | 588,666             | 917,436             | —                   | 5,336               | —                | —                   | —                   | 21,994               |
| U.S. agency securities                 | 622,820              | 28,881              | 593,939             | —                   | —                   | —                | —                   | —                   | —                    |
| Other                                  | 13,064               | —                   | —                   | —                   | —                   | —                | —                   | —                   | 13,064               |
| <b>Total</b>                           | <b>\$ 23,737,730</b> | <b>\$ 3,916,299</b> | <b>\$ 4,281,944</b> | <b>\$ 1,822,510</b> | <b>\$ 1,369,620</b> | <b>\$ 59,822</b> | <b>\$ 3</b>         | <b>\$ 1,752,336</b> | <b>\$ 10,535,196</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 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 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. At June 30, 2020, 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

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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, 2020 (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   | \$ 886            | \$ 413,959      | \$ —                     | \$ 414,845   |
| Brazilian Real  | 120               | 28,463          | —                        | 28,583       |
| British Pound Sterling  | 4,441             | 883,055         | 55,963                   | 943,459      |
| Canadian Dollar   | 2,940             | 583,936         | —                        | 586,876      |
| 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  | 449               | 128,804         | —                        | 129,253      |
| Euro Currency   | 4,359             | 2,025,652       | 335,538                  | 2,365,549    |
| Hong Kong Dollar  | 3,313             | 269,992         | —                        | 273,305      |
| Hungarian Forint  | 26                | 752             | —                        | 778          |
| Indian Rupee  | 199               | 25,566          | —                        | 25,765       |
| Indonesian Rupiah   | 157               | 7,221           | —                        | 7,378        |
| Japanese Yen  | 9,378             | 1,528,799       | —                        | 1,538,177    |
| Malaysian Ringgit   | 54                | 7,395           | —                        | 7,449        |
| Mexican Peso  | 163               | 11,207          | 902                      | 12,272       |
| New Israeli Shekel  | 353               | 27,876          | —                        | 28,229       |
| New Taiwan Dollar   | 1,368             | 40,259          | —                        | 41,627       |
| New Zealand Dollar  | 177               | 23,037          | —                        | 23,214       |
| Norwegian Krone   | 507               | 44,618          | 4                        | 45,129       |
| Philippine Peso   | 49                | 3,518           | —                        | 3,567        |
| Polish Zloty  | 64                | 4,156           | —                        | 4,220        |
| Qatari Riyal  | (152)             | 3,530           | —                        | 3,378        |
| Singapore Dollar  | 1,791             | 73,926          | —                        | 75,717       |
| South African Rand  | 52                | 21,825          | —                        | 21,877       |
| South Korean Won  | 142               | 45,806          | —                        | 45,948       |
| Swedish Krona   | 877               | 203,308         | —                        | 204,185      |
| Swiss Franc   | 2,158             | 567,096         | —                        | 569,254      |
| Thai Baht   | 960               | 11,375          | —                        | 12,335       |
| Turkish Lira  | 104               | 1,512           | —                        | 1,616        |
| UAE Dirham  | 132               | 2,146           | —                        | 2,278        |
| Total   | \$ 35,448         | \$ 6,996,484    | \$ 392,407               | \$ 7,424,339 |

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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, 2020, categorized within the fair value hierarchy, were as follows (expressed in thousands):

| Investments by Fair Value Level                          | Fair Value Measurements Using |  |   |  |
|--|-------------------------------|--|---|--|
|  | June 30, 2020                 | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Asset backed securities                                  | \$ 316,475                    | \$ —   | \$ 316,475  | \$ —   |
| Commercial mortgage backed securities                    | 48,720                        | —  | 48,720  | —  |
| Commercial paper   | 1,698,313                     | —  | 1,698,313   | —  |
| Corporate notes & bonds                                  | 2,425,152                     | —  | 2,425,152   | —  |
| Equities   | 3,727,427                     | 3,727,427  | —   | —  |
| Government bonds   | 424,489                       | —  | 424,489   | —  |
| Money market mutual funds                                | 1,214,715                     | 7,898  | 1,206,817   | —  |
| Repurchase agreements                                    | 4,106,106                     | —  | 4,106,106   | —  |
| Security lending collateral investments                  | 283,098                       | —  | 283,098   | —  |
| U.S. agency mortgage backed securities                   | 938,859                       | —  | 938,859   | —  |
| U.S. agency mortgage backed securities - full faith      | 565,785                       | —  | 565,785   | —  |
| U.S. agency securities                                   | 517,259                       | —  | 517,259   | —  |
| U.S. agency securities - full faith                      | 115,489                       | —  | 115,489   | —  |
| U.S. Treasury securities                                 | 3,509,092                     | —  | 3,509,092   | —  |
| Other  | 23,009                        | 23,009   | —   | —  |
| Total investments by fair value level                    | 19,913,988                    | \$ 3,758,334   | \$ 16,155,654   | \$ —   |
| <b>Investments Measured at the Net Asset Value (NAV)</b> |                               |  |   |  |
| Bank loan partnership fund                               | 15,162                        |  |   |  |
| Foreign large value fund                                 | 24,858                        |  |   |  |
| High yield short term duration bond fund                 | 16,863                        |  |   |  |
| Total investments measured at the NAV                    | 56,883                        |  |   |  |
| Total investments measured at fair value                 | \$ 19,970,871                 |  |   |  |

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, 2020, 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<br/>Commitments</b> | <b>Redemption<br/>Frequency (if<br/>Currently Eligible)</b> | <b>Redemption<br/>Notice<br/>Period</b> |
|--|-------------------|---------------------------------|---|---|
| Bank loan partnership fund               | \$ 15,162         | —                               | N/A   | N/A                                     |
| Foreign large value fund                 | 24,858            | —                               | N/A   | N/A                                     |
| High yield short term duration bond fund | 16,863            | —                               | N/A   | N/A                                     |
| Total                                    | <u>\$ 56,883</u>  |                                 |   |   |

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2. Universities

a. Investments Classified in Fair Value Hierarchy

The investments held by the Universities at June 30, 2020, categorized within the fair value hierarchy, were as follows (expressed in thousands):

| Investments by Fair Value Level          | June 30, 2020 | Fair Value Measurements Using  |   |  |
|--|---------------|--|---|--|
|  |               | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Asset backed securities                  | \$ 48,333     | \$ —   | \$ 48,333   | \$ —   |
| Certificates of deposit (negotiable)     | 16,938        | —  | 16,938  | —  |
| Commercial mortgage backed securities    | 10,771        | —  | 10,771  | —  |
| Commercial paper                         | 1,999         | —  | 1,999   | —  |
| Corporate notes & bonds                  | 715,456       | —  | 715,456   | —  |
| Equities                                 | 9,436         | 8,626  | 458   | 352  |
| Equity mutual funds                      | 44,372        | 28,372   | 15,605  | 395  |
| Fixed income mutual funds                | 1,508         | 1,508  | —   | —  |
| Government bonds                         | 24,616        | —  | 24,616  | —  |
| Money market mutual funds                | 634,446       | 203,262  | 431,184   | —  |
| Mutual funds - asset allocation          | 1,333         | 894  | —   | 439  |
| Real estate                              | 65,076        | —  | —   | 65,076   |
| U.S. agency securities                   | 91,253        | —  | 91,253  | —  |
| U.S. Treasury securities                 | 453,202       | 453,202  | —   | —  |
| Total investments by fair value level    | 2,118,739     | \$ 695,864   | \$ 1,356,613  | \$ 66,262  |
| <b>Other Investments at Fair Value</b>   |               |  |   |  |
| ASU Foundation Endowment Pool            | 256,932       |  |   |  |
| NAU Foundation Investment Pool           | 34,774        |  |   |  |
| U of A - Academic Enhancement Fund Trust | 222,230       |  |   |  |
| U of A Foundation                        | 182,068       |  |   |  |
| U of A - Split Interest Endowment        | 9,354         |  |   |  |
| Total other investments at fair value    | 705,358       |  |   |  |
| <b>Investments Measured at the NAV</b>   |               |  |   |  |
| Equity mutual funds                      | 3,174         |  |   |  |
| Total investments measured at the NAV    | 3,174         |  |   |  |
| Total investments measured at fair value | \$ 2,827,271  |  |   |  |

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, 2020, 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<br/>Commitments</b> | <b>Redemption<br/>Frequency (if<br/>Currently Eligible)</b> | <b>Redemption<br/>Notice<br/>Period</b> |
|--|-------------------|---------------------------------|---|---|
| Equity mutual funds                    | \$ 3,174          | —                               | Quarterly   | 90 days                                 |
| Total                                  | <u>\$ 3,174</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, 2020, categorized within the fair value hierarchy, were as follows (expressed in thousands):

| Investments by Fair Value Level                   | June 30, 2020 | Fair Value Measurements Using  |   |  |
|---|---------------|--|---|--|
|   |               | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Commercial mortgage backed securities             | \$ 40,314     | \$ —   | \$ 40,314   | \$ —   |
| Corporate notes & bonds                           | 599,182       | —  | 599,182   | —  |
| Government bonds                                  | 839,122       | —  | 839,122   | —  |
| Non U.S. diversifying strategies                  | 85,807        | 85,807   | —   | —  |
| Non U.S. equities                                 | 7,084,391     | 7,082,568  | 1,822   | 1  |
| Real estate                                       | 139,486       | 94,633   | —   | 44,853   |
| U.S. agency mortgage backed securities            | 566,235       | —  | 566,235   | —  |
| U.S. equities                                     | 10,579,848    | 10,578,907   | 515   | 426  |
| Other   | 346           | 344  | 2   | —  |
| Total investments by fair value level             | 19,934,731    | \$ 17,842,259  | \$ 2,047,192  | \$ 45,280  |
| <b>Investments Measured at the NAV</b>            |               |  |   |  |
| Commingled funds - fixed income                   | 1,696,399     |  |   |  |
| Commingled funds - international emerging markets | 2,055,287     |  |   |  |
| Commingled funds - U.S. equities                  | 1,970,730     |  |   |  |
| Distressed debt funds                             | 1,506,710     |  |   |  |
| Diversifying strategies                           | 1,321,727     |  |   |  |
| Fixed income                                      | 118,056       |  |   |  |
| Global private equities                           | 2,930,104     |  |   |  |
| Non U.S. public equities                          | 157,740       |  |   |  |
| Private credit                                    | 1,502,769     |  |   |  |
| Private debt funds                                | 6,276,961     |  |   |  |
| Private equity funds                              | 4,019,716     |  |   |  |
| Real estate funds                                 | 6,599,779     |  |   |  |
| U.S. public equities                              | 301,731       |  |   |  |
| Other – capital appreciation                      | 102,092       |  |   |  |
| Other – contractual income                        | 247,214       |  |   |  |
| Other – credit funds                              | 917,935       |  |   |  |
| Total investments measured at the NAV             | 31,724,950    |  |   |  |
| Cash and short term instruments                   | 1,089,511     |  |   |  |
| Securities lending collateral                     | 362,422       |  |   |  |
| Total investments                                 | \$ 53,111,614 |  |   |  |

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified as Level 2 are generally valued using most recent trade price available in inactive markets. Equity securities classified in Level 3 are valued using unobservable inputs, including situations where there is little market activity, if any. 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. Real estate assets classified in Level 1 are valued using prices quoted in active markets. 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, 2020, valued using the NAV per share were as follows (expressed in thousands):

| Investment Measured at the NAV                    | Fair Value           | Unfunded Commitments | Redemption Frequency (if Currently Eligible)                         | Redemption Notice Period  |
|---|----------------------|----------------------|--|---|
| Commingled funds - fixed income                   | \$ 1,696,399         | \$ —                 | Daily  | 2 days  |
| Commingled funds - international emerging markets | 2,055,287            | —                    | Daily  | 1 – 2 days  |
| Commingled funds - U.S. equities                  | 1,970,730            | —                    | Monthly  | 5 days  |
| Distressed debt funds                             | 1,506,710            | 1,164,917            | N/A  | N/A   |
| Diversifying strategies                           | 1,321,727            | —                    | Monthly, Quarterly, Annually   | 5 days – 1 year   |
| Fixed income                                      | 118,056              | —                    | Daily  | 2 – 5 days  |
| Global private equity                             | 2,930,104            | 1,832,465            | N/A for the private holdings; Daily for liquid placeholders (if any) | N/A for the private holdings; 2 days for liquid placeholders (if any) |
| Non U.S. public equities                          | 157,740              | —                    | Daily, Monthly   | 1 day – 1 month   |
| Private credit                                    | 1,502,769            | 1,139,548            | N/A  | N/A   |
| Private debt funds                                | 6,276,961            | 2,668,362            | N/A  | N/A   |
| Private equity funds                              | 4,019,716            | 2,377,773            | N/A  | N/A   |
| Real estate funds                                 | 6,599,779            | 4,096,645            | N/A  | N/A   |
| U.S. public equities                              | 301,731              | —                    | Daily, Monthly   | 1 day – 1 month   |
| Other – capital appreciation                      | 102,092              | 27,851               | N/A  | N/A   |
| Other – contractual income                        | 247,214              | 168,919              | N/A for the private holdings; Daily for liquid placeholders (if any) | N/A for the private holdings; 2 days for liquid placeholders (if any) |
| Other – credit funds                              | 917,935              | 1,084,029            | N/A  | N/A   |
| <b>Total</b>                                      | <b>\$ 31,724,950</b> | <b>\$ 14,560,509</b> |  |   |

*Commingled Funds* - The types of strategies within commingled funds can 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.

*Diversifying Strategies* – Diversifying strategy investments are held in commingled funds that are designed to offer risk reduction, uncorrelated returns and liquidity.

*Global Private Equity* – Global private equity investments are held in commingled funds focused on middle-market buyouts, venture capital, real estate, real asset and growth equity investments.

*Private Credit* – Private credit investments are held in commingled funds that focus on middle-market cash-flow lending.

*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 securities, 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.

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*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.

*Other - Capital Appreciation* – Capital appreciation investments translate growth in the economy to growth of the Trust’s assets through appreciation. Sub-asset classes in capital appreciation include U.S. equity, international equity and the alternative asset class, global private equity.

*Other - Contractual Income* – Contractual income investments include esoteric income oriented transactions such as royalty and/or leasing strategies as well as farmland and reinsurance agreements.

**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.

**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, 2020, the fair value of securities on loan was \$777.1 million; of which \$99.7 million were cash collateralized loans. Cash of \$103.2 million received as collateral for securities loaned was reinvested and had a net position value of \$103.3 million, as of June 30, 2020. The securities lending payable at June 30, 2020 was \$103.2 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 custodial bank. The custodial 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, 2020, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$199.0 million, \$7.1 million, and \$51.7 million, respectively. At June 30, 2020, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$200.1 million, \$7.1 million, and \$52.0 million, respectively. At June 30, 2020, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$4.2 million, \$150 thousand, and \$1.1 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

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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 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, 2020, the cost and fair value of securities on loan were \$641.0 million and \$635.0 million, respectively. The associated fair value of the invested collateral was \$649.0 million, of which \$283.0 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, 2020, the State Treasurer had \$283.0 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 | \$ | 314,023,212        |
| Equities                 |    | 40,584,239         |
| Corporate notes          |    | 3,148,697          |
| Total Fair Value         | \$ | <u>357,756,148</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, 2020, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2020 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, 2020</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 | \$ (4,134)        | Not applicable                     | \$ —          | \$ —              |
| Commodity futures short               | Net (decrease) in fair value of investments | (222)             | Not applicable                     | —             | —                 |
| Foreign currency forwards             | Net increase in fair value of investments   | 25                | Futures receivable                 | —             | —                 |
| Index futures long                    | Net increase in fair value of investments   | 151,482           | Not applicable                     | —             | 764,829           |
| Index futures short                   | Net increase in fair value of investments   | 60,861            | Not applicable                     | —             | (155,817)         |
| Rights                                | Net (decrease) in fair value of investments | (53)              | Equity securities                  | 702           | —                 |
| Total                                 |   | <u>\$ 207,959</u> |                                    | <u>\$ 702</u> | <u>\$ 609,012</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, 2020, investing activity in derivative instruments consisted of exchange traded contracts. The ASRS did not have any over-the-counter investment derivative instruments as of June 30, 2020. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2020.

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, 2020.

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, 2020, 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                                   | \$ 4           | \$ 4                  |
| Euro Currency                                       | 681            | 681                   |
| Total   | <u>\$ 685</u>  | <u>\$ 685</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, 2020 were as follows (expressed in thousands):

| <b>Investment Derivatives by Type</b> |   |                 |                                    |                 |                   |
|---------------------------------------|---|-----------------|------------------------------------|-----------------|-------------------|
| <b>Investment Derivatives</b>         | <b>Changes in Fair Value</b>              |                 | <b>Fair Value at June 30, 2020</b> |                 |                   |
|                                       | <b>Classification</b>                     | <b>Amount</b>   | <b>Classification</b>              | <b>Amount</b>   | <b>Notional</b>   |
| U.S. equity index futures             | Net increase in fair value of investments | \$ 4,153        | Equity securities                  | \$ 5,989        | \$ 296,164        |
| Total                                 |   | <u>\$ 4,153</u> |                                    | <u>\$ 5,989</u> | <u>\$ 296,164</u> |

**3. Arizona State University**

Refer to Note 6.A.3.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, 2020, taxes receivable were as follows (expressed in thousands):

| Type of Tax                       | General Fund | Transportation & Aviation Planning, Highway Maintenance & Safety Fund | Non-major Governmental Funds | Unemployment Compensation | Government-wide Total |
|-----------------------------------|--------------|---|------------------------------|---------------------------|-----------------------|
| Sales                             | \$ 694,809   | \$ —  | \$ 76,450                    | \$ —                      | \$ 771,259            |
| Income - individual and corporate | 1,136,861    | —   | —                            | —                         | 1,136,861             |
| Property tax                      | 220          | —   | —                            | —                         | 220                   |
| Motor vehicle and fuel            | —            | 65,308  | —                            | —                         | 65,308                |
| Luxury                            | 6,798        | —   | 18,654                       | —                         | 25,452                |
| Unemployment                      | —            | —   | —                            | 74,083                    | 74,083                |
| Other                             | —            | —   | 6,091                        | —                         | 6,091                 |
| Gross taxes receivable            | 1,838,688    | 65,308  | 101,195                      | 74,083                    | 2,079,274             |
| Allowance for uncollectible taxes | (275,956)    | —   | —                            | —                         | (275,956)             |
| Net Taxes Receivable              | \$ 1,562,732 | \$ 65,308   | \$ 101,195                   | \$ 74,083                 | \$ 1,803,318          |

**B. UNAVAILABLE REVENUE**

At June 30, 2020, 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                               | \$ 241,218   | \$ —  | \$ —                 | \$ —                     | \$ 241,218               |
| Delinquent income tax                              | 226,257      | —   | —                    | —                        | 226,257                  |
| Tobacco settlement                                 | 51,000       | —   | —                    | —                        | 51,000                   |
| Child support administrative reimbursements        | 3,889        | —   | —                    | —                        | 3,889                    |
| Grants   | 90,165       | 11,854  | —                    | —                        | 102,019                  |
| Drug rebates                                       | 39,206       | —   | —                    | —                        | 39,206                   |
| Land sales receivable                              | —            | —   | 106,150              | —                        | 106,150                  |
| Land leases receivable                             | —            | —   | 3,114                | —                        | 3,114                    |
| Other  | 1,741        | —   | —                    | 414                      | 2,155                    |
| Total Unavailable Revenue for Governmental Funds   | \$ 653,476   | \$ 11,854   | \$ 109,264           | \$ 414                   | \$ 775,008               |

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**C. UNEARNED REVENUE**

At June 30, 2020, 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                    | \$ 51,433           | \$ —              | \$ 51,433                     |
| Advance county acute and long term care payments   | 26,659              | —                 | 26,659                        |
| CARES Act  | 1,215,493           | —                 | 1,215,493                     |
| Transportation & Aviation Planning, Highway        |                     |                   |                               |
| Maintenance & Safety Fund:                         |                     |                   |                               |
| Magazine subscriptions                             | 1,738               | —                 | 1,738                         |
| Land Endowments Fund:                              |                     |                   |                               |
| Advance land lease payments                        | 26,580              | 70,458            | 97,038                        |
| Non-Major Funds:                                   |                     |                   |                               |
| Advance renewal of contractors' license assessment | 723                 | —                 | 723                           |
| Other  | 579                 | —                 | 579                           |
| Total Unearned Revenue for Governmental Funds      | <u>\$ 1,323,205</u> | <u>\$ 70,458</u>  | <u>\$ 1,393,663</u>           |
| <b>Unearned Revenue for Proprietary Funds:</b>     | <b>Current</b>      |                   |                               |
| Universities:                                      |                     |                   |                               |
| Unexpended cash advances received                  | \$ 191,222          |                   |                               |
| Auxiliary sales and services                       | 41,077              |                   |                               |
| Student tuition and fees                           | 112,131             |                   |                               |
| Other  | 7,092               |                   |                               |
| Unemployment Compensation:                         |                     |                   |                               |
| CARES Act  | 194,123             |                   |                               |
| Total Unearned Revenue for Proprietary Funds       | <u>\$ 545,645</u>   |                   |                               |

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**NOTE 4. CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2020 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   | \$ 3,680,293       | \$ 18,286  | \$ (44,540)  | \$ 547                          | \$ 3,654,586   |
| Construction in progress                           | 2,953,055          | 725,137    | —            | (124,556)                       | 3,553,636      |
| Development in progress                            | 114,547            | 47,539     | —            | (108,858)                       | 53,228         |
| Infrastructure                                     | 16,450,542         | —          | —            | 116,584                         | 16,567,126     |
| Total Non-depreciable Capital Assets               | 23,198,437         | 790,962    | (44,540)     | (116,283)                       | 23,828,576     |
| Depreciable capital assets:                        |                    |            |              |                                 |                |
| Buildings  | 2,490,482          | 9,222      | (9,412)      | 6,790                           | 2,497,082      |
| Improvements other than buildings                  | 207,893            | 4,756      | (443)        | 803                             | 213,009        |
| Equipment  | 956,995            | 68,713     | (69,516)     | (5,281)                         | 950,911        |
| Software and other intangibles                     | 416,770            | 1,080      | (7,351)      | 113,141                         | 523,640        |
| Infrastructure                                     | 23,059             | —          | —            | 26                              | 23,085         |
| Total Depreciable Capital Assets                   | 4,095,199          | 83,771     | (86,722)     | 115,479                         | 4,207,727      |
| Less accumulated depreciation for:                 |                    |            |              |                                 |                |
| Buildings  | (1,111,528)        | (70,873)   | 7,778        | 485                             | (1,174,138)    |
| Improvements other than buildings                  | (145,265)          | (5,784)    | 322          | —                               | (150,727)      |
| Equipment  | (659,013)          | (64,848)   | 58,154       | 8,950                           | (656,757)      |
| Software and other intangibles                     | (269,735)          | (27,911)   | 7,351        | (970)                           | (291,265)      |
| Infrastructure                                     | (14,831)           | (441)      | —            | (11)                            | (15,283)       |
| Total Accumulated Depreciation                     | (2,200,372)        | (169,857)  | 73,605       | 8,454                           | (2,288,170)    |
| Total Depreciable Capital Assets, Net              | 1,894,827          | (86,086)   | (13,117)     | 123,933                         | 1,919,557      |
| Total Governmental Activities Capital Assets, Net  | \$ 25,093,264      | \$ 704,876 | \$ (57,657)  | \$ 7,650                        | \$ 25,748,133  |
| <b>Business-type Activities:</b>                   |                    |            |              |                                 |                |
| Non-depreciable capital assets:                    |                    |            |              |                                 |                |
| Land   | \$ 299,057         | \$ 6,299   | \$ (10,314)  | \$ (8)                          | \$ 295,034     |
| Construction in progress                           | 342,683            | 352,403    | (92,003)     | (157,638)                       | 445,445        |
| Development in progress                            | 77,364             | 1,397      | —            | (1,215)                         | 77,546         |
| Collections  | 22,330             | 5,691      | (15)         | —                               | 28,006         |
| Total Non-depreciable Capital Assets               | 741,434            | 365,790    | (102,332)    | (158,861)                       | 846,031        |
| Depreciable capital assets:                        |                    |            |              |                                 |                |
| Buildings  | 7,365,896          | 237,772    | (2,190)      | 152,367                         | 7,753,845      |
| Improvements other than buildings                  | 15,739             | 476        | —            | 18                              | 16,233         |
| Equipment  | 1,668,165          | 114,341    | (43,249)     | (7)                             | 1,739,250      |
| Software and other intangibles                     | 160,295            | —          | —            | 1,215                           | 161,510        |
| Infrastructure                                     | 630,125            | 48,099     | (1,410)      | 5,182                           | 681,996        |
| Total Depreciable Capital Assets                   | 9,840,220          | 400,688    | (46,849)     | 158,775                         | 10,352,834     |
| Less accumulated depreciation for:                 |                    |            |              |                                 |                |
| Buildings  | (2,960,632)        | (219,679)  | 1,263        | 12                              | (3,179,036)    |
| Improvements other than buildings                  | (14,842)           | (133)      | —            | (1)                             | (14,976)       |
| Equipment  | (1,243,456)        | (95,744)   | 41,298       | 20                              | (1,297,882)    |
| Software and other intangibles                     | (129,425)          | (8,610)    | —            | —                               | (138,035)      |
| Infrastructure                                     | (290,311)          | (20,314)   | 522          | —                               | (310,103)      |
| Total Accumulated Depreciation                     | (4,638,666)        | (344,480)  | 43,083       | 31                              | (4,940,032)    |
| Total Depreciable Capital Assets, Net              | 5,201,554          | 56,208     | (3,766)      | 158,806                         | 5,412,802      |
| Total Business-type Activities Capital Assets, Net | \$ 5,942,988       | \$ 421,998 | \$ (106,098) | \$ (55)                         | \$ 6,258,833   |

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

|                               |    |                |
|-------------------------------|----|----------------|
| General government            | \$ | 39,647         |
| Health and welfare            |    | 31,586         |
| Inspection and regulation     |    | 862            |
| Education                     |    | 2,054          |
| Protection and safety         |    | 64,988         |
| Transportation                |    | 21,108         |
| Natural resources             |    | 9,612          |
| Total Governmental Activities | \$ | <u>169,857</u> |

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

|                                |    |                |
|--------------------------------|----|----------------|
| Universities                   | \$ | 338,619        |
| Other                          |    | 5,861          |
| Total Business-type Activities | \$ | <u>344,480</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, Rehabilitation & Reentry (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, Rehabilitation & Reentry, 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, 2020, were as follows (expressed in thousands):

|                                | Pension                 |                          | OPEB                    |                          |
|--------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
|                                | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Beginning balance, as restated | \$ 3,875,196            | \$ 1,359,719             | \$ 532,154              | \$ 325,956               |
| Increases                      | 1,066,407               | 350,253                  | 351,255                 | 262,747                  |
| Decreases                      | (947,714)               | (233,367)                | (162,090)               | (64,066)                 |
| Ending Balance                 | <u>\$ 3,993,889</u>     | <u>\$ 1,476,605</u>      | <u>\$ 721,319</u>       | <u>\$ 524,637</u>        |

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Business-type Activities beginning balance for both pension and OPEB liabilities has been restated. The IDGF, reported as a non-major enterprise fund in fiscal year 2019, was reclassified to a non-major component unit in the current fiscal year, resulting in a \$401 thousand decrease to beginning net pension liability and a \$57 thousand decrease to beginning net OPEB liability.

For the year ended June 30, 2020, the State recognized pension expense for all plans to which it contributes of \$618.1 million, (\$49.1) million of grant expense for EORP, and \$119.0 million of OPEB expense. Also, the State reported \$339.6 million of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$3.9 million of grant expenditures related to EORP, and \$22.3 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<br>10 years, age 62<br>5 years, age 50*<br>Any years, age 65 | 30 years, age 55<br>25 years, age 60<br>10 years, age 62<br>5 years, age 50*<br>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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent of the members' annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 11.45 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked during fiscal year 2020 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, 2020, were \$267.1 million.

During fiscal year 2020, the State paid for ASRS pension contributions from governmental funds as follows: 71.69 percent from the General Fund, 13.75 percent from major funds, and 14.56 percent from other funds.

**Pension Liability**—At June 30, 2020, the State reported a liability of \$3.2 billion for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. 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, 2019. The State's proportion measured as of June 30, 2019, was 21.75 percent, which was a decrease of 0.12 from its proportion measured as of June 30, 2018.

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**Pension Expense and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2020, the State recognized pension expense for ASRS of \$321.9 million. At June 30, 2020, 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 57,186                                 | \$ 595                                   |
| Changes of assumptions or other inputs   | 13,383                                    | 126,057                                  |
| Net difference between projected and actual earnings on pension plan investments                           | —   | 71,150                                   |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 71,058                                    | 82,904                                   |
| State contributions subsequent to the measurement date   | 267,061                                   | —  |
| Total  | <u>\$ 408,688</u>                         | <u>\$ 280,706</u>                        |

The \$267.1 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

| <u>Year ending<br/>June 30</u> |             |
|--------------------------------|-------------|
| 2021                           | \$ (54,286) |
| 2022                           | (89,898)    |
| 2023                           | (13,664)    |
| 2024                           | 18,769      |

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

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

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

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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%               | 6.09%  |
| Credit                        | 20%               | 5.36%  |
| Interest rate sensitive bonds | 10%               | 1.62%  |
| Real estate                   | 20%               | 5.85%  |
| Total                         | 100%              |  |

**Discount Rate**—At June 30, 2019, the discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the 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<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| State’s proportionate share of the net pension liability | \$ 4,505,295          | \$ 3,165,539                       | \$ 2,045,847          |

**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<br/>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<br>15 years of service, age 62  | 25 years of service or<br>15 years of credited service, age 52.5   | 15 years of credited service, age 52.5*<br>15 or more years of service, age 55 |
| Final average salary is based on                     | Highest 36 consecutive months<br>of last 20 years  | Highest 60 consecutive months<br>of last 20 years  | Highest 60 consecutive months<br>of last 15 years                              |
| Benefit percent:                                     |  |  |  |
| Normal retirement                                    | 50% less 2.0% for each year of<br>credited service less than 20 years<br>OR plus 2.0% to 2.5% for each<br>year of credited service over 20<br>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<br>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<br>20 years, any age<br>10 years, age 62   | 25 years, age 52.5<br>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%  | 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, 2020, the following employees were covered by the agent pension plans' benefit terms:

|   | PSPRS<br>PSA | CORP<br>DCA   |
|---|--------------|---------------|
| Retirees or beneficiaries currently receiving benefits        | 1,387        | 3,501         |
| Inactive employees entitled to but not yet receiving benefits | 157          | 1,359         |
| Active employees  | 1,023        | 6,821         |
| Total   | <u>2,567</u> | <u>11,681</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, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

|                         | <u>Active Member –<br/>Pension</u> | <u>State –<br/>Pension</u> |
|-------------------------|------------------------------------|----------------------------|
| PSPRS – PSA Tiers 1 & 2 | 7.65% - 11.65%                     | 97.58%                     |
| PSPRS – PSA Tier 3      | 10.37%                             | 92.60%                     |
| CORP – DCA              | 8.41%                              | 27.51%                     |

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 2020 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 | 82.58%         |
| CORP – DCA  | 19.83%         |

The State's contributions to the pension plan for the year ended June 30, 2020, were (expressed in thousands):

|                         | <u>Pension</u> |
|-------------------------|----------------|
| PSPRS – PSA Tiers 1 & 2 | \$ 73,982      |
| PSPRS – PSA Tier 3      | 4,019          |
| CORP – DCA              | 85,615         |

During fiscal year 2020, the State paid for PSPRS and CORP pension contributions as follows: 70.29 percent from the General Fund and 29.71 percent from other funds.

**Pension Liability**—At June 30, 2020, the State reported the following net pension liabilities (expressed in thousands):

|             | <u>Net Pension<br/>Liability</u> |
|-------------|----------------------------------|
| PSPRS – PSA | \$ 872,250                       |
| CORP – DCA  | 965,309                          |

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

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

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

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

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The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of 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%                | 4.01%  |
| Fixed income           | 5%                | 3.00%  |
| Real assets            | 9%                | 6.75%  |
| GTS                    | 12%               | 4.01%  |
| Private credit         | 16%               | 5.36%  |
| Real estate            | 10%               | 4.50%  |
| Private equity         | 12%               | 8.40%  |
| Non-U.S. equity        | 14%               | 5.00%  |
| U.S. equity            | 16%               | 4.75%  |
| Total                  | 100%              |  |

**Discount Rate**—At June 30, 2019, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(a) – (b) |
| <b>PSPRS – PSA</b>   |                                |                                    |                                    |
| Balances at June 30, 2019  | \$ 1,205,814                   | \$ 370,749                         | \$ 835,065                         |
| Changes for the year:  |                                |                                    |                                    |
| Service cost   | 14,020                         | —                                  | 14,020                             |
| Interest on the total pension liability  | 87,353                         | —                                  | 87,353                             |
| Differences between expected and actual experience in the measurement of the pension liability | 7,041                          | —                                  | 7,041                              |
| Changes of assumptions   | 21,318                         | —                                  | 21,318                             |
| Contributions - employer   | —                              | 66,551                             | (66,551)                           |
| Contributions - employee   | —                              | 6,534                              | (6,534)                            |
| Net investment income  | —                              | 19,878                             | (19,878)                           |
| Benefit payments, including refunds of employee contributions                                  | (78,790)                       | (78,790)                           | —                                  |
| Administrative expense   | —                              | (346)                              | 346                                |
| Other changes  | —                              | (70)                               | 70                                 |
| Net changes  | 50,942                         | 13,757                             | 37,185                             |
| Balances at June 30, 2020  | \$ 1,256,756                   | \$ 384,506                         | \$ 872,250                         |

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|  | Increase (Decrease)                  |  |  |
|--|--------------------------------------|--|--|
|  | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) – (b) |
| <b>CORP – DCA</b>  |                                      |  |  |
| Balances at June 30, 2019  | \$ 1,787,870                         | \$ 935,979                               | \$ 851,891                               |
| Changes for the year:  |                                      |  |  |
| Service cost   | 49,392                               | —  | 49,392                                   |
| Interest on the total pension liability  | 132,022                              | —  | 132,022                                  |
| Differences between expected and actual experience in the measurement of the pension liability | 46,513                               | —  | 46,513                                   |
| Changes of assumptions or other inputs   | 47,333                               | —  | 47,333                                   |
| Contributions – employer   | —                                    | 86,153                                   | (86,153)                                 |
| Contributions – employee   | —                                    | 24,672                                   | (24,672)                                 |
| Net investment income  | —                                    | 52,159                                   | (52,159)                                 |
| Benefit payments, including refunds of employee contributions                                  | (106,366)                            | (106,366)                                | —  |
| Administrative expense   | —                                    | (932)                                    | 932                                      |
| Other changes  | —                                    | (210)                                    | 210                                      |
| Net changes  | 168,894                              | 55,476                                   | 113,418                                  |
| Balances at June 30, 2020  | <u>\$ 1,956,764</u>                  | <u>\$ 991,455</u>                        | <u>\$ 965,309</u>                        |

**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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate (expressed in thousands):

|                       | 1%<br>Decrease<br>(6.3%) | Current<br>Discount Rate<br>(7.3%) | 1%<br>Increase<br>(8.3%) |
|-----------------------|--------------------------|------------------------------------|--------------------------|
| PSPRS – PSA           |                          |                                    |                          |
| Net pension liability | \$ 1,023,820             | \$ 872,250                         | \$ 746,978               |
| CORP – DCA            |                          |                                    |                          |
| Net pension liability | \$ 1,239,010             | \$ 965,309                         | \$ 743,095               |

**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, 2020, the State recognized the following pension expense (expressed in thousands):

|             | Pension<br>Expense |
|-------------|--------------------|
| PSPRS – PSA | \$ 97,080          |
| CORP – DCA  | 126,989            |

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**Deferred Outflows/Inflows of Resources**—At June 30, 2020, 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<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 11,744                                     | \$ 8,366                                     |
| Changes of assumptions or other inputs   | 37,775  | —  |
| Net difference between projected and actual earnings on pension plan investments | 6,187   | —  |
| State contributions subsequent to the measurement date                           | 78,001  | —  |
| Total  | \$ 133,707                                    | \$ 8,366                                     |
|  |   |  |
| <b>CORP – DCA</b>  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
| Differences between expected and actual experience                               | \$ 38,760                                     | \$ 64,753                                    |
| Changes of assumptions or other inputs   | 77,394  | —  |
| Net difference between projected and actual earnings on pension plan investments | 12,150  | —  |
| State contributions subsequent to the measurement date                           | 85,616  | —  |
| Total  | \$ 213,920                                    | \$ 64,753                                    |

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

| <b>Year Ending<br/>June 30</b> | <b>PSPRS<br/>PSA</b> | <b>CORP<br/>DCA</b> |
|--------------------------------|----------------------|---------------------|
| 2021                           | \$ 23,058            | \$ 16,960           |
| 2022                           | 10,974               | 7,893               |
| 2023                           | 6,169                | 8,827               |
| 2024                           | 7,138                | 14,231              |
| 2025                           | —                    | 15,640              |

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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<br>10 years, age 62<br>5 years, age 65<br>5 years, any age*<br>any years and age if disabled     | 10 years, age 62<br>5 years, age 65<br>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:<br>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<br>40% with 5 to 10 years of service<br>20% with less than 5 years of service | 75% with 10 or more years of service<br>37.5% with 5 to 10 years of service<br>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, 2020, 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 61.43 percent of active EORP members' annual covered payroll. Also, statute required the State to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 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 39.72 percent of annual covered payroll of retired members who worked during fiscal year 2020 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, 2020, were \$14.3 million, including \$3.9 million related to State support, as a nonemployer contributing entity.

During fiscal year 2020, the State paid for EORP pension contributions as follows: 97.93 percent from the General Fund and 2.07 percent from other funds. In addition, during fiscal year 2020, 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, 2020, 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                                       | \$ 114,603        |
| State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity | 47,006            |
| Total   | <u>\$ 161,609</u> |

The net pension liabilities were measured as of June 30, 2019, 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 liabilities reflect changes of actuarial assumptions including decreasing the investment rate of return from 7.4 percent to 7.3 percent and updating mortality rates.

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, 2019. The State's proportion measured as of June 30, 2019, was 17.50 percent, which was an increase of 2.41 from its proportion measured as of June 30, 2018. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2019, was 7.09 percent, which was a decrease of 7.03 from its proportion measured as of June 30, 2018.

**Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2020, the State recognized a negative pension expense for EORP of \$29.1 million and revenue of \$1.9 million for the designated court fees. In addition, the State recognized a negative grant expense of \$49.1 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2020, 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,<br>as a nonemployer<br>contributing entity |                                     |
|--|--------------------------------------|-------------------------------------|---|-------------------------------------|
|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | Deferred<br>Outflows<br>of Resources                  | Deferred<br>Inflows<br>of Resources |
| Differences between expected and actual experience   | \$ 2,555                             | \$ 109                              | \$ 1,048  | \$ 45                               |
| Changes of assumptions or other inputs   | 360                                  | 3,257                               | 148   | 1,336                               |
| Net difference between projected and actual earnings on pension plan investments                           | 780                                  | —                                   | 320   | —                                   |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 1,341                                | 16,962                              | —   | 23,156                              |
| State contributions subsequent to the measurement date   | 10,413                               | —                                   | 3,883   | —                                   |
| Total  | <u>\$ 15,449</u>                     | <u>\$ 20,328</u>                    | <u>\$ 5,399</u>                                       | <u>\$ 24,537</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, 2021. 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<br/>June 30</u> | <u>The State</u> | <u>The State, as a<br/>nonemployer<br/>contributing entity</u> |
|--------------------------------|------------------|--|
| 2021                           | \$ (15,512)      | \$ (23,113)  |
| 2022                           | (199)            | (82)   |
| 2023                           | 218              | 89   |
| 2024                           | 201              | 85   |

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

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

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

The long-term expected rate of return on EORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of 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<br/>Allocation</u> | <u>Long-Term<br/>Expected Geometric<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Short term investments | 2%                           | 0.25%   |
| Risk parity            | 4%                           | 4.01%   |
| Fixed income           | 5%                           | 3.00%   |
| Real assets            | 9%                           | 6.75%   |
| GTS                    | 12%                          | 4.01%   |
| Private credit         | 16%                          | 5.36%   |
| Real estate            | 10%                          | 4.50%   |
| Private equity         | 12%                          | 8.40%   |
| Non-U.S. equity        | 14%                          | 5.00%   |
| U.S. equity            | 16%                          | 4.75%   |
| Total                  | <u>100%</u>                  |   |

**Discount Rate**—At June 30, 2019, the discount rate used to measure the EORP total pension liability was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, 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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate (expressed in thousands):

|  | <u>1% Decrease<br/>(6.3%)</u> | <u>Current<br/>Discount Rate<br/>(7.3%)</u> | <u>1% Increase<br/>(8.3%)</u> |
|--|-------------------------------|---|-------------------------------|
| State’s proportionate share of the net pension liability                                       | \$ 53,829                     | \$ 47,006                                   | \$ 41,194                     |
| State’s proportionate share of the net pension liability, as a nonemployer contributing entity | 131,235                       | 114,603                                     | 100,435                       |

**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, 2020, was \$166.5 million.

**Employees Covered by Benefit Terms**—At June 30, 2020, the following employees were covered by the ADOA OPEB plan’s benefit terms:

|                              |               |
|------------------------------|---------------|
| Retirees or beneficiaries    |               |
| currently receiving benefits | 6,774         |
| Active employees             | 57,198        |
| Total                        | <u>63,972</u> |

**OPEB Liability**—At June 30, 2020, the State reported a liability of \$1.3 billion for the ADOA total OPEB liability. The total OPEB liability measured as of June 30, 2019 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, 2019   |
| Actuarial cost method        | Entry age normal  |
| Salary increases             | 0.0% to 4.5%, not including wage inflation of 2.7%  |
| Discount rate                | 3.13%   |
| Healthcare cost trend rates  |   |
| Medical (pre-65)             | 7.2% graded to 4.3% over 13 years   |
| Medical (post-65)            | 6.5% graded to 4.3% over 13 years   |
| Prescription drug            | 7.2% graded to 4.3% over 13 years   |
| Administrative costs         | 3.0%  |
| Contribution trend rates     | 7.2 % graded to 4.3% over 13 years  |
| Mortality rates              |   |
| Employees                    | RP-2014 Active Member Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.                |
| Healthy retirees and spouses | 2017 State Retirees of Arizona (SRA) mortality table. Generational mortality improvements in accordance with the Ultimate MP scales and projected from the year 2017. |
| Disabled retirees            | RP-2014 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.                   |

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

**Discount Rate**—The discount rate was based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date.

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

|   | <u>Increase (Decrease)</u>  |
|---|-----------------------------|
|   | <u>Total OPEB Liability</u> |
| Balance at June 30, 2019  | \$ 875,525                  |
| Changes for the year:   |                             |
| Service cost  | 81,670                      |
| Interest on the total OPEB liability  | 36,500                      |
| Differences between expected and actual experience in the measurement of the OPEB liability | 36,896                      |
| Changes of assumptions or other inputs  | 268,793                     |
| Benefit payments  | (28,100)                    |
| Net changes   | <u>395,759</u>              |
| Balance at June 30, 2020  | <u>\$ 1,271,284</u>         |

The total OPEB liability as of June 30, 2019 reflects a decrease in the discount rate due to changes in the bond index. Trend assumptions were updated to reflect recent experience.

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**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 3.13 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 (2.13 percent) or 1 percentage point higher (4.13 percent) than the current rate (expressed in thousands):

|                      | <b>1%<br/>Decrease<br/>(2.13%)</b> | <b>Current<br/>Discount Rate<br/>(3.13%)</b> | <b>1%<br/>Increase<br/>(4.13%)</b> |
|----------------------|------------------------------------|--|------------------------------------|
| Total OPEB liability | \$ 1,526,028                       | \$ 1,271,284                                 | \$ 1,073,841                       |

**Sensitivity of the State’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**—The following table presents the State’s total OPEB liabilities calculated using the current healthcare cost 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 trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates (expressed in thousands):

|                      | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend Rate</b> | <b>1%<br/>Increase</b> |
|----------------------|------------------------|-------------------------------|------------------------|
| Total OPEB liability | \$ 1,048,194           | \$ 1,271,284                  | \$ 1,566,114           |

**OPEB Expense and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2020, the State recognized OPEB expense of \$112.3 million. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience        | \$ 35,269                                     | \$ 21,810                                    |
| Changes of assumptions or other inputs                    | 232,579                                       | 194,198                                      |
| State benefit payments subsequent to the measurement date | 166,483                                       | —  |
| Total   | <u>\$ 434,331</u>                             | <u>\$ 216,008</u>                            |

The \$166.5 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, 2021. 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):

| <b>Year Ending<br/>June 30</b> |            |
|--------------------------------|------------|
| 2021                           | \$ (4,202) |
| 2022                           | (4,202)    |
| 2023                           | (4,202)    |
| 2024                           | (4,202)    |
| 2025                           | 14,832     |
| Thereafter                     | 53,816     |

**NOTE 6. LONG-TERM OBLIGATIONS**

**A. REVENUE BONDS**

**Governmental Activities**

**1. Department of Administration**

On December 11, 2018, the State entered into a Forward Delivery Bond Purchase Contract for \$246.4 million in Lottery Refunding Bonds Series 2019 (Series 2019 Bonds) delivered on October 3, 2019 with an interest rate of 5.0% and a final maturity date of 2029. Net proceeds totaled \$274.0 million after receipt of \$28.9 million of original premium and payment of \$1.2 million of issuance costs. The net proceeds were used to current refund the Lottery Revenue Bonds Series 2010A and to pay the costs of issuing the Series 2019 bonds. The refunding resulted in a debt service savings of \$29.9 million and a net present value economic gain of \$27.3 million (difference between the present values of the old and new debt service payments). The current refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$12.9 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2029. The State has pledged portions of its revenues towards the payment of debt service on the Series 2019 Bonds. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are secured solely by pledged revenues, consisting of all Lottery revenues deposited to the Lottery Fund net of operating expenses. Pledged revenues are pledged under the Lottery bond law and in the Indenture for the payment of the bonds. At June 30, 2020, pledged revenues totaled approximately \$217.2 million, of which 15.9% (\$34.5 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 approximately \$246.4 million.

**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 \$1.3 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 \$1.2 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 \$1.6 billion. Principal and interest paid for the current year and total pledged revenues were \$142.7 million and \$682.3 million, respectively. The annual principal and interest payments on the bonds required 20.9% of the pledged revenues.

On February 12, 2020, the ADOT issued \$510.3 million of Taxable Highway Revenue Refunding Bonds Series 2020 (Series 2020 bonds), with interest rates ranging from 1.7% to 3.2% and serial maturities ranging from 2020 to 2038. Net proceeds totaled \$508.3 million, after payment of \$2.0 million of issuance costs and underwriter's discount. The net proceeds were used to refund, in advance of maturity, portions of the outstanding Series 2011A and Series 2013A Highway Revenue Bonds. The advance refunding resulted in a debt service savings of \$55.3 million, and a net present value economic gain of \$45.5 million (difference between the present values of the old and new debt service payments). The advance refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$51.1 million. This difference, reported as a deferred inflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2038.

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 \$732.4 million.

The ADOT has pledged future transportation excise taxes to repay \$624.4 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.

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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 \$718.6 million. Principal and interest paid for the current year and total pledged revenues were \$143.7 million and \$326.5 million, respectively. The annual principal and interest payments on the bonds required 44.0% of the pledged revenues.

**Business-Type Activities**

**3. 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.

On December 17, 2019, the U of A sold System Revenue Refunding Bonds Taxable Series 2020 (2020 Bonds) for \$72.205 million dated January 29, 2020 as described in the following table.

| Series | Amount        | Description  | Interest Rate Range | Maturity Dates |
|--------|---------------|--------------|---------------------|----------------|
| 2020   | \$ 31,580,000 | Serial Bonds | 2.01 - 2.93%        | 2023 - 2034    |
|        | 24,300,000    | Term Bonds   | 3.11%               | June 1, 2038   |
|        | 16,325,000    | Term Bonds   | 3.20%               | June 1, 2042   |

The 2020 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 2020 Bonds with maturity on June 1, 2038 and June 1, 2042 are subject to mandatory redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$71.659 million after payment of \$546 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the system revenue bonds Series 2012A and 2013A totaling \$54.460 million and \$11.455 million, respectively. The refunding generated a net present value economic gain of \$8.947 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$3.071 million in the first year and an average of \$267 thousand in years two through twenty-two. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$191 thousand. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2042 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of \$70.122 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

On January 15, 2020, the U of A sold SPEED Revenue Refunding Bonds Series 2020A (2020A Bonds) for \$108.180 million and Taxable Series 2020B (2020B Bonds) for \$19.565 million dated February 26, 2020 as described in the following table.

| Series | Amount        | Description  | Interest Rate Range | Maturity Dates |
|--------|---------------|--------------|---------------------|----------------|
| 2020A  | \$ 80,705,000 | Serial Bonds | 3.13 - 5.00%        | 2020 - 2039    |
|        | 27,475,000    | Term Bonds   | 4.00%               | Aug 1, 2044    |
| 2020B  | 835,000       | Serial Bonds | 1.74 - 2.31%        | 2020 - 2027    |
|        | 870,000       | Term Bonds   | 2.79%               | Aug 1, 2034    |
|        | 7,345,000     | Term Bonds   | 3.19%               | Aug 1, 2039    |
|        | 10,515,000    | Term Bonds   | 3.29%               | Aug 1, 2043    |

The 2020A Bonds maturing on or after August 1, 2031 will be subject to optional redemption on August 1, 2030 and on any date thereafter without a premium. The 2020A Bonds with maturity on August 1, 2044 are subject to mandatory sinking fund redemption without

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premium. The 2020A Bonds sold at a premium of \$23.182 million. The U of A realized net proceeds of \$130.641 million after payment of \$721 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, \$127.395 million of the SPEED Revenue Bonds Series 2010. The refunding generated a net present value economic gain of \$24.455 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$537 thousand in the first year and an average of \$997 thousand in years two through twenty-four. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3.246 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2044 using the straight-line method. The refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of \$130.641 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The 2020B 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 10 basis points for bonds maturing on August 1, 2020 through and including 2027, and plus 15 basis points bonds maturing on August 1, 2034, August 1, 2039 and August 1, 2043. The 2020B Bonds with maturity on August 1, 2034, August 1, 2039 and August 1, 2043 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$19.396 million after payment of \$169 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, \$17.350 million of the SPEED Revenue Bonds Series 2013. The refunding generated a net present value economic gain of \$2.812 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$65 thousand in the first year and an average of \$119 thousand in years two through twenty-three years. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$613 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2043 using the straight-line method. The refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of \$19.397 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

On January 15, 2020, the U of A entered into a Forward Delivery Bond Purchase Contract for \$23.120 million in SPEED Revenue Refunding Bonds Series 2020C (2020C Bonds) with an expected delivery date of May 12, 2021 to: (1) refund, in advance of maturity, \$25.855 million of SPEED Revenue Bonds Series 2011 and (2) pay costs of issuance. The 2020C Bonds will include serial bonds with interest rates of 5.00% and maturity dates ranging from 2022 to 2029. The Series 2020C Bonds will not be subject to optional redemption prior to maturity.

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, 2020, 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 \$10.365 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying 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 5.9% reduction (totaling \$14 thousand) in the Federal interest subsidy for the August 1, 2020 debt service payment.

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, 2020. 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, 2020, pledged revenues totaled \$1.30 billion of which 7.4% (\$96.6 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.9% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$1.84 billion.

**b. Northern Arizona University**

The NAU's bonded debt consists of various issues of system revenue bonds and SPEED revenue bonds that are generally callable with interest payable semiannually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure and for refunding obligations from previously issued bonds.

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For all outstanding SPEED 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 as defined by State law. 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.

During the year ended June 30, 2020, the NAU issued \$34.205 million Taxable Revenue Refunding Bonds (2020A) and \$78.520 million Tax Exempt Revenue Refunding bonds (2020B) with an average interest rate of 4.39% to advance refund older, higher rate issues with an average interest rate of 4.95% for the 2020A bonds and 6.63% for the 2020B bonds. The NAU realized net proceeds of \$33.885 million for 2020A and \$98.728 million for 2020B after paying \$999 thousand in underwriting fees, insurance and other issuance costs. The NAU used the proceeds to purchase securities that it placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the related liabilities are not included in the accompanying financial statements. The net present value of the savings from the refunding was \$18.677 million.

During the year ended June 30, 2020, the NAU issued \$36.345 million Taxable SPEED Refunding Bonds (2020A) and \$39.805 million Tax Exempt SPEED Refunding Bonds (2020B) with an average interest rate of 3.61% to advance refund older, higher rate issues with an average interest rate of 4.92% for the 2020A bonds and 6.47% for the 2020B bonds. The NAU realized net proceeds of \$35.996 million for 2020A and \$48.226 million for 2020B after paying \$711 thousand in underwriting fees, insurance and other issuance costs. The NAU used the proceeds to purchase securities that it placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased and the related liabilities are not included in the accompanying financial statements. The net present value of the savings from the refunding was \$12.232 million.

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, 2018 and September 30, 2019, by 5.9% due to the Federal budget sequestration resulting in a \$158 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. As the Series 2009A and 2010 Bonds have been refunded, the NAU will no longer be receiving the interest payment subsidy.

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, 2020. 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 \$314 million for the prior five years. For fiscal year 2020, pledged revenues totaled \$320 million, of which 10.0% (\$32.1 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 7.9% 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 \$605.3 million.

The NAU utilizes Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. LRBs are generally callable and are collateralized by the acquired assets. In the event of default, the underlying asset value would be removed from the accompanying financial statements and the control of the assets would return to the trustee. LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, and the Student and Academic Services building.

**c. Arizona State University**

As of June 30, 2020, the ASU had issued fixed and variable rate bonds, of which \$1.7 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, 2020 totaled \$168.0 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 outstanding at June 30, 2020. 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, 2020, pledged revenues totaled \$1.90



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billion, of which 6.1% (\$115.1 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, 2050 total \$2.7 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, 2020 totaled \$1.1 million with a final maturity of 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 2020, the ASU issued \$184.5 million of system revenue bonds, Series 2020 A, B, and C, with an average maturity of 16.7 years and an average interest rate of 2.84%. The bonds were issued to fund the construction of Phase II of the Interdisciplinary Science and Technology Building 7, Phase II of the Health Futures Center, IT Infrastructure Improvements, Phase I of the Durham Language and Literature renovation project, the Downtown Phoenix Academic Prepaid Lease and infrastructure and deferred maintenance. In addition to using pledged revenues to pay the debt service, the ASU will pay half the debt service of the 2020A 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 monies will be appropriated and deposited into the ASU's CIF for fiscal year 2019 through fiscal year 2043. The annual deposit will be adjusted annually by a growth rate of 2.0% or the change in the U.S. Gross Domestic Product Price Deflator between the two prior fiscal years, whichever is less, but not less than the prior fiscal year's appropriated amount. CIF funds are available exclusively for either paying the costs of, or paying up to one-half of the debt service on debt financing for, capital projects of the ASU. While funding for the payment of debt service will be made as described, pledged revenues secure all of the 2020 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 2020, the ASU received Federal Direct Payments totaling \$3.5 million, net of \$0.2 million or 5.9% 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 \$76.3 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2020 was 0.13% for the Series 2008A bonds and 0.14% for the 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, 2020 totaled \$90.3 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 \$75.8 million notional amount at June 30, 2020 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, 2020 was 0.13%.

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At June 30, 2020, 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           | (0.13)    |
| Net interest rate swap payments        |                 | 3.78      |
| Variable-rate bond coupon payments     | Spread to SIFMA | 0.14      |
| Synthetic fixed interest rate on bonds |                 | 3.92      |

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, 2020, 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, 2020. 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.

As of June 30, 2020, the swap had a fair value of \$(20.1) million, which represents the cost to the ASU to terminate the swap. The June 30, 2019 fair value was \$(15.3) 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, 2020 (expressed in thousands):

| Revenue Bonds Outstanding    | Dates Issued | Maturity Dates | Interest Rates | Outstanding Balance at June 30, 2020 |
|------------------------------|--------------|----------------|----------------|--------------------------------------|
| Governmental Activities:     |              |                |                |                                      |
| Department of Transportation | 2011 - 2020  | 2021 - 2038    | 1.80 - 5.00%   | \$ 1,855,415                         |
| Department of Administration | 2020         | 2021 - 2029    | 5.00%          | 245,295                              |
| Business-type Activities:    |              |                |                |                                      |
| University Revenue Bonds     | 2008 - 2020  | 2021 - 2051    | 0.14 - 6.49%   | 3,243,430                            |

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Principal and interest debt service payments on revenue bonds outstanding at June 30, 2020 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        |
| 2021        | \$ 228,080              | \$ 90,340      | \$ 318,420   | \$ 104,270               | \$ 146,602     | \$ 2,735                                  | \$ 253,607   |
| 2022        | 239,240                 | 79,191         | 318,431      | 111,630                  | 142,026        | 2,595                                     | 256,251      |
| 2023        | 247,005                 | 69,702         | 316,707      | 120,175                  | 136,602        | 2,449                                     | 259,226      |
| 2024        | 258,725                 | 57,989         | 316,714      | 126,490                  | 130,903        | 2,295                                     | 259,688      |
| 2025        | 259,330                 | 47,377         | 306,707      | 130,725                  | 124,812        | 2,133                                     | 257,670      |
| 2026 - 2030 | 564,975                 | 136,894        | 701,869      | 711,055                  | 525,290        | 7,946                                     | 1,244,291    |
| 2031 - 2035 | 238,660                 | 40,167         | 278,827      | 681,755                  | 363,614        | 2,509                                     | 1,047,878    |
| 2036 - 2040 | 64,695                  | 3,990          | 68,685       | 640,050                  | 208,783        | —   | 848,833      |
| 2041 - 2045 | —                       | —              | —            | 497,415                  | 73,695         | —   | 571,110      |
| 2046 - 2050 | —                       | —              | —            | 117,325                  | 6,809          | —   | 124,134      |
| 2051        | —                       | —              | —            | 2,540                    | —              | —   | 2,540        |
| Total       | \$ 2,100,710            | \$ 525,650     | \$ 2,626,360 | \$ 3,243,430             | \$ 1,859,136   | \$ 22,662                                 | \$ 5,125,228 |

**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 \$223.9 million.

The ADOT has pledged federal revenues to repay \$204.2 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 \$264.5 million. Principal and interest paid for the current year and total pledged revenues were \$30.9 million and \$665.5 million, respectively. The annual principal and interest payments on the GANs required 4.6% 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, 2020 |
|--------------------------------------|--------------|----------------|----------------|--------------------------------------|
| Governmental Activities:             |              |                |                |                                      |
| Department of Transportation         | 2011 - 2019  | 2021 - 2034    | 4.00 - 5.00%   | \$ 204,220                           |

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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 |
| 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        | 24,020                  | 5,952            | 29,972             |
| 2026 - 2030 | 62,350                  | 16,038           | 78,388             |
| 2031 - 2034 | 32,660                  | 3,589            | 36,249             |
| Total       | <u>\$ 204,220</u>       | <u>\$ 60,290</u> | <u>\$ 264,510</u>  |

**C. CERTIFICATES OF PARTICIPATION**

**Governmental Activities**

**1. Department of Administration**

The State has issued Certificates of Participation (COPs) to finance construction or improvements of various capital assets. 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, parking structures, a laboratory, and a State prison. 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. 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.

On January 15, 2019, the State entered into a Forward Delivery Certificate Purchase Contract for \$425.0 million in COP Refunding Series 2019A (2019A COPs) delivered on July 9, 2019 with an interest rate of 5.00% and a final maturity date of fiscal year 2030. The State realized net proceeds from the 2019A COPs of \$482.2 million after payment of \$2.0 million in bond issuance costs and underwriter's discount. The net proceeds were used to current refund the Series 2010A COPs with an outstanding principal balance of \$470.1 million. The current refunding resulted in a debt service savings of \$70.4 million and a net present value economic gain of \$61.9 million (difference between the present values of the old and new debt service payments). The current refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$15.5 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2029 using the straight-line method. The 2019A COPs are collateralized by numerous properties located throughout the State that include: several State prisons, office complexes and parking structures, a laboratory, and the School for Deaf and Blind Phoenix Day School. 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.

**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

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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. Arizona State University**

As of June 30, 2020, the ASU has issued fixed rate COPs, of which \$65.9 million 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. Securities and cash restricted for COP debt service held by the trustee at June 30, 2020 totaled \$8.0 million.

**b. 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.

**c. Northern Arizona University**

The NAU utilizes COPs to acquire buildings, land, and infrastructure. 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. COPs were used to build the Applied Research and Development building, Science Lab Facility, and to renovate the Engineering building.

A summary of the COPs issued as of June 30, 2020 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 2001 PLTO, 2002A/2004B COPs                       | 2013       | 2029                | \$ 62,630              | \$ 22,550           | 4.00 - 5.00%   |
| Refund 2005 Gov Office Lease Rev Capitol Mall, 2008A COP | 2016       | 2028                | 163,995                | 146,220             | 3.00 - 5.00%   |
| Kingman Prison 2016                                      | 2017       | 2025                | 119,880                | 74,155              | 4.00 - 5.00%   |
| Refund 2010A   | 2020       | 2030                | 425,005                | 422,635             | 5.00%          |
| School Facilities Board:                                 |            |                     |                        |                     |                |
| Qualified School Construction 2010                       | 2011       | 2028                | 91,325                 | 81,820              | 6.00%          |
| Refunding Certificates of 2008                           | 2016       | 2024                | 263,545                | 210,890             | 2.35 - 5.00%   |
| <b>Total Governmental Activities</b>                     |            |                     | <b>\$ 1,126,380</b>    | <b>\$ 958,270</b>   |                |

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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              | \$ 8,980            | 4.53%          |
| 2011A Mercado Refunding Certificates of Participation      | 2011       | 2025                | 8,465                  | 3,725               | 4.27%          |
| 2013 A/B Refunding Certificates of Participation           | 2013       | 2027                | 64,780                 | 53,210              | 3.09%          |
| University of Arizona:                                     |            |                     |                        |                     |                |
| Biomedical Research Collaborative Bldg. Project            | 2006       | 2031                | 18,240                 | 10,680              | 4.30 - 5.00%   |
| Refund COPs 2003A  | 2012       | 2022                | 10,190                 | 2,530               | 3.22 - 3.42%   |
| Refund COPs 2002B  | 2012       | 2023                | 20,600                 | 7,755               | 4.00 - 5.00%   |
| Refund COPs 2003B & 2004A                                  | 2012       | 2031                | 124,940                | 92,290              | 3.00 - 5.00%   |
| Refund COPs 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E | 2015       | 2025                | 89,470                 | 39,610              | 5.00%          |
| Refund COPs 2006C, 2006D, & 2007A                          | 2015       | 2025                | 13,810                 | 8,325               | 2.50 - 3.09%   |
| Refund COPs 2007B  | 2018       | 2022                | 27,135                 | 11,430              | 5.00%          |
| Refund COPs 2007D  | 2018       | 2031                | 32,430                 | 26,765              | 5.00%          |
| Northern Arizona University:                               |            |                     |                        |                     |                |
| 2013 Refunding COPs  | 2013       | 2031                | 36,005                 | 28,535              | 4.78%          |
| 2015 Refunding COPs  | 2015       | 2031                | 18,825                 | 13,675              | 4.92%          |
| <b>Total Business-type Activities</b>                      |            |                     | <u>\$ 480,700</u>      | <u>\$ 307,510</u>   |                |

Principal and interest debt service requirements on COPs outstanding at June 30, 2020 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 |
| 2021        | \$ 118,445              | \$ 44,164         | \$ 162,609            | \$ 42,710                | \$ 16,028        | \$ 58,738             |
| 2022        | 124,535                 | 38,159            | 162,694               | 42,970                   | 13,773           | 56,743                |
| 2023        | 130,215                 | 32,547            | 162,762               | 37,915                   | 11,596           | 49,511                |
| 2024        | 130,260                 | 26,770            | 157,030               | 36,990                   | 9,407            | 46,397                |
| 2025        | 74,210                  | 21,674            | 95,884                | 30,710                   | 7,533            | 38,243                |
| 2026-2030   | 380,605                 | 47,592            | 428,197               | 97,150                   | 20,730           | 117,880               |
| 2031        | —                       | —                 | —                     | 19,065                   | 2,025            | 21,090                |
| Total       | <u>\$ 958,270</u>       | <u>\$ 210,906</u> | <u>\$ 1,169,176</u>   | <u>\$ 307,510</u>        | <u>\$ 81,092</u> | <u>\$ 388,602</u>     |

**D. DIRECT PLACEMENTS**

**Governmental Activities**

**1. Department of Administration**

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.

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**Business-Type Activities**

**2. Universities**

**a. Arizona State University**

The ASU has outstanding two series of direct placement COPs - the Series 2014 Refunding COPs and the 2017 Refunding COPs. The direct placement COPs were issued with similar terms to the ASU's other outstanding COPs with no acceleration or priority provisions. 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.

**b. Northern Arizona University**

On April 8, 2020, the NAU issued \$46.780 million Lease Revenue Bonds Series 2020 with an interest rate of 2.8% to fund the Student Athlete High Performance Center. The NAU realized net proceeds of \$46 million after paying \$780 thousand in costs of issuance and insurance premium. The 2020 Bonds with maturity on June 1, 2021 through June 1, 2044, are subject to mandatory redemption. The issuance was a direct placement with Capital One. The funds are deposited with US Bank (trustee) and will be disbursed to pay for the costs of designing, developing and equipping the Student Athletic High Performance Center.

A summary of the Direct Placements issued as of June 30, 2020 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              | \$ 4,010            | 1.75%          |
| <br>   |            |                     |                        |                     |                |
| Project  | Issue Date | Final Maturity Date | Original Amount Issued | Outstanding Balance | Interest Rates |
| <b>Business-type Activities:</b>                 |            |                     |                        |                     |                |
| Arizona State University:                        |            |                     |                        |                     |                |
| 2014 A/B Refunding Certificates of Participation | 2015       | 2031                | \$ 84,525              | \$ 59,735           | 3.04%          |
| 2017 Refunding Certificates of Participation     | 2018       | 2027                | 44,815                 | 31,615              | 1.87%          |
| Northern Arizona University:                     |            |                     |                        |                     |                |
| 2017 System Revenue Refunding                    | 2017       | 2034                | 42,970                 | 39,950              | 2.91%          |
| 2017A System Revenue                             | 2018       | 2038                | 24,260                 | 22,360              | 2.58%          |
| 2016 Lease Refunding                             | 2016       | 2036                | 11,070                 | 8,935               | 2.61%          |
| 2017 Lease Refunding                             | 2017       | 2033                | 33,340                 | 30,230              | 2.90%          |
| 2020 Lease Refunding                             | 2020       | 2044                | 46,780                 | 46,780              | 2.80%          |
| <b>Total Business-type Activities</b>            |            |                     | <u>\$ 287,760</u>      | <u>\$ 239,605</u>   |                |

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Principal and interest debt service requirements on the Direct Placements at June 30, 2020 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 |
| 2021        | \$ 5                    | \$ 70          | \$ 75                 | \$ 13,175                | \$ 6,401       | \$ 19,576             |
| 2022        | 5                       | 70             | 75                    | 13,505                   | 6,092          | 19,597                |
| 2023        | 5                       | 70             | 75                    | 11,095                   | 5,843          | 16,938                |
| 2024        | —                       | 70             | 70                    | 11,425                   | 5,560          | 16,985                |
| 2025        | —                       | 70             | 70                    | 11,745                   | 5,268          | 17,013                |
| 2026 - 2030 | 3,995                   | 175            | 4,170                 | 98,180                   | 18,702         | 116,882               |
| 2031 - 2035 | —                       | —              | —                     | 54,080                   | 6,732          | 60,812                |
| 2036 - 2040 | —                       | —              | —                     | 16,300                   | 2,581          | 18,881                |
| 2041 - 2044 | —                       | —              | —                     | 10,100                   | 693            | 10,793                |
| Total       | \$ 4,010                | \$ 525         | \$ 4,535              | \$ 239,605               | \$ 57,872      | \$ 297,477            |

**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.)

The future minimum lease payments for long-term capital leases as of June 30, 2020 are summarized below (expressed in thousands):

| Fiscal Year                                 | Annual Debt Service     |                          |
|---|-------------------------|--------------------------|
|   | Governmental Activities | Business-type Activities |
| 2021  | \$ 15,910               | \$ 11,191                |
| 2022  | 15,907                  | 11,031                   |
| 2023  | 15,903                  | 10,693                   |
| 2024  | 13,849                  | 10,713                   |
| 2025  | 13,612                  | 10,756                   |
| 2026 - 2030                                 | 46,069                  | 50,464                   |
| 2031 - 2035                                 | 32,443                  | 39,407                   |
| 2036 - 2040                                 | —                       | 5,041                    |
| 2041 - 2045                                 | —                       | 533                      |
| 2046 - 2072                                 | —                       | 3,938                    |
| Total minimum lease payments                | 153,693                 | 153,767                  |
| Less: amount representing interest          | (16,948)                | (36,431)                 |
| Present Value of Net Minimum Lease Payments | \$ 136,745              | \$ 117,336               |



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

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

|                                | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> |
|--------------------------------|------------------------------------|-------------------------------------|
| Land                           | \$ 10                              | \$ 6,122                            |
| Buildings                      | 221,048                            | 186,257                             |
| Equipment                      | 891                                | 2,583                               |
|                                | <hr/> 221,949                      | <hr/> 194,962                       |
| Less: accumulated depreciation | (52,351)                           | (69,438)                            |
| Carrying Value                 | <hr/> <hr/> \$ 169,598             | <hr/> <hr/> \$ 125,524              |

**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 2020, the State paid for compensated absences from governmental funds as follows: 79.48% from the General Fund, 13.91% from other funds, and 6.61% 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):

|   | <b>Balance<br/>July 1, 2019<br/>(as restated)</b> | <b>Increases</b>    | <b>Decreases</b>      | <b>Balance<br/>June 30, 2020</b> | <b>Due Within<br/>One Year</b> | <b>Due<br/>Thereafter</b> |
|---|---|---------------------|-----------------------|----------------------------------|--------------------------------|---------------------------|
| <b>Governmental Activities:</b>                         |   |                     |                       |                                  |                                |                           |
| Long-term Debt and Other Lease Obligations:             |   |                     |                       |                                  |                                |                           |
| Revenue bonds   | \$ 2,366,595                                      | \$ 756,630          | \$ (1,022,515)        | \$ 2,100,710                     | \$ 228,080                     | \$ 1,872,630              |
| Grant anticipation notes                                | 223,885   | —                   | (19,665)              | 204,220                          | 19,760                         | 184,460                   |
| Certificates of participation                           | 1,375,955   | 425,005             | (842,690)             | 958,270                          | 118,445                        | 839,825                   |
| Direct placements                                       | 17,910  | —                   | (13,900)              | 4,010                            | 5                              | 4,005                     |
| Capital leases  | 152,153   | —                   | (15,408)              | 136,745                          | 12,794                         | 123,951                   |
| Premiums and discounts on debt                          | 538,101   | 88,080              | (173,249)             | 452,932                          | 57,025                         | 395,907                   |
| <b>Total Long-term Debt and Other Lease Obligations</b> | <b>4,674,599</b>                                  | <b>1,269,715</b>    | <b>(2,087,427)</b>    | <b>3,856,887</b>                 | <b>436,109</b>                 | <b>3,420,778</b>          |
| Other Long-term Liabilities:                            |   |                     |                       |                                  |                                |                           |
| Compensated absences                                    | 318,820   | 173,245             | (163,312)             | 328,753                          | 171,504                        | 157,249                   |
| Pollution remediation obligations                       | 27,910  | 32,140              | —                     | 60,050                           | 5,737                          | 54,313                    |
| Accrued relocation costs                                | 16,008  | 1,115               | —                     | 17,123                           | 6,466                          | 10,657                    |
| <b>Total Other Long-term Liabilities</b>                | <b>362,738</b>                                    | <b>206,500</b>      | <b>(163,312)</b>      | <b>405,926</b>                   | <b>183,707</b>                 | <b>222,219</b>            |
| <b>Total Long-term Obligations</b>                      | <b>\$ 5,037,337</b>                               | <b>\$ 1,476,215</b> | <b>\$ (2,250,739)</b> | <b>\$ 4,262,813</b>              | <b>\$ 619,816</b>              | <b>\$ 3,642,997</b>       |
| <b>Business-type Activities:</b>                        |   |                     |                       |                                  |                                |                           |
| Long-term Debt and Other Lease Obligations:             |   |                     |                       |                                  |                                |                           |
| Revenue bonds   | \$ 3,189,605                                      | \$ 573,280          | \$ (519,455)          | \$ 3,243,430                     | \$ 177,005                     | \$ 3,066,425              |
| Certificates of participation                           | 349,196   | —                   | (41,686)              | 307,510                          | 42,710                         | 264,800                   |
| Direct placements                                       | 209,510   | 46,780              | (16,685)              | 239,605                          | 13,175                         | 226,430                   |
| Capital leases  | 124,952   | —                   | (7,616)               | 117,336                          | 6,794                          | 110,542                   |
| Installment purchase contracts                          | 62  | —                   | (20)                  | 42                               | 21                             | 21                        |
| Notes payable   | 13,999  | —                   | (457)                 | 13,542                           | 480                            | 13,062                    |
| Premiums and discounts on debt                          | 361,083   | 92,336              | (43,136)              | 410,283                          | 33,225                         | 377,058                   |
| <b>Total Long-term Debt and Other Lease Obligations</b> | <b>4,248,407</b>                                  | <b>712,396</b>      | <b>(629,055)</b>      | <b>4,331,748</b>                 | <b>273,410</b>                 | <b>4,058,338</b>          |
| Other Long-term Liabilities:                            |   |                     |                       |                                  |                                |                           |
| Compensated absences                                    | 115,230   | 124,312             | (105,166)             | 134,376                          | 15,926                         | 118,450                   |
| U of A capital commitments                              | 19,624  | —                   | (9,700)               | 9,924                            | 4,000                          | 5,924                     |
| <b>Total Other Long-term Liabilities</b>                | <b>134,854</b>                                    | <b>124,312</b>      | <b>(114,866)</b>      | <b>144,300</b>                   | <b>19,926</b>                  | <b>124,374</b>            |
| <b>Total Long-term Obligations</b>                      | <b>\$ 4,383,261</b>                               | <b>\$ 836,708</b>   | <b>\$ (743,921)</b>   | <b>\$ 4,476,048</b>              | <b>\$ 293,336</b>              | <b>\$ 4,182,712</b>       |

Beginning balances were restated for Governmental Activities due to ADOT's change in method of amortizing premiums which resulted in a decrease of \$94.0 million to Premiums and Discounts on Debt. Beginning balances were restated for Business-type Activities due to: (1) NAU reclassifying \$106.9 million of Revenue Bonds to Direct Placements, and (2) IDGF being reclassified from a non-major enterprise fund to a non-major component unit which resulted in a decrease in Compensated Absences of \$28 thousand.

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 \$162.01 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, 2020 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  | \$ —         | \$ —  | \$ 148               | \$ 80,258                    | \$ 3,283               | \$ 83,689    |
| Transportation & Aviation Planning, Highway Maintenance & Safety Fund | 5,026        | —   | —                    | 16,604                       | —                      | 21,630       |
| Land Endowments Fund  | —            | —   | —                    | 4,887                        | —                      | 4,887        |
| Non-Major Governmental Funds  | 15,403       | —   | —                    | 184                          | 430                    | 16,017       |
| Unemployment Compensation Fund  | 3            | —   | —                    | 1,496                        | —                      | 1,499        |
| Non-Major Enterprise Funds  | 29,610       | —   | —                    | —                            | —                      | 29,610       |
| Internal Service Funds  | —            | 712   | —                    | —                            | —                      | 712          |
| Total Due From  | \$ 50,042    | \$ 712  | \$ 148               | \$ 103,429                   | \$ 3,713               | \$ 158,044   |

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, 2020 were as follows (expressed in thousands):

| Transferred From  | Transferred To |   |                              |                   |                            |                        |                     |
|---|----------------|---|------------------------------|-------------------|----------------------------|------------------------|---------------------|
|   | General Fund   | Transportation & Aviation Planning, Highway Maintenance & Safety Fund | Non-Major Governmental Funds | Universities Fund | Non-Major Enterprise Funds | Internal Service Funds | Total Transfers Out |
| General Fund  | \$ —           | \$ 29,876   | \$ 235,360                   | \$ 762,884        | \$ 3,767                   | \$ 96                  | \$ 1,031,983        |
| Transportation & Aviation Planning, Highway Maintenance & Safety Fund | —              | —   | 314,255                      | —                 | —                          | —                      | 314,255             |
| Land Endowments Fund  | 576            | —   | 975                          | —                 | —                          | —                      | 1,551               |
| Non-Major Governmental Funds  | 137,868        | 936   | 7,188                        | —                 | —                          | 3,121                  | 149,113             |
| Unemployment Compensation Fund  | 2,035          | —   | 4,269                        | —                 | —                          | —                      | 6,304               |
| Non-Major Enterprise Funds  | 116,849        | —   | 65,826                       | 39,437            | —                          | —                      | 222,112             |
| Internal Service Funds  | 4,939          | —   | 759                          | —                 | —                          | —                      | 5,698               |
| Total Transfers In  | \$ 262,267     | \$ 30,812   | \$ 628,632                   | \$ 802,321        | \$ 3,767                   | \$ 3,217               | \$ 1,731,016        |

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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**NOTE 8. ACCOUNTING CHANGES**

**A. FUND FINANCIAL STATEMENTS**

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

|                                      | <b>Proprietary<br/>Funds</b>          |
|--------------------------------------|---------------------------------------|
|                                      | <b>Non-Major<br/>Enterprise Funds</b> |
| Net Position, as previously reported | \$ 1,282,738                          |
| Prior period adjustment              | (12,590)                              |
| Change in reporting entity           | (2,972)                               |
| Net Position, as restated *          | \$ 1,267,176                          |

\* In addition to the above restatements, net position was impacted by fund reclassifications as discussed below.

**B. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

|                                      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Net Position, as previously reported | \$ 26,323,005                      | \$ 4,013,998                        |
| Prior period adjustment              | (93,989)                           | (12,590)                            |
| Change in reporting entity           | —                                  | (2,972)                             |
| Net Position, as restated            | \$ 26,229,016                      | \$ 3,998,436                        |

**Prior Period Adjustment and Change in Reporting Entity**

Governmental Activities beginning net position has been restated by \$94.0 million to reflect a change from amortizing ADOT’s bond premiums on a straight-line basis to the effective interest method.

The Industrial Commission Special Fund (Special Fund) and the IDGF share a joint escrow bank account. In fiscal year 2019, the allocation of the bank account between the two funds was undetermined and thus reported in the Other non-major enterprise fund. In the current fiscal year, the joint escrow bank account was allocated between the Special Fund and the IDGF based upon allocation estimates, resulting in a \$12.6 million decrease to beginning net position for both Business-Type Activities and Non-Major Enterprise Funds.

The IDGF, reported as a non-major enterprise fund in fiscal year 2019, was reclassified to a non-major component unit in the current fiscal year resulting in a \$3.0 million decrease to beginning net position for both Business-Type Activities and Non-Major Enterprise Funds.

**Fund Reclassification**

The Unemployment Compensation Fund was reclassified from a non-major enterprise fund to a major enterprise fund as a result of meeting GASB major fund criteria. The effect on beginning net position was a decrease to the non-major enterprise funds of \$1.1 billion and an increase to the major enterprise funds of \$1.1 billion.

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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, 2020 were as follows (expressed in thousands):

|                                | <b>General<br/>Fund</b> | <b>Transportation &amp;<br/>Aviation Planning,<br/>Highway<br/>Maintenance<br/>&amp; Safety Fund</b> | <b>Land<br/>Endowments<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total</b>         |
|--------------------------------|-------------------------|--|-------------------------------------|---|----------------------|
| <b>Fund Balances:</b>          |                         |  |                                     |   |                      |
| <b>Nonspendable:</b>           |                         |  |                                     |   |                      |
| Inventory                      | \$ 15,710               | \$ 437   | \$ —                                | \$ 637                                      | \$ 16,784            |
| Permanent fund principal       | —                       | —  | 5,852,603                           | —   | 5,852,603            |
| <b>Restricted for:</b>         |                         |  |                                     |   |                      |
| General government             | 1,196,623               | —  | —                                   | 34,737                                      | 1,231,360            |
| Health and welfare             | 353,532                 | —  | —                                   | 94,013                                      | 447,545              |
| Inspection and regulation      | 6,207                   | —  | —                                   | 4,295                                       | 10,502               |
| Education                      | 6,952                   | —  | —                                   | 430,878                                     | 437,830              |
| Protection and safety          | 52,388                  | —  | —                                   | —   | 52,388               |
| Natural resources              | 3,272                   | —  | —                                   | 14,183                                      | 17,455               |
| Debt service                   | —                       | —  | —                                   | 71,788                                      | 71,788               |
| Capital projects               | —                       | 762,441  | —                                   | 6,345                                       | 768,786              |
| School facilities improvements | 72,084                  | —  | —                                   | —   | 72,084               |
| <b>Committed to:</b>           |                         |  |                                     |   |                      |
| General government             | —                       | —  | —                                   | 235,552                                     | 235,552              |
| Health and welfare             | 37,323                  | —  | —                                   | 206,096                                     | 243,419              |
| Inspection and regulation      | 1,620                   | —  | —                                   | 176,808                                     | 178,428              |
| Education                      | 26,791                  | —  | —                                   | —   | 26,791               |
| Protection and safety          | —                       | —  | —                                   | 204,198                                     | 204,198              |
| Transportation                 | —                       | 498,904  | —                                   | —   | 498,904              |
| Natural resources              | 103,419                 | —  | —                                   | 106,794                                     | 210,213              |
| School facilities improvements | 88,403                  | —  | —                                   | —   | 88,403               |
| <b>Unassigned:</b>             | 89,766                  | —  | (13,712)                            | —   | 76,054               |
| <b>Total Fund Balances</b>     | <b>\$ 2,054,090</b>     | <b>\$ 1,261,782</b>  | <b>\$ 5,838,891</b>                 | <b>\$ 1,586,324</b>                         | <b>\$ 10,741,087</b> |

**NOTE 10. DEFICIT NET POSITION**

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$366.0 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 \$153.8 million deficit net position is primarily due to the above funding mechanism.

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**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 26.25% of the LBT's construction costs and annual operating costs. As of June 30, 2020, the U of A has made total cash contributions of \$19.2 million and contributions of services and materials of \$3.5 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, \$1.9 million in calendar year 2020, as a reduction in its equity interest. At June 30, 2020, the equity interest totaled \$8.8 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2019, assets, liabilities, revenues, and expenses totaled \$120.4 million, \$8.3 million, \$18.6 million, and \$20.5 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, 888 N. Euclid Ave., Room 502, Tucson, Arizona 85721.

**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 sixteen 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 \$9.9 million related to the GMT as of June 30, 2020 are reported in Note 6.G.

The U of A has contributed a total of \$66.2 million to the GMTO as of June 30, 2020. 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, 2020, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$81.5 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. 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 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.

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

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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 (incurred but not reported) 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, 2019, 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, 2020. The total estimated loss reserve of \$233.3 million increased by 0.98%, or \$2.3 million, from the prior year estimated loss reserve of \$231.0 million. The 0.98% increase in estimated loss reserves was primarily the result of an increase 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 0.90% 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.

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.

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The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2019 and June 30, 2020 (expressed in thousands):

| Fiscal Year                         | Beginning<br>Balance | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Ending<br>Balance |
|-------------------------------------|----------------------|---|--------------------|-------------------|
| Risk Management Fund:               |                      |   |                    |                   |
| 2019                                | \$ 425,941           | \$ 68,019   | \$ (61,863)        | \$ 432,097        |
| 2020                                | 432,097              | 68,459  | (67,073)           | 433,483           |
| Industrial Commission Special Fund: |                      |   |                    |                   |
| 2019                                | 255,938              | (15,056)  | (9,846)            | 231,036           |
| 2020                                | 231,036              | 11,660  | (9,366)            | 233,330           |
| Health Insurance Trust Fund:        |                      |   |                    |                   |
| 2019                                | 84,336               | 814,065   | (814,558)          | 83,843            |
| 2020                                | 83,843               | 817,106   | (824,005)          | 76,944            |

**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, 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 \$159.1 million at June 30, 2020.

**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 \$1.7 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$27.9 million and mutual funds valued at \$20.1 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2020, \$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, \$98.9 million was deposited in the General Fund, and \$651 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, 2020, \$600.6 million of this liability is reported in the General Fund, because it is the fund to which the property ultimately escheats in Arizona.



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**E. CONSTRUCTION COMMITMENTS**

The ADOT had outstanding commitments under construction contracts of \$1.9 billion at June 30, 2020 as presented in the following table (expressed in thousands):

|                             | <b>Remaining<br/>Commitments</b> |
|-----------------------------|----------------------------------|
| Local government assistance | \$ 164,711                       |
| State highways              |                                  |
| Construction                | 778,503                          |
| Design                      | 233,161                          |
| Right of way                | 230,156                          |
| Utilities                   | 20,455                           |
| Planning and research       | 59,676                           |
| Other                       | 363,476                          |
| Total                       | <u>\$ 1,850,138</u>              |

**F. ARIZONA STATE LOTTERY**

Winners are offered the option of cash or 30-year annuity for the PICK on-line game and a select number of Scratcher games. 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 \$50.3 million at June 30, 2020. Approximately \$48.1 million of the total aggregate future payments at June 30, 2020 relate to annuities purchased from five separate insurance companies, of which approximately \$19.1 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 \$94.3 million in the fund statements and the government-wide statements in fiscal year 2020. 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, 2020.

**NOTE 14. SUBSEQUENT EVENTS**

On October 29, 2020, the U of A issued \$95.6 million in System Revenue Refunding Bonds, Series 2020A. The bonds include both serial and term bonds with interest rates ranging from 0.53% to 2.97% and maturity dates ranging from 2023 to 2048 and were issued to: (1) pay the interest due on the Outstanding Bonds (defined as Series 2012A Bonds, Series 2012B Bonds, Series 2012C Bonds, Series 2013A Bonds, Series 2013B Bonds, Series 2014 Bonds, Series 2015A Bonds, Series 2016 Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2018A Bonds, Series 2018B Bonds, Series 2019A Bonds, Series 2019B Bonds and Series 2020 Bonds) except the Outstanding 2018B Bonds on December 1, 2020; (2) refund in advance of maturity the Series 2013A Bonds and the Series 2013B Bonds; and (3) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the U of A Series 2020A Bonds are subject to optional and mandatory redemption.

On April 28, 2021, the ASU issued \$67.4 million in System Revenue Bonds, Series 2021A; \$94.4 million in System Revenue Bonds, Series 2021B; and \$121.5 million in System Revenue Bonds, Series 2021C. The Series 2021A Bonds include serial bonds with interest rates

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ranging from 1.18% to 3.03% and maturity dates ranging from 2026 to 2043. The Series 2021B Bonds include both serial and term bonds with interest rates ranging from 0.24% to 3.16% and maturity dates ranging from 2022 to 2053. The Series 2021C Bonds include both serial and term bonds with interest rates ranging from 1.00% to 5.00% and maturity dates ranging from 2022 to 2051. The Series 2021 Bonds were issued to: (1) provide funds for: (a) construction and equipping of the Multipurpose Arena including capitalizing interest on the Series 2021B Bonds issued for the Multipurpose Arena through June 30, 2022; (b) construction and equipping of the Thunderbird School of Global Management; (c) construction and equipping of the Interdisciplinary Science and Technology Building 7; (d) construction of the University Drive pedestrian bridge; (e) improvement of information technology; (f) renovation of research laboratories and classroom and academic facilities; (2) pay a portion of the principal and interest due on July 1, 2021 on the Outstanding Bonds (defined as Series 2008 Refunding Bonds, Series 2010 Bonds, Series 2012 Bonds, Series 2013 Bonds, Series 2015 Bonds, Series 2015D Bonds, Series 2016A Bonds, Series 2016 Bonds, Series 2017 Bonds, Series 2019 Bonds, and Series 2020 Bonds), except the Outstanding Series 2008 Refunding Bonds, Series 2019A Bonds, and Series 2020A Bonds; (3) refund in advance of maturity the Series 2012A Bonds and the Series 2013A Bonds; and (4) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the ASU Series 2021A Bonds are subject to optional redemption whereas the Series 2021B Bonds and Series 2021C Bonds are subject to optional and mandatory redemption.

On May 5, 2021, the ASU issued \$36.9 million in SPEED Revenue Refunding Bonds, Series 2021. The Series 2021 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2022 to 2031 and were issued to: (1) refund in advance of their maturity the Series 2010A Bonds and the Series 2011 Bonds, and (2) pay costs of issuance. The ASU Series 2021 Bonds will not be subject to redemption prior to their stated maturities.

On May 12, 2021, the U of A issued \$23.1 million in SPEED Revenue Refunding Bonds, Series 2020C. The Series 2020C Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2022 to 2029 and were issued to: (1) refund in advance of maturity the Series 2011 Bonds, and (2) pay costs of issuance. The U of A Series 2020C Bonds will not be subject to redemption prior to their stated maturities.

Also on May 12, 2021, the U of A issued \$140.3 million in System Revenue Bonds, Series 2021A; \$43.1 million in System Revenue and Revenue Refunding Bonds, Series 2021B; and \$42.5 million in System Revenue Bonds, Series 2021C. The Series 2021A Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2024 to 2043 and were issued to: (1) pay the costs of a portion of a new facility called the Applied Research Building (ARB), improvements to the U of A infrastructure associated with the Applied Research Building, a portion of a new facility called the Grand Challenges Research Building (GCRB), and renovation and expansion of the U of A's existing Chemistry Building; and (2) pay costs of issuance. The Series 2021B Bonds include both serial and term bonds with interest rates ranging from 4.00% to 5.00% and maturity dates ranging from 2024 to 2048 and were issued to: (1) pay costs of a new Facilities Management Relocation and Consolidation Facility; (2) pay principal and interest due June 1, 2021 on the Outstanding Bonds (defined as 2012A Bonds, 2012B Bonds, 2012C Bonds, 2013A Bonds, 2013B Bonds, 2014 Bonds, 2015A Bonds, 2016 Bonds, 2016A Bonds, 2016B Bonds, 2018A Bonds, 2018B Bonds, 2019A Bonds, 2019B Bonds, 2020 Bonds, and 2020A Bonds) except the Outstanding 2012A Bonds, 2012B Bonds, 2018B Bonds, 2020 Bonds, and 2020A Bonds; and (3) pay costs of issuance. The Series 2021C Bonds include serial bonds with interest rates ranging from 0.52% to 2.90% and maturity dates ranging from 2024 to 2043 and were issued to: (1) pay costs of a portion of the ARB and a portion of the GCRB as described above under the 2021A Project, and (2) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the U of A Series 2021A Bonds and Series 2021C Bonds are subject to optional redemption whereas the 2021B Bonds are subject to optional and mandatory redemption; however, Bonds maturing on or before June 1, 2031 are not subject to redemption prior to their stated maturities.

On May 13, 2021, the U of A issued \$18.8 million in Certificates of Participation, Series 2021A; and \$82.7 million in Certificates of Participation, Series 2021B. The Series 2021A Certificates include serial certificates with interest rates of 5.00% and maturity dates ranging from 2024 to 2031 and were issued to: (1) pay principal and interest due on June 1, 2021 on the 2012B Certificates, 2012C Certificates, 2015A Certificates, 2015B Certificates, and 2018A Certificates; and (2) pay costs of issuance. The Series 2021B Certificates include serial certificates with interest rates ranging from 0.38% to 2.28% and maturity dates ranging from 2022 to 2031 and were issued to: (1) refund in advance of maturity the Series 2012C Certificates; and (2) pay costs of issuance. The U of A Series 2021A Certificates will not be subject to optional redemption prior to their stated maturities. Prior to their stated maturity dates pursuant to the debt documents, the U of A Series 2021B Certificates are subject to optional redemption. Additionally, both Series 2021A and 2021B Certificates are subject to extraordinary 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.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The State's component units are presented using the economic resources measurement focus and the accrual basis of accounting and component units affiliated with the Universities are presented using 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 \$465.5 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 of Trustees. 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 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.

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 the outside party. Neither the AFA's WIFA nor the IDGF have a formal policy regarding custodial credit risk for deposits. At December 31, 2019, \$432 thousand was not covered by FDIC for the IDGF.

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. Neither the AFA's WIFA nor the IDGF have a formal policy regarding custodial credit risk for investments. The IDGF's securities and other investments are held by its custodian.

**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, 2020 (expressed in thousands):

| <b>Investment Type</b>          | <b>Fair Value</b> | <b>Investment Maturities (in years)</b> |               |                    |
|---------------------------------|-------------------|---|---------------|--------------------|
|                                 |                   | <b>Less than 1</b>                      | <b>1-5</b>    | <b>More than 5</b> |
| Guaranteed investment contracts | \$ 8,145          | \$ —                                    | \$ —          | \$ 8,145           |
| Money market mutual funds       | 26,418            | 26,418                                  | —             | —                  |
| U.S. agency securities          | 42,941            | 42,941                                  | —             | —                  |
| U.S. Treasury securities        | 10,478            | —                                       | 209           | 10,269             |
| Total                           | <u>\$ 87,982</u>  | <u>\$ 69,359</u>                        | <u>\$ 209</u> | <u>\$ 18,414</u>   |

The IDGF's investment policy requires that the maximum final maturity on an individual investment is 4 years or less. The following table presents the IDGF's weighted average maturity in years by investment type as of December 31, 2019 (expressed in thousands):

| <b>Investment Type</b>                 | <b>Fair Value</b> | <b>Weighted Average Maturity (in years)</b> |
|--|-------------------|---|
| Commercial mortgage backed securities  | \$ 1,372          | 1.59  |
| Corporate notes & bonds                | 5,456             | 0.92  |
| Money market mutual funds              | 891               | —   |
| U.S. agency mortgage backed securities | 183               | 2.31  |
| U.S. agency securities                 | 14,892            | 0.26  |
| U.S. Treasury securities               | 208,593           | 0.94  |
| Total                                  | <u>\$ 231,387</u> |   |

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**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 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 AFA's WIFA's and the IDGF's investments, both of 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, 2020 for the AFA's WIFA and as of December 31, 2019 for the IDGF (expressed in thousands):

| Investment Type                        | Fair Value        | AAA              | AA            | A               | BBB           | Not Rated        |
|--|-------------------|------------------|---------------|-----------------|---------------|------------------|
| Commercial mortgage backed securities  | \$ 1,372          | \$ 1,372         | \$ —          | \$ —            | \$ —          | \$ —             |
| Corporate notes & bonds                | 5,456             | —                | 403           | 4,084           | 969           | —                |
| Guaranteed investment contracts        | 8,145             | —                | —             | —               | —             | 8,145            |
| Money market mutual funds              | 27,309            | 891              | —             | —               | —             | 26,418           |
| U.S. agency mortgage backed securities | 183               | 183              | —             | —               | —             | —                |
| U.S. agency securities                 | 57,833            | 57,833           | —             | —               | —             | —                |
|  | <u>\$ 100,298</u> | <u>\$ 60,279</u> | <u>\$ 403</u> | <u>\$ 4,084</u> | <u>\$ 969</u> | <u>\$ 34,563</u> |

**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, 2020, investments in any one issuer that were more than 5% of the AFA's WIFA's total investments are in Federal Home Loan Bank (fair value of \$35.1 million, or 10.2%).

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 December 31, 2019, no investments in any one issuer, other than U.S. Treasury bills, exceeded more than 5% of the IDGF's total investments.

**f. Fair Value Measurement**

The AFA's WIFA's investments at June 30, 2020 and the IDGF's investments at December 31, 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, 2020     | Fair Value Measurement Using   |   |  |
|--|-------------------|--|---|--|
|  |                   | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Commercial mortgage backed securities  | \$ 1,372          | \$ —   | \$ 1,372  | \$ —   |
| Corporate notes & bonds                | 5,456             | —  | 5,456   | —  |
| Money market mutual funds              | 891               | 891  | —   | —  |
| U.S. agency mortgage backed securities | 183               | —  | 183   | —  |
| U.S. agency securities                 | 57,833            | 42,941   | 14,892  | —  |
| U.S. Treasury securities               | 219,071           | 219,071  | —   | —  |
| Total investments by fair value level  | <u>\$ 284,806</u> | <u>\$ 262,903</u>  | <u>\$ 21,903</u>  | <u>\$ —</u>  |
| Guaranteed investment contracts        | 8,145             |  |   |  |
| Money market mutual funds              | 26,418            |  |   |  |
| Total investments                      | <u>\$ 319,369</u> |  |   |  |

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Investments categorized as Level 2 are valued using significant other observable inputs. In addition, the AFA's WIFA had \$26.4 million invested in money market funds as well as \$8.1 million in guaranteed investment contracts that were recorded at cost.

**2. Universities-Affiliated Component Units**

**a. Investment Summary**

The investments held by the ASUEP and the U of A Foundation at June 30, 2020, were as follows (expressed in thousands):

| <u>Investment Type</u>   | <u>Fair Value</u>   |
|--|---------------------|
| Money market funds and cash equivalents                          | \$ 36,022           |
| Domestic/international equity securities and mutual funds        | 704,588             |
| Domestic/international fixed income obligations and mutual funds | 442,565             |
| Absolute return limited partnerships and funds                   | 273,936             |
| Diversifying strategies  | 119,935             |
| Real assets  | 137,161             |
| Private capital limited partnerships                             | 269,575             |
| Other  | 235,362             |
| Total Investments  | <u>\$ 2,219,144</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, 2020, categorized within the fair value hierarchy, were as follows (expressed in thousands):

| Investments by Fair Value Level  | June 30, 2020 | Fair Value Measurement Using   |   |  |
|--|---------------|--|---|--|
|  |               | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Money market funds and cash equivalents                                  | \$ 36,022     | \$ 36,017  | \$ —  | \$ 5   |
| Domestic/international equity securities and mutual funds                | 607,938       | 529,587  | —   | 78,351   |
| Domestic/international fixed income obligations and mutual funds         | 295,782       | 253,387  | 11,131  | 31,264   |
| Absolute return limited partnerships and funds                           | 42,579        | 42,579   | —   | —  |
| Diversifying strategies  | 14,210        | 326  | —   | 13,884   |
| Real assets  | 137,099       | 23,166   | —   | 113,933  |
| Private capital limited partnerships                                     | 137,541       | —  | —   | 137,541  |
| Charitable trust receivable  | 1,858         | —  | —   | 1,858  |
| Assets with limited use  | 9,660         | 9,660  | —   | —  |
| Assets held under split-interest agreements                              | 6,595         | 6,595  | —   | —  |
| Other  | 111,907       | 30,460   | —   | 81,447   |
| Total investments by fair value level                                    | 1,401,191     | \$ 931,777   | \$ 11,131   | \$ 458,283   |
| <b>Investments Measured at the NAV</b>                                   |               |  |   |  |
| ASUEP - Domestic/international fixed income obligations and mutual funds | 90,916        |  |   |  |
| ASUEP - Diversifying strategies  | 105,725       |  |   |  |
| ASUEP - Real assets  | 62            |  |   |  |
| U of A Foundation - Multi-strategy hedge funds                           | 104,772       |  |   |  |
| U of A Foundation - Equity long-only hedge funds                         | 96,650        |  |   |  |
| U of A Foundation - Equity long/short hedge funds                        | 53,457        |  |   |  |
| U of A Foundation - Fixed income hedge funds                             | 32,206        |  |   |  |
| U of A Foundation - Natural resources limited partnerships               | 81,542        |  |   |  |
| U of A Foundation - Private capital limited partnerships                 | 132,034       |  |   |  |
| U of A Foundation - Private real estate limited partnerships             | 41,913        |  |   |  |
| U of A Foundation - Private credit limited partnerships                  | 40,922        |  |   |  |
| U of A Foundation – U.S. fixed income funds                              | 55,867        |  |   |  |
| Total investments measured at the NAV                                    | 836,066       |  |   |  |
| Total investments measured at fair value                                 | \$ 2,237,257  |  |   |  |

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 \$284,665, including \$8,712 in unrealized swap liability valued using level 2 valuation techniques, and \$275,953 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, 2020, 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 fixed income obligations and mutual funds | \$ 90,916         | \$ —                        | N/A   | N/A                             |
| ASUEP - Diversifying strategies  | 105,725           | —                           | N/A   | N/A                             |
| ASUEP - Real assets  | 62                | —                           | N/A   | N/A                             |
| U of A Foundation - Multi-strategy hedge funds                           | 104,772           | 3,776                       | Monthly, quarterly                                  | 14 - 90 days                    |
| U of A Foundation - Equity long-only hedge funds                         | 96,650            | —                           | Monthly, quarterly, semi-annually, triennially      | 30 - 90 days                    |
| U of A Foundation - Equity long/short hedge funds                        | 53,457            | —                           | Quarterly, triennially                              | 45 - 90 days                    |
| U of A Foundation - Fixed income hedge funds                             | 32,206            | —                           | Quarterly   | 45 - 90 days                    |
| U of A Foundation - Natural resources limited partnerships               | 81,542            | 30,177                      | N/A   | N/A                             |
| U of A Foundation - Private capital limited partnerships                 | 132,034           | 83,157                      | N/A   | N/A                             |
| U of A Foundation - Private real estate limited partnerships             | 41,913            | 34,477                      | N/A   | N/A                             |
| U of A Foundation - Private credit limited partnerships                  | 40,922            | 16,011                      | N/A   | N/A                             |
| U of A Foundation – U.S. fixed income funds                              | 55,867            | —                           | Daily   | 3 - 5 days                      |
| Total  | <u>\$ 836,066</u> | <u>\$ 167,598</u>           |   |                                 |

**C. ENDOWMENTS**

**1. ASUEP**

The following shows the changes in the ASUEP net assets for the fiscal year ending June 30, 2020 (expressed in thousands):

|   | <b>Without Donor Restrictions</b> | <b>With Donor Restrictions</b> | <b>Total</b>      |
|---|-----------------------------------|--------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ —                              | \$ 640,042                     | \$ 640,042        |
| Adjustment due to reclassification      | —                                 | (54)                           | (54)              |
| Contributions and other additions       | —                                 | 41,860                         | 41,860            |
| Investment return:                      |                                   |                                |                   |
| Investment income                       | —                                 | (6,615)                        | (6,615)           |
| Net appreciation                        | —                                 | 42,031                         | 42,031            |
| Changes in assets due to other entities | —                                 | (12,813)                       | (12,813)          |
| Total investment return                 | —                                 | 22,603                         | 22,603            |
| Appropriation for payout                | —                                 | (23,827)                       | (23,827)          |
| Reclassification of donor intent        | —                                 | (10,223)                       | (10,223)          |
| Endowment net assets, end of year       | <u>\$ —</u>                       | <u>\$ 670,401</u>              | <u>\$ 670,401</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, 2020 (expressed in thousands):

|   | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> |
|---|---------------------------------------|------------------------------------|--------------|
| Endowment net assets, beginning of year | \$ 3,667                              | \$ 924,350                         | \$ 928,017   |
| Investment return:                      |                                       |                                    |              |
| Investment income                       | —                                     | 15,607                             | 15,607       |
| Less: endowment fee                     | —                                     | (11,124)                           | (11,124)     |
| Net depreciation                        | (298)                                 | (56,195)                           | (56,493)     |
| Total investment return                 | (298)                                 | (51,712)                           | (52,010)     |
| Contributions                           | —                                     | 57,503                             | 57,503       |
| Transfer                                | —                                     | (40,479)                           | (40,479)     |
| Appropriation for payout                | —                                     | (35,835)                           | (35,835)     |
| Capitalization of payout                | —                                     | 9,639                              | 9,639        |
| Endowment net assets, end of year       | \$ 3,369                              | \$ 863,466                         | \$ 866,835   |

**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 2020 were as follows (expressed in thousands):

|                     | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---------------------|------------------------------|------------------|------------------|---------------------------|
| Clean Water Fund    | \$ 371,138                   | \$ 22,847        | \$ (53,365)      | \$ 340,620                |
| Drinking Water Fund | 317,803                      | 90,916           | (28,585)         | 380,134                   |
| Total               | \$ 688,941                   | \$ 113,763       | \$ (81,950)      | \$ 720,754                |

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, 2020, the debt service reserve was \$2 thousand and \$1.8 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, 2020, include the following (expressed in thousands):

|                                     | <u>ASU Enterprise<br/>Partners</u> |
|-------------------------------------|------------------------------------|
| Gross pledges receivable            | \$ 233,646                         |
| Present value discount              | (16,769)                           |
| Allowance for uncollectible pledges | (51,523)                           |
| Net Pledges Receivable              | <u>\$ 165,354</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, 2020 is \$19.0 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 \$25.3 million at June 30, 2020.

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 \$9.9 million at June 30, 2020.

**G. CAPITAL ASSETS**

Capital assets for the ACFFC for the fiscal year ended June 30, 2020 include the following (expressed in thousands):

|                                    | <u>ACFFC</u>      |
|------------------------------------|-------------------|
| Buildings and improvements         | \$ 196,433        |
| Furniture, fixtures, and equipment | 79,026            |
| Total cost or donated value        | <u>275,459</u>    |
| Less: accumulated depreciation     | (150,476)         |
| Total Property and Equipment, Net  | <u>\$ 124,983</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, 2020, was \$106.8 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, 2020, was \$41.0 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, 2020, 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, 2020 (expressed in thousands):

|                           | <b>Dates Issued</b> | <b>Maturity Dates</b> | <b>Interest Rates</b> | <b>Outstanding Balance at June 30, 2020</b> |
|---------------------------|---------------------|-----------------------|-----------------------|---|
| Revenue Bonds Outstanding | 2010-2015           | 2021-2028             | 2.00-5.00%            | \$ 336,630                                  |

Principal and interest debt service payments on AFA's WIFA revenue bonds outstanding at June 30, 2020 were as follows (expressed in thousands):

| <b>Fiscal Year</b> | <b>Annual Debt Service</b> |                  |                   |
|--------------------|----------------------------|------------------|-------------------|
|                    | <b>Principal</b>           | <b>Interest</b>  | <b>Total</b>      |
| 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               | 45,105                     | 7,459            | 52,564            |
| 2026-2028          | 130,820                    | 8,991            | 139,811           |
| <b>Total</b>       | <b>\$ 336,630</b>          | <b>\$ 67,894</b> | <b>\$ 404,524</b> |

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**b. Summary of Direct Placements**

In August 2019, the Rio Nuevo issued \$120.3 million in Series 2019A and 2019B private placement tax exempt loans to refund \$47.6 million of outstanding 2016A and 2016B Series bonds, and to finance certain new capital projects related to the Tucson Convention Center. During the year, the underlying debt instruments of the defeased bonds were fully redeemed at their earliest call date, and no amounts are outstanding on the defeased debt. The Rio Nuevo refunded the 2016 Series bonds to gain access to the additional proceeds for capital improvements and consolidate payments. The difference in future cash flows and economic gain are not material to the financial statements as a whole. The 2016 Series bonds were a refunding of prior bonds. The difference between the reacquisition price and the net carrying amount of the prior refunded debt is recorded as a deferred outflow of resources and is being amortized to interest expense on a straight-line basis through fiscal year 2025, the remaining original amortization period. Principal and interest on the Series 2019A and 2019B loans are payable semiannually on July 15 and January 15 each year through July 15, 2035, with an interest rate of 2.69%. The Rio Nuevo has pledged to the trustee future sales tax revenues to repay the loans.

The following schedule summarizes Rio Nuevo's direct placements outstanding at June 30, 2020 (expressed in thousands):

|                               | <b>Dates Issued</b> | <b>Maturity Dates</b> | <b>Interest Rates</b> | <b>Outstanding Balance at June 30, 2020</b> |
|-------------------------------|---------------------|-----------------------|-----------------------|---|
| Direct Placements Outstanding | 2020                | 2021-2035             | 2.69%                 | \$ 114,312                                  |

Principal and interest debt service payments on Rio Nuevo's direct placements outstanding at June 30, 2020 were as follows (expressed in thousands):

| <b>Fiscal Year</b> | <b>Annual Debt Service</b> |                  |                   |
|--------------------|----------------------------|------------------|-------------------|
|                    | <b>Principal</b>           | <b>Interest</b>  | <b>Total</b>      |
| 2021               | \$ 5,847                   | \$ 3,075         | \$ 8,922          |
| 2022               | 6,004                      | 2,918            | 8,922             |
| 2023               | 6,166                      | 2,756            | 8,922             |
| 2024               | 6,332                      | 2,590            | 8,922             |
| 2025               | 6,502                      | 2,420            | 8,922             |
| 2026-2030          | 35,231                     | 9,380            | 44,611            |
| 2031-2035          | 48,230                     | 4,381            | 52,611            |
| <b>Total</b>       | <b>\$ 114,312</b>          | <b>\$ 27,520</b> | <b>\$ 141,832</b> |

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

The following is a summary of changes in long-term obligations for AFA's WIFA and AIDA, Rio Nuevo and Arizona Public School Credit Enhancement Fund (expressed in thousands):

|  | <b>Balance<br/>July 1, 2019<br/>(as restated)</b> | <b>Increases</b>  | <b>Decreases</b>    | <b>Balance<br/>June 30, 2020</b> | <b>Due Within<br/>One Year</b> | <b>Due<br/>Thereafter</b> |
|--|---|-------------------|---------------------|----------------------------------|--------------------------------|---------------------------|
| Long-term Debt:                          |   |                   |                     |                                  |                                |                           |
| Revenue bonds                            | \$ 416,040  | \$ —              | \$ (77,630)         | \$ 338,410                       | \$ 28,590                      | \$ 309,820                |
| Revenue bond premium                     | 59,254  | —                 | (3,070)             | 56,184                           | —                              | 56,184                    |
| Direct placements                        | —   | 120,262           | (5,950)             | 114,312                          | 5,847                          | 108,465                   |
| Construction loan payable                | 40,474  | 2,145             | (42,619)            | —                                | —                              | —                         |
| Notes payable                            | 80,000  | 900               | —                   | 80,900                           | —                              | 80,900                    |
| <b>Total Long-term Debt</b>              | <b>595,768</b>                                    | <b>123,307</b>    | <b>(129,269)</b>    | <b>589,806</b>                   | <b>34,437</b>                  | <b>555,369</b>            |
| Other Long-term Liabilities:             |   |                   |                     |                                  |                                |                           |
| Compensated absences                     | 56  | 60                | (47)                | 69                               | 69                             | —                         |
| <b>Total Other Long-term Liabilities</b> | <b>56</b>   | <b>60</b>         | <b>(47)</b>         | <b>69</b>                        | <b>69</b>                      | <b>—</b>                  |
| <b>Total Long-term Obligations</b>       | <b>\$ 595,824</b>                                 | <b>\$ 123,367</b> | <b>\$ (129,316)</b> | <b>\$ 589,875</b>                | <b>\$ 34,506</b>               | <b>\$ 555,369</b>         |

The beginning balance for long-term debt has been restated due to recognizing additional component units that previously were not reported due to immateriality.

**2. Universities-Affiliated Component Units**

A summary of bonds payable as of June 30, 2020 include the following (expressed in thousands):

|  | <b>Final<br/>Maturity</b> | <b>Amount</b> |
|--|---------------------------|---------------|
| ASU Enterprise Partners:                                 |                           |               |
| Series 2014A Tax-Exempt Lease Revenue Bonds              | 2035                      | \$ 30,900     |
| Series 2014A Revenue Refunding Bonds                     | 2034                      | 33,885        |
| Series 2004A Variable Rate Revenue Bonds                 | 2034                      | 22,420        |
| Series 2004B Variable Rate Revenue Bonds                 | 2022                      | 2,455         |
| Unamortized Bond Discount                                |                           | (1,121)       |
| ACFFC:   |                           |               |
| Series 2018 Tax-Exempt Revenue Bonds                     | 2038                      | 22,730        |
| Series 2017 Tax-Exempt Lease Revenue Refunding Bonds     | 2034                      | 23,725        |
| Series 2017 Tax-Exempt Lease Revenue Refunding Bonds     | 2028                      | 10,065        |
| Series 2016 Tax-Exempt Revenue Refunding Bonds           | 2039                      | 118,050       |
| Series 2009 Revenue Bonds                                | 2024                      | 17,890        |
| Series 2009B Lease Revenue Refunding Bonds               | 2022                      | 2,035         |
| Series 2008 Variable Rate Demand Revenue Refunding Bonds | 2030                      | 27,185        |
| Unamortized Loan Costs                                   |                           | (2,221)       |
| Deferred Cost of Refunding                               |                           | (14,588)      |
| Unamortized Bond Premium                                 |                           | 16,994        |

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2020

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

| Fiscal Year | ASU Enterprise<br>Partners | ACFFC      |
|-------------|----------------------------|------------|
| 2021        | \$ 4,215                   | \$ 10,710  |
| 2022        | 4,395                      | 11,375     |
| 2023        | 4,600                      | 12,035     |
| 2024        | 4,800                      | 12,720     |
| 2025        | 5,010                      | 13,420     |
| Thereafter  | 65,519                     | 161,605    |
| Total       | \$ 88,539                  | \$ 221,865 |

**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, 2020, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

| Project                                      | Tax rebates<br>generated by<br>project during<br>Fiscal Year 2020 | Cumulative tax<br>rebates generated<br>by project as of<br>June 30, 2020 | Project<br>Rebate Cap |
|--|---|--|-----------------------|
| AC Marriott and adjacent retail properties   | \$ 222  | \$ 1,616   | \$ 7,750              |
| Congress Street Block (98 – 130 E. Congress) | 30  | 30   | 10,600                |
| Hilton Hotel at Cathedral Square             | 167   | 167  | 6,850                 |
| Total  | \$ 419  | \$ 1,813   | \$ 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, 2020, the outstanding face value of all bonds of the AFA's AIDA was \$6.7 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, 2020, the total outstanding face value of all bonds issued by the AFA's GADA was \$10.4 million.

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2020

**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 \$233.6 million at June 30, 2020. 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 2047 to 2054.

If the APSCE 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 APSCE. Repayments shall be made to the APSCE fund in equal monthly installments over a twelve-month period or another period as determined by the APSCE. After the stated repayment period, any outstanding repayment balance shall become immediately due and payable. Any repayment amount owed to the APSCE 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 APSCE, the Attorney General shall take any actions necessary to enforce repayment of fund monies by a school.

**L. INSURANCE LOSSES**

The IDGF 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 IDGF records claims liability when the reported loss is probable and reasonably estimated based on reserves established by either experienced claims adjusters of the IDGF, 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 IDGF 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 following table presents the changes in claims liabilities balances (short and long-term combined) during the year ended December 31, 2019 (expressed in thousands):

| Calendar Year                        | Beginning<br>Balance<br>(as restated) | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Ending<br>Balance |
|--------------------------------------|---------------------------------------|---|--------------------|-------------------|
| Insurance Department Guaranty Funds: |                                       |   |                    |                   |
| 2019                                 | \$ 234,245                            | \$ 15,403   | \$ (23,364)        | \$ 226,284        |

Amounts for the calendar year ended December 31, 2018 are not available.



STATE OF ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**M. ACCOUNTING CHANGES**

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

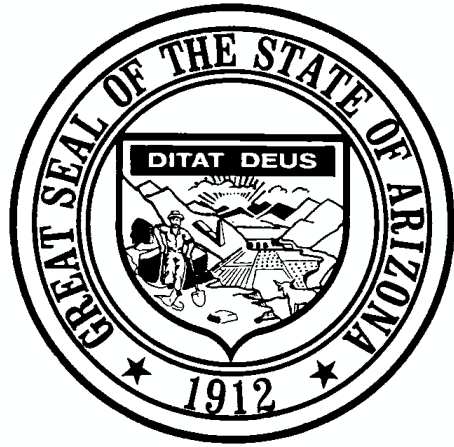
|                                      | <u>Component Units</u> |
|--------------------------------------|------------------------|
| Net Position, as previously reported | \$ 848,041             |
| Prior period adjustment              | 2,857                  |
| Change in reporting entity           | 2,972                  |
| Change in fiscal year end            | 1,974                  |
| Net Position, as restated            | <u>\$ 855,844</u>      |

**Prior Period Adjustment, Change in Reporting Entity, and Change in Fiscal Year End**

The Special Fund and the IDGF share a joint escrow bank account. In fiscal year 2019, the allocation of the bank account between the two funds was undetermined and thus reported in the Other non-major enterprise fund. In the current fiscal year, the joint escrow bank account was allocated between the Special Fund and the IDGF based upon allocation estimates, resulting in a \$2.9 million increase to beginning net position.

The IDGF, reported as a non-major enterprise fund in fiscal year 2019, was reclassified to a non-major component unit in the current fiscal year resulting in a \$3.0 million increase to beginning net position.

The APA and the IDGF, both non-major component units, changed from a June 30 year-end to a September 30 and December 31 year-end, respectively. This resulted in a \$200 thousand decrease to beginning net position of the APA and a \$2.2 million increase to beginning net position of the IDGF.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| <b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>                    |  |                                     |                                  |
| ADMIN ADJUSTMENT AFIS COLLECTIONS                               | \$ —                                   | \$ 493,538                          | \$ 493,538                       |
| ADMIN ADJUSTMENT ENHANCING STATEWIDE DATA SECURITY              | —                                      | 52,456                              | 52,456                           |
| ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE               | —                                      | 6,338                               | 6,338                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION               | —                                      | 813,555                             | 813,555                          |
| ADMIN ADJUSTMENT UTILITIES                                      | —                                      | 470,959                             | 470,959                          |
| AFIS COLLECTIONS  | 9,447,700                              | 9,418,700                           | 8,585,431                        |
| BUILDING RENEWAL COSF   | 23,763,782                             | 23,763,782                          | 10,691,065                       |
| COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32                        | 53,699,500                             | 53,699,500                          | 53,699,500                       |
| COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A                        | 24,009,800                             | 24,009,800                          | 24,009,800                       |
| DEMOLITION OF 1275 W WASHINGTON                                 | 664,647                                | 664,647                             | 664,647                          |
| FEASIBILITY STUDY BUSINESS ONE-STOP WEB PORTAL AZ DEPT<br>ADMIN | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| FEASIBILITY STUDY REPLACE/UPGRADE IT SYS AZ DEPT<br>AGRICULTURE | 200,000                                | 200,000                             | 150,000                          |
| GOVERNMENT TRANSFORMATION OFFICE                                | 2,000,000                              | 2,008,300                           | 1,530,715                        |
| IMPLEMENT E-LICENSING PROJECTS AT DEQ                           | 2,583,000                              | 2,583,000                           | 2,583,000                        |
| IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS            | 4,557,200                              | 4,557,200                           | 3,456,200                        |
| IT PROJECTS AZ MEDICAL BOARD                                    | 300,000                                | 300,000                             | 300,000                          |
| JESSE HAYES ROAD BRIDGE   | 2,810,000                              | 2,810,000                           | 2,810,000                        |
| 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                        |
| MARIPOSA PORT OF ENTRY COLD INSPECTION FACILITY                 | 700,000                                | 700,000                             | 700,000                          |
| MICROWAVE BACKBONE STATEWIDE COM SYSTEM DPS                     | 1,105,200                              | 1,105,200                           | 404,000                          |
| OPERATING LUMP SUM APPROPRIATION                                | 23,198,600                             | 23,581,500                          | 22,213,273                       |
| PROJECTS RELATED TO EGOVERNMENT                                 | 187,147                                | 187,147                             | 187,147                          |
| PUBLIC SAFETY REGIONAL COMMUNICATIONS                           | 271,000                                | 271,000                             | 271,000                          |
| RELIEF  | —                                      | 13,703                              | 12,829                           |
| RELOCATE STATE DATA CENTER                                      | 2,362,931                              | 2,362,931                           | 2,356,611                        |
| RENOVATE STATE BUILDINGS  | 9,353,307                              | 9,353,307                           | 1,408,672                        |
| REPLACE E-PROCUREMENT SYSTEM                                    | 638,218                                | 638,218                             | 638,218                          |
| REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION               | 3,000,000                              | 3,000,000                           | 1,136,000                        |
| RETIREMENT OF LEASE-PURCHASE AGREEMENT 2010 6TH SS CH4 SEC 2    | —                                      | 190,000,000                         | 189,545,000                      |
| SOUTHWEST DEFENSE CONTRACTS                                     | 25,000                                 | 25,000                              | 25,000                           |
| STATE ROUTE 24 BRIDGE   | 6,500,000                              | 6,500,000                           | 6,500,000                        |
| SUPPLEMENT UNFUNDED LIABILITY PURSUANT TO SECTION 38-810        | 3,000,000                              | 3,000,000                           | 3,000,000                        |
| TRAFFIC INTERCHANGES INTERSTATE 40 KINGMAN                      | 20,000,000                             | 20,000,000                          | —                                |
| UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC<br>SAFETY  | 410,000                                | 410,000                             | —                                |
| UPDATE THE HUMAN RESOURCE INFORMATION SYSTEM                    | 800,180                                | 800,180                             | 216,468                          |
| UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT<br>DCS | 15,100,000                             | 15,100,000                          | 13,500,000                       |
| UTILITIES   | 7,649,900                              | 7,649,900                           | 4,772,791                        |
| WHITE MOUNTAIN APACHE TRIBES WATER RIGHT                        | 2,000,000                              | 2,000,000                           | —                                |
| <b>ADMINISTRATIVE HEARINGS, OFFICE OF</b>                       |  |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                                | 868,900                                | 889,800                             | 889,800                          |
| <b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>                       |  |                                     |                                  |
| ADMIN ADJUSTMENT AG CONSULTING AND TRAINING PARI-MUTUEL         | —                                      | 205                                 | 205                              |
| ADMIN ADJUSTMENT ANIMAL DAMAGE CONTROL                          | —                                      | 17,813                              | 17,813                           |
| ADMIN ADJUSTMENT OFFSITE NUCLEAR EMERGENCY RESPONSE<br>PLANS    | —                                      | 240                                 | 240                              |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION               | —                                      | 113,257                             | 113,257                          |
| AG CONSULTING AND TRAINING PARI-MUTUEL                          | 128,500                                | 128,500                             | 127,005                          |
| AGRICULTURAL EMPLOYMENT RELATIONS BOARD                         | 23,300                                 | 23,300                              | 23,300                           |
| ANIMAL DAMAGE CONTROL   | 65,000                                 | 65,000                              | 64,996                           |

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, 2020  
 (Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| FEASIBILITY STUDY REPLACE/UPGRADE IT SYS AZ DEPT              |  |                                     |                                  |
| AGRICULTURE   | 200,000                                | 200,000                             | 149,000                          |
| INDUSTRIAL HEMP GENERAL FUND APPROPRIATION AGRICULTURE        | —                                      | 500,000                             | 500,000                          |
| INDUSTRIAL HEMP GENERAL FUND APPROPRIATION PLANT SERVICES     | —                                      | 250,000                             | 234,300                          |
| OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS                      | —                                      | 301,376                             | 252,445                          |
| OPERATING LUMP SUM APPROPRIATION                              | 9,948,900                              | 9,875,500                           | 9,253,421                        |
| RED IMPORTED FIRE ANT   | 23,200                                 | 23,200                              | 23,200                           |
| <b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>   |  |                                     |                                  |
| ACA ADULT EXPANSION   | 489,629,800                            | 489,629,800                         | 435,649,299                      |
| ADMIN ADJUSTMENT ACA ADULT EXPANSION                          | —                                      | 19,453,802                          | 19,453,802                       |
| ADMIN ADJUSTMENT ADOA DATA CENTER                             | —                                      | 3,349,547                           | 3,349,547                        |
| ADMIN ADJUSTMENT ALTCS SERVICES                               | —                                      | 15,283,077                          | 15,283,077                       |
| ADMIN ADJUSTMENT CHIP - SERVICES                              | —                                      | 1,403,517                           | 1,403,517                        |
| ADMIN ADJUSTMENT CRISIS SERVICES                              | —                                      | 84,950                              | 84,950                           |
| ADMIN ADJUSTMENT DES ELIGIBILITY                              | —                                      | 7,326,760                           | 7,326,760                        |
| ADMIN ADJUSTMENT DISPROPORTIONATE SHARE PAYMENTS              | —                                      | 848,800                             | 848,800                          |
| ADMIN ADJUSTMENT MEDICAID BEHAVIORAL HEALTH CMDP              | —                                      | 7,921                               | 7,921                            |
| ADMIN ADJUSTMENT NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES | —                                      | 1,850,769                           | 1,850,769                        |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION             | —                                      | 4,470,852                           | 4,470,852                        |
| ADMIN ADJUSTMENT PROP 204 AHCCCS ADMINISTRATION               | —                                      | 1,137,088                           | 1,137,088                        |
| ADMIN ADJUSTMENT PROP 204 DES ELIGIBILITY                     | —                                      | 11,575,787                          | 11,575,787                       |
| ADMIN ADJUSTMENT PROPOSITION 204 SERVICES                     | —                                      | 49,690,413                          | 49,690,413                       |
| ADMIN ADJUSTMENT SUPPORTED HOUSING                            | —                                      | 600,000                             | 600,000                          |
| ADMIN ADJUSTMENT TARGETED INVESTMENTS PROGRAM                 | —                                      | 4,096,537                           | 4,096,537                        |
| ADMIN ADJUSTMENT TRADITIONAL MEDICAID SERVICES                | —                                      | 135,422,429                         | 135,422,429                      |
| ADOA DATA CENTER  | 19,325,800                             | 19,325,800                          | 10,645,106                       |
| ALTCS SERVICES  | 1,691,001,200                          | 1,758,001,200                       | 1,707,825,213                    |
| ASSET VERIFICATION SYSTEMS                                    | 449,700                                | 449,700                             | 364,938                          |
| BEHAVIORAL HEALTH SERVICES IN SCHOOLS                         | 9,990,000                              | 9,990,000                           | 9,990,000                        |
| CHIP - SERVICES   | 106,516,300                            | 106,516,300                         | 83,435,282                       |
| CRISIS SERVICES   | 14,141,100                             | 14,141,100                          | 14,051,413                       |
| DES ELIGIBILITY   | 88,874,500                             | 91,874,500                          | 78,288,199                       |
| DISPROPORTIONATE SHARE PAYMENTS                               | 5,087,100                              | 5,087,100                           | 4,202,300                        |
| DSH - VOLUNTARY   | 40,980,200                             | 41,591,700                          | 36,366,542                       |
| ELECTRONIC VISIT VERIFICATION SYSTEM                          | 4,653,700                              | 4,653,700                           | 1,773,280                        |
| GRADUATE MEDICAL EDUCATION                                    | 303,551,500                            | 399,567,065                         | 396,565,993                      |
| GRADUATE MEDICAL EDUCATION COMMUNITY CENTERS                  | 750,000                                | 750,000                             | 750,000                          |
| MEDICAID BEHAVIORAL HEALTH CMDP                               | 180,729,500                            | 202,729,500                         | 198,382,263                      |
| NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES                  | 77,646,900                             | 77,646,900                          | 75,904,714                       |
| OPERATING LUMP SUM APPROPRIATION                              | 91,385,300                             | 94,142,300                          | 83,445,035                       |
| PROP 204 AHCCCS ADMINISTRATION                                | 13,143,500                             | 17,582,800                          | 14,102,611                       |
| PROP 204 DES ELIGIBILITY                                      | 44,358,700                             | 44,358,700                          | 36,437,641                       |
| PROPOSITION 204 SERVICES                                      | 3,848,711,300                          | 3,903,711,300                       | 3,886,441,301                    |
| PROVIDER MANAGEMENT SYSTEM                                    | 4,774,600                              | 4,774,600                           | 4,428,927                        |
| RURAL HOSPITAL REIMBURSEMENT                                  | 28,612,400                             | 33,927,400                          | 33,927,310                       |
| SUICIDE PREVENTON COORDINATOR                                 | 100,000                                | 100,000                             | 51,991                           |
| SUPPORTED HOUSING   | 5,324,800                              | 5,324,800                           | 5,201,261                        |
| SWEEPS  | 69,000,000                             | 69,000,000                          | 69,000,000                       |
| TARGETED INVESTMENTS PROGRAM                                  | 90,000,000                             | 90,000,000                          | 44,365,394                       |
| TRADITIONAL MEDICAID SERVICES                                 | 5,117,437,100                          | 5,472,255,000                       | 5,222,662,160                    |
| <b>ARIZONA STATE UNIVERSITY</b>                               |  |                                     |                                  |
| ARIZONA FINANCIAL AID TRUST                                   | 5,985,800                              | 5,985,800                           | 5,985,800                        |
| BIOMEDICAL INFORMATICS  | 3,716,800                              | 3,716,300                           | 3,716,300                        |

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, 2020  
 (Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| DOWNTOWN PHOENIX CAMPUS  | 13,804,200                             | 13,800,100                          | 13,800,100                       |
| ONE TIME FUNDING   | —                                      | 18,900,000                          | 18,900,000                       |
| OPERATING LUMP SUM APPROPRIATION - MAIN                                | 271,344,100                            | 270,866,800                         | 270,866,800                      |
| RESEARCH INFRASTRUCTURE LEASE - PURCH PYMT                             | —                                      | 12,539,300                          | 12,539,265                       |
| RESEARCH INFRASTRUCTURE LEASE - PURCH PYMT - POLYTECHNIC               | —                                      | 917,000                             | 917,000                          |
| SCHOOL OF CIVIC AND ECONOMIC THOUGHT AND LEADERSHIP                    | 3,023,800                              | 3,025,600                           | 3,025,600                        |
| <b>ARTS, ARIZONA COMMISSION ON THE</b>                                 |  |                                     |                                  |
| NONPROFIT PROFESSIONAL THEATER COMPANY                                 | 200,000                                | 200,000                             | 200,000                          |
| <b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>                            |  |                                     |                                  |
| ADMIN ADJUSTMENT CAPITAL POSTCONVICTION PROSECUTION                    | —                                      | 34,043                              | 34,043                           |
| ADMIN ADJUSTMENT CRIMINAL DIVISION OPERATING                           | —                                      | 85,203                              | 85,203                           |
| ADMIN ADJUSTMENT INTERNET CRIMES AGAINST CHILDREN<br>ENFORCEMENT       | —                                      | 15,156                              | 15,156                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                      | —                                      | 707,799                             | 707,799                          |
| ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT                     | —                                      | 26,354                              | 26,354                           |
| ADMIN ADJUSTMENT STATE GRAND JURY                                      | —                                      | 4,636                               | 4,636                            |
| ADMIN ADJUSTMENT TOBACCO ENFORCEMENT                                   | —                                      | 4,283                               | 4,283                            |
| CAPITAL POSTCONVICTION PROSECUTION                                     | 802,300                                | 802,700                             | 757,557                          |
| CHILD AND FAMILY ADVOCACY CENTERS                                      | 100,000                                | 100,000                             | 100,000                          |
| CRIMINAL DIVISION OPERATING  | —                                      | 1,500,000                           | 1,186,328                        |
| INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT                           | 4,272,324                              | 4,272,324                           | 1,485,729                        |
| MILITARY INSTALLATION-PLANNING   | 47,709                                 | 132,709                             | 81,927                           |
| OPERATING LUMP SUM APPROPRIATION                                       | 38,060,300                             | 38,217,800                          | 36,251,792                       |
| SOUTHERN ARIZONA DRUG ENFORCEMENT                                      | 1,205,200                              | 1,206,100                           | 1,193,956                        |
| STATE GRAND JURY   | 181,000                                | 181,100                             | 173,614                          |
| TOBACCO ENFORCEMENT  | 85,100                                 | 85,200                              | 79,431                           |
| <b>AUDITOR GENERAL</b>   |  |                                     |                                  |
| ADDITIONAL OPERATING EXPENDITURES                                      | —                                      | 1,083,000                           | 1,083,000                        |
| CAREER TECHNICAL EDUCATION DISTRICT STUDY                              | 400,000                                | 400,000                             | —                                |
| INDEPENDENT CONSULTANT - CHILD WELFARE                                 | 31,122                                 | 31,122                              | 31,122                           |
| OPERATING LUMP SUM APPROPRIATION                                       | 22,935,052                             | 22,957,252                          | 21,026,364                       |
| <b>CHARTER SCHOOLS, STATE BOARD FOR</b>                                |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                      | —                                      | 19,650                              | 19,650                           |
| OPERATING LUMP SUM APPROPRIATION                                       | 1,602,600                              | 1,714,500                           | 1,510,976                        |
| <b>CHILD SAFETY, DEPARTMENT OF</b>                                     |  |                                     |                                  |
| ADMIN ADJUSTMENT CONGREGATE GROUP CARE                                 | —                                      | 7,685,830                           | 7,685,830                        |
| ADMIN ADJUSTMENT DCS - CASEWORKERS                                     | —                                      | 4,575,403                           | 4,575,403                        |
| ADMIN ADJUSTMENT DCS - NEW CASE AIDES                                  | —                                      | 566,203                             | 566,203                          |
| ADMIN ADJUSTMENT DCS - PREVENTIVE SERVICES                             | —                                      | 1,492,149                           | 1,492,149                        |
| ADMIN ADJUSTMENT DCS ADOPTION SERVICES                                 | —                                      | 21,919,955                          | 21,919,955                       |
| ADMIN ADJUSTMENT DCS ATTORNEY GENERAL LEGAL SERVICES                   | —                                      | 1,320,470                           | 1,320,470                        |
| ADMIN ADJUSTMENT DCS CHILD CARE SUBSIDY                                | —                                      | 7,902,092                           | 7,902,092                        |
| ADMIN ADJUSTMENT DCS FOSTER CARE PLACEMENT                             | —                                      | 3,313,029                           | 3,313,029                        |
| ADMIN ADJUSTMENT DCS FOSTER HOME RECRUITMENT, STUDY AND<br>SUPERVISION | —                                      | 4,583,174                           | 4,583,174                        |
| ADMIN ADJUSTMENT DCS GENERAL COUNSEL                                   | —                                      | 335                                 | 335                              |
| ADMIN ADJUSTMENT DCS INDEPENDENT LIVING MAINTENANCE                    | —                                      | 642,285                             | 642,285                          |
| ADMIN ADJUSTMENT DCS IN-HOME MITIGATION                                | —                                      | 6,934,430                           | 6,934,430                        |
| ADMIN ADJUSTMENT DCS INSPECTIONS BUREAU                                | —                                      | 186,191                             | 186,191                          |
| ADMIN ADJUSTMENT DCS OFFICE OF CHILD WELFARE<br>INVESTIGATIONS         | —                                      | 12,507                              | 12,507                           |
| ADMIN ADJUSTMENT DCS OPERATING LUMP SUM                                | —                                      | 40,897                              | 40,897                           |
| ADMIN ADJUSTMENT DCS OUT-OF-HOME SUPPORT SERVICES                      | —                                      | 8,496,324                           | 8,496,324                        |
| ADMIN ADJUSTMENT DCS OVERTIME  | —                                      | 174,445                             | 174,445                          |

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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| ADMIN ADJUSTMENT DCS PERMANENT GUARDIAN SUBSIDY                       | —                                      | 1,004,177                           | 1,004,177                        |
| ADMIN ADJUSTMENT DCS RECORDS RETENTION STAFF                          | —                                      | 34,778                              | 34,778                           |
| ADMIN ADJUSTMENT DCS RETENTION PAY                                    | —                                      | 38,805                              | 38,805                           |
| ADMIN ADJUSTMENT DCS TRAINING RESOURCES                               | —                                      | 2,755,375                           | 2,755,375                        |
| ADMIN ADJUSTMENT KINSHIP CARE   | —                                      | 247,070                             | 247,070                          |
| CONGREGATE GROUP CARE   | 98,900,100                             | 105,950,100                         | 94,561,982                       |
| DCS CASEWORKERS   | 100,943,800                            | 100,171,500                         | 99,151,250                       |
| DCS NEW CASE AIDES  | 3,073,700                              | 3,185,200                           | 2,979,097                        |
| DCS PREVENTIVE SERVICES   | 15,148,300                             | 15,148,300                          | 7,592,066                        |
| DCS ADOPTION SERVICES   | 278,258,500                            | 278,258,500                         | 247,445,030                      |
| DCS ATTORNEY GENERAL LEGAL SERVICES                                   | 25,522,800                             | 25,522,800                          | 25,522,800                       |
| DCS CHILD CARE SUBSIDY  | 61,653,307                             | 61,653,307                          | 43,859,675                       |
| DCS FOSTER CARE PLACEMENT   | 52,595,500                             | 52,595,500                          | 43,387,640                       |
| DCS FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION                    | 32,753,600                             | 37,753,600                          | 29,212,725                       |
| DCS GENERAL COUNSEL   | 155,900                                | 156,100                             | 118,907                          |
| DCS INDEPENDENT LIVING MAINTENANCE                                    | 4,660,000                              | 4,660,000                           | 4,362,892                        |
| DCS IN-HOME MITIGATION  | 27,528,800                             | 27,528,800                          | 16,659,494                       |
| DCS INSPECTIONS BUREAU  | 2,479,300                              | 2,483,200                           | 2,108,366                        |
| DCS OFFICE OF CHILD WELFARE INVESTIGATIONS                            | 9,633,000                              | 9,646,300                           | 8,192,225                        |
| DCS OPERATING LUMP SUM  | 110,564,600                            | 113,676,700                         | 112,416,269                      |
| DCS OUT-OF-HOME SUPPORT SERVICES                                      | 153,910,900                            | 150,910,900                         | 89,460,296                       |
| DCS OVERTIME  | 8,390,900                              | 6,407,700                           | 4,837,611                        |
| DCS PERMANENT GUARDIAN SUBSIDY  | 12,516,900                             | 12,516,900                          | 11,366,085                       |
| DCS RECORDS RETENTION STAFF   | 594,200                                | 594,300                             | 397,201                          |
| DCS TRAINING RESOURCES  | 9,150,000                              | 7,150,000                           | 480,042                          |
| KINSHIP CARE  | 5,000,000                              | 5,000,000                           | 4,054,915                        |
| UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM<br>AT DCS       | 10,100,000                             | 10,100,000                          | 5,756,371                        |
| <b>COMMISSION OF AFRICAN-AMERICAN AFFAIRS</b>                         |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM                                   | —                                      | 556                                 | 556                              |
| OPERATING LUMP SUM  | 127,200                                | 128,100                             | 127,404                          |
| <b>CORPORATION COMMISSION</b>   |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | —                                      | 419                                 | 419                              |
| FEASIBILITY STUDY BUSINESS ONE-STOP WEB PORTAL AZ DEPT<br>ADMIN       | 184,000                                | 184,000                             | 183,975                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 668,700                                | 671,500                             | 671,500                          |
| <b>CORRECTIONS, REHABILITATION &amp; REENTRY, STATE DEPARTMENT OF</b> |  |                                     |                                  |
| ADMIN ADJUSTMENT CAPITAL OUTLAY APPROPRIATION                         | —                                      | 466                                 | 466                              |
| ADMIN ADJUSTMENT COMMUNITY CORRECTIONS                                | —                                      | 192,030                             | 192,030                          |
| ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES               | —                                      | 45,790                              | 45,790                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | —                                      | 9,267,983                           | 9,267,983                        |
| CAPITAL OUTLAY APPROPRIATION  | 8,025,017                              | 8,025,017                           | 4,278,311                        |
| COMMUNITY CORRECTIONS   | 19,278,700                             | 22,141,900                          | 14,566,867                       |
| INMATE HEALTH CARE CONTRACTED SERVICES                                | 183,211,700                            | 174,711,700                         | 126,196,977                      |
| OPERATING LUMP SUM APPROPRIATION                                      | 792,084,800                            | 831,767,800                         | 600,380,875                      |
| PRIVATE PRISON COP  | 17,466,700                             | 17,466,700                          | 17,466,700                       |
| PRIVATE PRISON PER DIEM   | 124,652,600                            | 124,152,600                         | 115,643,368                      |
| RELIEF  | —                                      | 101,388                             | 101,309                          |
| <b>COURT OF APPEALS DIVISION I</b>                                    |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - DIV I             | —                                      | 63,421                              | 63,421                           |
| OPERATING LUMP SUM APPROPRIATION - DIV I                              | 11,526,400                             | 11,597,300                          | 11,541,713                       |
| <b>COURT OF APPEALS DIVISION II</b>                                   |  |                                     |                                  |
| OPERATING LUM SUM - DIV II  | 5,140,800                              | 5,167,700                           | 5,167,700                        |

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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| <b>CRIMINAL JUSTICE COMMISSION, ARIZONA</b>                           |  |                                     |                                  |
| INTERVENTION PROGRAMS/PROBATION SURVEILLANCE                          | 750,000                                | 750,000                             | 742,500                          |
| <b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>                        |  |                                     |                                  |
| ADMIN ADJUSTMENT ADMIN-STATEWIDE                                      | —                                      | 791,034                             | 791,034                          |
| ADMIN ADJUSTMENT SCHOOL BUS REPLACEMENT<br>ADMIN-STATEWIDE            | —                                      | 351,027                             | 351,027                          |
| PHOENIX DAY SCHOOL FOR THE DEAF                                       | 6,423,300                              | 8,198,494                           | 8,098,766                        |
| PRESCHOOL-OUTREACH PROGRAMS   | 4,527,363                              | 4,233,337                           | 4,151,082                        |
| SCHOOL BUS REPLACEMENT  | 2,665,472                              | 3,145,158                           | 3,137,035                        |
| TUCSON CAMPUS   | 738,000                                | —                                   | —                                |
|   | 8,905,165                              | 7,637,411                           | 7,505,050                        |
| <b>ECONOMIC OPPORTUNITY, OFFICE OF</b>                                |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | —                                      | 44,648                              | 44,648                           |
| OPERATING LUMP SUM APPROPRIATION                                      | 496,794                                | 476,294                             | 465,825                          |
| <b>ECONOMIC SECURITY, DEPARTMENT OF</b>                               |  |                                     |                                  |
| ACHIEVING A BETTER LIFE EXPERIENCE ACT PROGRAM                        | 15,440                                 | 15,440                              | 14,097                           |
| ADMIN ADJUSTMENT ADULT SERVICES                                       | —                                      | 468,740                             | 468,740                          |
| ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES                      | —                                      | 459,420                             | 459,420                          |
| ADMIN ADJUSTMENT CASE MANAGEMENT-TITLE XIX                            | —                                      | 4,463,798                           | 4,463,798                        |
| ADMIN ADJUSTMENT CHILD CARE SUBSIDY                                   | —                                      | 6,201,063                           | 6,201,063                        |
| ADMIN ADJUSTMENT COMMUNITY AND EMERGENCY SERVICES                     | —                                      | 804,223                             | 804,223                          |
| ADMIN ADJUSTMENT COORDINATED HOMELESS PROGRAM                         | —                                      | 188,866                             | 188,866                          |
| ADMIN ADJUSTMENT COORDINATED HUNGER                                   | —                                      | 62,217                              | 62,217                           |
| ADMIN ADJUSTMENT COUNTY PARTICIPATION                                 | —                                      | 779,962                             | 779,962                          |
| ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM               | —                                      | 3,896,543                           | 3,896,543                        |
| ADMIN ADJUSTMENT DDD CHILDRENS REHABILITATIVE SERVICES-<br>MEDICAID   | —                                      | 8,115,865                           | 8,115,865                        |
| ADMIN ADJUSTMENT DDD OPERATING LUMP SUM                               | —                                      | 9,236,519                           | 9,236,519                        |
| ADMIN ADJUSTMENT DDD PREMIUM TAX PAYMENT                              | —                                      | 2,340,705                           | 2,340,705                        |
| ADMIN ADJUSTMENT DDD PROGRAM EXPENSES SUPPLEMENTAL                    | —                                      | 33,004,787                          | 33,004,787                       |
| ADMIN ADJUSTMENT DDD STATE-ONLY ROOM AND BOARD EXPENSES<br>- ONE TIME | —                                      | 2,000,000                           | 2,000,000                        |
| ADMIN ADJUSTMENT DDD TARGETED CASE MANAGEMENT-MEDICAID                | —                                      | 225,136                             | 225,136                          |
| ADMIN ADJUSTMENT DES OPERATING LUMP SUM                               | —                                      | 7,685,245                           | 7,685,245                        |
| ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION                         | —                                      | 542,057                             | 542,057                          |
| ADMIN ADJUSTMENT HOME AND COMMUNITY SERVICES - STATE ONLY             | —                                      | 1,350,212                           | 1,350,212                        |
| ADMIN ADJUSTMENT HOME AND COMMUNITY BASED SVC - TITLE XIX             | —                                      | 82,894,299                          | 82,894,299                       |
| ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SVCS               | —                                      | 60,228                              | 60,228                           |
| ADMIN ADJUSTMENT INSTITUTIONAL SERVICES-TITLE XIX                     | —                                      | 2,809,830                           | 2,809,830                        |
| ADMIN ADJUSTMENT JOBS   | —                                      | 490,328                             | 490,328                          |
| ADMIN ADJUSTMENT MEDICAL SERVICES-TITLE XIX                           | —                                      | 53,875,252                          | 53,875,252                       |
| ADMIN ADJUSTMENT ONETIME DDD PROVIDER PAYMENT PROP 206                | —                                      | 9,461,000                           | 9,461,000                        |
| ADMIN ADJUSTMENT ONETIME FOOD BANK FUNDING                            | —                                      | 57,532                              | 57,532                           |
| ADMIN ADJUSTMENT REHABILITATION SERVICES                              | —                                      | 1,476,955                           | 1,476,955                        |
| ADMIN ADJUSTMENT STATE FUNDED LONG-TERM CARE SERVICES                 | —                                      | 11,601,461                          | 11,601,461                       |
| ADMIN ADJUSTMENT SWEEPS   | —                                      | 44,587,271                          | 44,587,271                       |
| ADMIN ADJUSTMENT WORKFORCE INVESTMENT ACT SERVICES                    | —                                      | 9,736,273                           | 9,736,273                        |
| ADULT SERVICES  | 8,731,900                              | 8,731,900                           | 7,006,716                        |
| ATTORNEY GENERAL LEGAL SERVICES                                       | 10,900,900                             | 10,959,800                          | 9,351,667                        |
| CASE MANAGEMENT-STATE ONLY  | 6,175,300                              | 6,194,600                           | 4,430,034                        |
| CASE MANAGEMENT-TITLE XIX   | 98,468,400                             | 98,705,100                          | 91,278,245                       |
| CHILD CARE SUBSIDY  | 146,796,600                            | 146,796,600                         | 113,099,747                      |
| CHILD CARE SUBSIDY CCDF   | 48,400,000                             | 48,400,000                          | 48,400,000                       |
| COMMUNITY AND EMERGENCY SERVICES                                      | 3,724,000                              | 3,724,000                           | 2,346,872                        |
| COORDINATED HOMELESS PROGRAM  | 2,522,600                              | 2,522,600                           | 2,494,394                        |

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, 2020  
(Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| COORDINATED HUNGER   | 1,754,600                              | 1,754,600                           | 1,467,085                        |
| COUNTY PARTICIPATION   | 8,740,200                              | 8,740,200                           | 4,215,056                        |
| DDD ARIZONA EARLY INTERVENTION PROGRAM                           | 6,319,000                              | 6,319,000                           | 2,359,262                        |
| DDD OPERATING LUMP SUM   | 136,040,900                            | 131,138,700                         | 62,268,923                       |
| DDD PREMIUM TAX PAYMENT  | 46,288,700                             | 51,388,700                          | 51,309,151                       |
| DDD PROVIDERS FLAGSTAFF SUPPLEMENTAL                             | 500,000                                | 500,000                             | —                                |
| DDD TARGETED CASE MANAGEMENT-MEDICAID                            | 13,922,400                             | 13,957,000                          | 11,517,753                       |
| DES OPERATING LUMP SUM   | 155,645,000                            | 157,836,400                         | 136,006,420                      |
| DOMESTIC VIOLENCE PREVENTION                                     | 9,903,700                              | 9,903,700                           | 9,552,182                        |
| FAMILY CAREGIVER   | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| FOOD BANK FUNDING STORAGE  | 950,000                                | 950,000                             | 429,389                          |
| HOME AND COMMUNITY SERVICES - STATE ONLY                         | 13,589,000                             | 13,589,000                          | 10,794,373                       |
| HOME AND COMMUNITY BASED SVC-TITLE XIX                           | 1,781,066,600                          | 1,781,110,200                       | 1,655,358,124                    |
| INDEPENDENT LIVING REHABILITATION SVCS                           | 166,000                                | 166,000                             | 45,843                           |
| INSTITUTIONAL SERVICES-TITLE XIX                                 | 64,929,500                             | 64,997,800                          | 47,172,741                       |
| JOBS   | 9,894,700                              | 9,894,700                           | 8,702,957                        |
| LOAN FOR REIMBURSEMENT GRANTS                                    | —                                      | 25,000,000                          | —                                |
| MEDICAL CLAWBACK   | 4,517,800                              | 4,517,800                           | 4,517,800                        |
| PHYSICAL AND BEHAVIORAL HEALTH SERVICES-MEDICAID                 | 468,958,900                            | 468,983,900                         | 438,125,575                      |
| REHABILITATION SERVICES  | 6,594,400                              | 6,594,400                           | 3,626,071                        |
| SNAP ARIZONA FARMERS MARKET                                      | 320,033                                | 320,033                             | 303,541                          |
| STATE FUNDED LONG-TERM CARE SERVICES                             | 35,151,600                             | 35,151,600                          | 34,610,957                       |
| TANF CASH BENEFITS   | 22,736,400                             | 22,736,400                          | 20,619,831                       |
| TRIBAL PASS-THRU FUNDING   | 4,680,300                              | 4,680,300                           | 4,680,300                        |
| WORKFORCE INVESTMENT ACT SERVICES                                | 53,654,600                             | 68,154,600                          | 56,333,795                       |
| <b>EDUCATION, BOARD OF</b>                                       |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM                              | —                                      | 8,306                               | 8,306                            |
| OPERATING LUMP SUM   | 1,146,300                              | 1,158,900                           | 1,037,931                        |
| <b>EDUCATION, DEPARTMENT OF</b>                                  |  |                                     |                                  |
| ACHIEVEMENT TESTING  | 9,422,500                              | 9,422,500                           | 9,422,500                        |
| ADDITIONAL FUNDING   | —                                      | 50,000,000                          | 50,000,000                       |
| ADDITIONAL STATE AID TO SCHOOLS                                  | 426,944,900                            | 426,944,900                         | 426,944,900                      |
| ADMIN ADJUSTMENT BASIC STATE AID ENTITLEMENT                     | —                                      | 6,718,814                           | 6,718,814                        |
| ADMIN ADJUSTMENT COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM | —                                      | 9,833                               | 9,833                            |
| ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS                    | —                                      | 86,646                              | 86,646                           |
| ADMIN ADJUSTMENT TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND     | —                                      | 100                                 | 100                              |
| ADULT EDUCATION  | 4,502,100                              | 4,502,100                           | 4,502,100                        |
| ALTERNATIVE TEACHER DEVELOPMENT PROGRAM                          | 500,000                                | 500,000                             | 500,000                          |
| AMERICAN CIVICS EDUCATION PILOT PROGRAM                          | —                                      | 500,000                             | 30                               |
| 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                                      | 3,423,257,600                          | 3,419,766,601                       | 3,418,454,423                    |
| BASIC STATE AID TEACHER SALARY INCREASES                         | —                                      | 164,700,000                         | 164,700,000                      |
| COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM                  | 5,000,000                              | 5,000,000                           | 5,000,000                        |
| COMPUTER SCIENCE PILOT PROGRAM                                   | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| CTED COMPLETION GRANTS   | 1,000,000                              | 1,000,000                           | —                                |
| CTED SOFT CAPITAL AND EQUIPMENT                                  | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| EARLY LITERACY   | 12,000,000                             | 12,000,000                          | 12,000,000                       |
| ED LEARNING AND ACCOUNTABILITY SYSTEM                            | 5,300,000                              | 5,300,200                           | 5,300,200                        |
| ENGLISH LEARNER ADMINISTRATION                                   | 6,509,500                              | 6,509,600                           | 6,509,600                        |
| GEOGRAPHIC LITERACY  | 100,000                                | 100,000                             | 100,000                          |

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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| GIFTED EDUCATION  | 1,000,000                              | 1,000,000                           | 909,034                          |
| HIGH QUALITY TEACHER PROFESSIONAL DEVELOPMENT PILOT PROGRAM | 621,324                                | 621,324                             | 48,324                           |
| JOBS FOR ARIZONA GRADUATES PROGRAM                          | 100,000                                | 100,000                             | 100,000                          |
| JTED COMPLETION GRANTS                                      | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| OPERATING LUMP SUM APPROPRIATION - ADMIN                    | 10,097,600                             | 10,178,800                          | 10,089,517                       |
| OTHER STATE AID TO DISTRICTS                                | 983,900                                | 983,900                             | —                                |
| REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION           | 3,000,000                              | 3,000,000                           | 608,038                          |
| RESULTS BASED FUNDING                                       | 68,600,000                             | 72,090,999                          | 68,600,000                       |
| SCHOOL SAFETY PROGRAM                                       | 25,277,361                             | 25,277,461                          | 10,451,802                       |
| SCHOOLS ON PROVING GROUNDS: DEMOLITION AND CONSTRUCTION     | 800,000                                | 800,000                             | 800,000                          |
| SPECIAL EDUCATION FUND                                      | 36,029,200                             | 36,029,200                          | 36,029,200                       |
| STATE BLOCK GRT FOR VOCATIONAL EDUCATION                    | 11,576,300                             | 11,576,300                          | 11,576,300                       |
| SWEEPS  | 3,000,000                              | 3,000,600                           | 3,000,600                        |
| TEACHER CERTIFICATION                                       | 178,100                                | 178,100                             | 178,100                          |
| TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND                 | 250,000                                | 250,000                             | 250,000                          |
| UNIFICATION ASSISTANCE                                      | 50,000                                 | 50,000                              | —                                |
| <b>EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF</b>        |  |                                     |                                  |
| ADEM MATCHING FUND  | 1,543,300                              | 1,543,300                           | 1,543,278                        |
| ADMIN ADJUSTMENT ADMINISTRATION                             | —                                      | 5,427                               | 5,427                            |
| ADMIN ADJUSTMENT MILITARY AFFAIRS                           | —                                      | 1,275                               | 1,275                            |
| ADMINISTRATION  | 1,694,200                              | 1,797,600                           | 1,760,710                        |
| DISASTER DECLARATION  | 3,200,000                              | 7,200,000                           | 7,200,000                        |
| EMERGENCY MANAGEMENT  | 730,900                                | 730,900                             | 730,285                          |
| FEBRUARY 2005 WINTER STORMS                                 | 49,785                                 | 49,785                              | 49,785                           |
| HAZARD MATERIAL CONTINGENCY                                 | 1,897                                  | 1,897                               | —                                |
| MILITARY AFFAIRS  | 1,339,800                              | 1,339,800                           | 1,318,093                        |
| MILITARY AFFAIRS COMMISSION                                 | 1,474                                  | 91,474                              | 89,921                           |
| NATIONAL GUARD MATCHING FUNDS                               | 3,013,321                              | 3,013,321                           | 1,608,848                        |
| NATIONAL GUARD TUITION REIMBURSEMENT                        | 1,000,000                              | 1,000,000                           | 146,379                          |
| NUCLEAR EMERGENCY MANAGEMENT FUND - GF TSF                  | —                                      | 719,000                             | —                                |
| NUCLEAR EMERGENCY MANAGEMENT FUND - BUCKEYE - GF TRF        | —                                      | 70,000                              | —                                |
| NUCLEAR EMERGENCY MANAGEMENT FUND - MARICOPA - GF TF        | —                                      | 669,753                             | —                                |
| SERVICE CONTRACTS   | 58,736                                 | 58,736                              | 546                              |
| SOUTH EAST ARIZONA READINESS CENTER                         | 3,759,000                              | 3,759,000                           | 4,014                            |
| WEST VALLEY READINESS CENTER                                | 3,875,000                              | 3,875,000                           | —                                |
| <b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>                 |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 271,349                             | 271,349                          |
| DUST SUPPRESSION PILOT PROGRAM                              | 200,000                                | 200,000                             | 200,000                          |
| OPERATING LUMP SUM APPROPRIATION                            | 13,657,700                             | 13,748,700                          | 13,642,952                       |
| <b>EQUALIZATION, STATE BOARD OF</b>                         |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 45,930                              | 45,930                           |
| OPERATING LUMP SUM APPROPRIATION                            | 652,000                                | 659,000                             | 477,860                          |
| <b>EXECUTIVE CLEMENCY, BOARD OF</b>                         |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 52,998                              | 52,998                           |
| OPERATING LUMP SUM APPROPRIATION                            | 1,137,000                              | 1,150,000                           | 1,079,234                        |
| <b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>                |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 62,834                              | 62,834                           |
| OPERATING LUMP SUM APPROPRIATION                            | 1,984,800                              | 1,980,900                           | 1,625,901                        |
| <b>FORESTRY AND FIRE MANAGEMENT, DEPARTMENT OF</b>          |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 15,078                              | 15,078                           |
| ADMIN ADJUSTMENT POSTRELEASE FIREFIGHTING CREWS             | —                                      | 12,382                              | 12,382                           |
| ADMIN ADJUSTMENT STATE FIRE MARSHAL                         | —                                      | 29,738                              | 29,738                           |

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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| ADMIN ADJUSTMENT STATE FIRE SCHOOL                      | —                                      | 359                                 | 359                              |
| ENVIRONMENTAL COUNTY GRANTS                             | 250,000                                | 250,000                             | 250,000                          |
| FIRE SUPPRESSION SLI                                    | 200,000                                | 200,000                             | 200,000                          |
| GENERAL FUND TRANSFER TO FIRE SUPPRESSION               | —                                      | 3,000,000                           | 3,000,000                        |
| GF TRANSFER TO NONNATIVE VEGETATION SPECIES ERADICATION | 2,000,000                              | 2,000,000                           | 2,000,000                        |
| HAZARDOUS VEGETATION REMOVAL                            | 3,852,390                              | 3,852,390                           | 2,478,083                        |
| INMATE FIRE CREWS                                       | 692,400                                | 693,200                             | 656,468                          |
| MOUNT LEMON FIRE DISTRICT WATER LINE                    | 750,000                                | 750,000                             | 750,000                          |
| OPERATING LUMP SUM APPROPRIATION                        | 3,084,300                              | 3,092,200                           | 3,000,971                        |
| POSTRELEASE FIREFIGHTING CREWS                          | 1,009,500                              | 1,010,700                           | 943,527                          |
| STATE FIRE MARSHAL                                      | 747,900                                | 748,600                             | 736,292                          |
| STATE FIRE SCHOOL                                       | 172,600                                | 172,700                             | 149,641                          |
| TAYLOR FIRE TRAINING CENTER                             | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| <b>GAMING, DEPARTMENT OF</b>                            |  |                                     |                                  |
| COUNTY FAIR LIVESTOCK AND AGRICULTURAL                  | 2,509,500                              | 2,509,500                           | 2,509,500                        |
| <b>GENERAL ACCOUNTING OFFICE</b>                        |  |                                     |                                  |
| ADDITIONAL GILA WORKFORCE DEVELOPMENT AID               | 200,000                                | 200,000                             | 200,000                          |
| COCHISE COMMUNITY COLLEGE DISTRICT                      | 3,140,100                              | 3,140,100                           | 3,140,100                        |
| COCONINO COMMUNITY COLLEGE DISTRICT                     | 1,003,100                              | 1,003,100                           | 1,003,100                        |
| DINE COLLEGE REMEDIAL EDUCATION                         | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| EQUALIZATION AID - COCHISE                              | 6,389,500                              | 6,389,500                           | 6,389,500                        |
| EQUALIZATION AID - GRAHAM                               | 16,506,200                             | 16,506,200                          | 16,506,200                       |
| EQUALIZATION AID - NAVAJO                               | 7,751,900                              | 7,751,900                           | 7,751,900                        |
| EXPAND PIMA AVIATION CENTER                             | 15,000,000                             | 15,000,000                          | 15,000,000                       |
| GENERAL FUND TRANSFERS                                  | —                                      | 445,453,270                         | 445,453,270                      |
| GILA COMMUNITY COLLEGE DISTRICT                         | 343,200                                | 343,200                             | 343,200                          |
| GRAHAM COMMUNITY COLLEGE DISTRICT                       | 1,568,100                              | 1,568,100                           | 1,568,100                        |
| HEALTH CARE SPECIALTY EXPANSION                         | 5,800,000                              | 5,800,000                           | 5,800,000                        |
| MOHAVE COMMUNITY COLLEGE DISTRICT                       | 1,152,100                              | 1,152,100                           | 1,152,100                        |
| NAVAJO COMMUNITY COLLEGE DISTRICT                       | 889,200                                | 889,200                             | 889,200                          |
| OPERATING STATE AID - COCHISE                           | 4,623,500                              | 4,623,500                           | 4,623,500                        |
| OPERATING STATE AID - COCONINO                          | 1,703,400                              | 1,703,400                           | 1,703,400                        |
| OPERATING STATE AID - GILA                              | 293,700                                | 293,700                             | 293,700                          |
| OPERATING STATE AID - GRAHAM                            | 2,389,600                              | 2,389,600                           | 2,389,600                        |
| OPERATING STATE AID - MOHAVE                            | 1,175,300                              | 1,175,300                           | 1,175,300                        |
| OPERATING STATE AID - NAVAJO                            | 1,567,700                              | 1,567,700                           | 1,567,700                        |
| OPERATING STATE AID - PINAL                             | 1,452,000                              | 1,452,000                           | 1,452,000                        |
| OPERATING STATE AID - YAVAPAI                           | 601,400                                | 601,400                             | 601,400                          |
| OPERATING STATE AID - YUMA LA PAZ                       | 2,399,500                              | 2,399,500                           | 2,399,500                        |
| PINAL COMMUNITY COLLEGE DISTRICT                        | 1,795,400                              | 1,795,400                           | 1,795,400                        |
| RURAL COUNTY REIMBURSEMENT SUBSIDY                      | 1,273,800                              | 1,273,800                           | 1,273,800                        |
| SANTA CRUZ COMMUNITY COLLEGE DISTRICT                   | 64,200                                 | 64,200                              | 64,200                           |
| STEM & WORKFORCE PRG STATE AID COCHISE                  | 996,200                                | 996,200                             | 996,200                          |
| STEM & WORKFORCE PRG STATE AID COCONINO                 | 399,200                                | 399,200                             | 399,200                          |
| STEM & WORKFORCE PRG STATE AID GILA                     | 135,000                                | 135,000                             | 135,000                          |
| STEM & WORKFORCE PRG STATE AID GRAHAM                   | 645,800                                | 645,800                             | 645,800                          |
| STEM & WORKFORCE PRG STATE AID MARICOPA                 | 1,600,000                              | 1,600,000                           | 1,600,000                        |
| STEM & WORKFORCE PRG STATE AID MOHAVE                   | 455,000                                | 455,000                             | 455,000                          |
| STEM & WORKFORCE PRG STATE AID NAVAJO                   | 339,500                                | 339,500                             | 339,500                          |
| STEM & WORKFORCE PRG STATE AID PIMA                     | 400,000                                | 400,000                             | 400,000                          |
| STEM & WORKFORCE PRG STATE AID PINAL                    | 96,500                                 | 96,500                              | 96,500                           |
| STEM & WORKFORCE PRG STATE AID SANTA CRUZ               | 26,900                                 | 26,900                              | 26,900                           |
| STEM & WORKFORCE PRG STATE AID YAVAPAI                  | 703,100                                | 703,100                             | 703,100                          |

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, 2020  
(Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| STEM & WORKFORCE PRG STATE AID YUMA/LA PAZ               | 1,030,200                              | 1,030,200                           | 1,030,200                        |
| SWEEPS   | 11,100,000                             | 11,100,000                          | 11,100,000                       |
| WOOLSEY FLOOD DISTRICT                                   | —                                      | 115,301                             | 115,301                          |
| YAVAPAI COMMUNITY COLLEGE DISTRICT YUMA/LA PAZ           | 1,761,300                              | 1,761,300                           | 1,761,300                        |
| COMMUNITY COLLEGE DISTRICT                               | 2,483,300                              | 2,483,300                           | 2,483,300                        |
| <b>GOVERNOR, OFFICE OF THE</b>                           |  |                                     |                                  |
| FOSTER YOUTH EDUCATION SUCCESS FUND DEPOSIT              | 1,500,000                              | 1,500,000                           | 1,500,000                        |
| OPERATING LUMP SUM APPROPRIATION - OSPB                  | 3,052,277                              | 3,064,277                           | 2,150,168                        |
| OPERATING LUMP SUM APPROPRIATION                         | 8,268,093                              | 8,429,193                           | 6,670,269                        |
| <b>HEALTH SERVICES, DEPARTMENT OF</b>                    |  |                                     |                                  |
| ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPN      | —                                      | 805,812                             | 805,812                          |
| ADMIN ADJUSTMENT AIDS REPORTING AND SURVEILLANCE         | —                                      | 36,081                              | 36,081                           |
| ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING      | —                                      | 1,974,201                           | 1,974,201                        |
| ADMIN ADJUSTMENT ASH - SEXUALLY VIOLENT PERSONS          | —                                      | 527,760                             | 527,760                          |
| ADMIN ADJUSTMENT BREAST AND CERVICAL CANCER SCREENING    | —                                      | 592,989                             | 592,989                          |
| ADMIN ADJUSTMENT COUNTY TUBERCULOSIS PROVIDER CARE - CTL | —                                      | 76,969                              | 76,969                           |
| ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES            | —                                      | 359,913                             | 359,913                          |
| ADMIN ADJUSTMENT NON RENAL DISEASE MANAGEMENT            | —                                      | 188,100                             | 188,100                          |
| ADMIN ADJUSTMENT POISON CONTROL CENTER FUNDING           | —                                      | 390,288                             | 390,288                          |
| ADMIN ADJUSTMENT RENAL TRANSPLANT DRUGS                  | —                                      | 45,750                              | 45,750                           |
| ADULT CYSTIC FIBROSIS                                    | 105,200                                | 105,200                             | 78,900                           |
| AEA NUCLEAR EMERGENCY MANAGEMENT FUND                    | —                                      | 789,663                             | 523,491                          |
| AGENCYWIDE OPERATING LUMP SUM APPROPRIATION              | 27,283,400                             | 27,397,300                          | 22,998,991                       |
| AIDS REPORTING AND SURVEILLANCE                          | 1,000,000                              | 1,000,000                           | 986,245                          |
| ALZHEIMER DISEASE RESEARCH                               | 125,000                                | 125,000                             | 125,000                          |
| ARIZONA STATE HOSPITAL - OPERATING                       | 60,250,200                             | 63,076,700                          | 50,286,926                       |
| ASH - SEXUALLY VIOLENT PERSONS                           | 9,684,900                              | 9,710,400                           | 7,690,709                        |
| ASH - CORRECTIVE ACTION PLAN SUP                         | 398,060                                | 398,060                             | 398,060                          |
| ASH - RESTORATION TO COMPETENCY                          | 900,000                                | 900,000                             | 778,921                          |
| BIOMEDICAL RESEARCH SUPPORT                              | 1,000,000                              | 1,000,000                           | —                                |
| BREAST AND CERVICAL CANCER SCREENING                     | 1,369,400                              | 1,369,400                           | 855,443                          |
| COMMUNITY-BASED PRIMARY CARE                             | 700,000                                | 700,000                             | 697,318                          |
| CORONAVIRUS DISEASE 2019                                 | —                                      | 50,000,000                          | 10,776,731                       |
| COUNTY TUBERCULOSIS PROVIDER CARE - CTL                  | 590,700                                | 590,700                             | 477,087                          |
| HIGH RISK PERINATAL SERVICES                             | 2,093,400                              | 2,093,400                           | 1,825,837                        |
| NON RENAL DISEASE MANAGEMENT                             | 198,000                                | 198,000                             | 29,071                           |
| POISON CONTROL CENTER FUNDING                            | 990,000                                | 990,000                             | 485,483                          |
| PUBLIC HEALTH EMERGENCIES FUND DEPOSIT                   | 106,600                                | 106,600                             | 106,600                          |
| RENAL TRANSPLANT DRUGS                                   | 183,000                                | 183,000                             | 91,500                           |
| RURAL HOSPITALS - PREGNANT WOMEN                         | 1,000,000                              | 1,000,000                           | —                                |
| STATE LOAN REPAYMENT PROGRAM                             | 750,000                                | 750,000                             | 507,508                          |
| TRAUMA SERVICES - BENSON                                 | 900,000                                | 900,000                             | 900,000                          |
| TRAUMA SERVICES - WILLCOX                                | 600,000                                | 600,000                             | 600,000                          |
| VULNERABLE CAREGIVER WORKSHOPS                           | 250,000                                | 250,000                             | 166,000                          |
| <b>HISTORICAL SOCIETY OF ARIZONA, PRESCOTT</b>           |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION        | —                                      | 37,782                              | 37,782                           |
| OPERATING LUMP SUM APPROPRIATION                         | 832,700                                | 837,200                             | 808,144                          |
| <b>HISTORICAL SOCIETY, ARIZONA</b>                       |  |                                     |                                  |
| FIELD SERVICES AND GRANTS                                | 65,900                                 | 65,900                              | 65,900                           |
| OPERATING LUMP SUM APPROPRIATION                         | 2,469,300                              | 2,501,300                           | 2,501,300                        |
| PAPAGO PARK MUSEUM                                       | 539,800                                | 540,500                             | 540,500                          |
| <b>HOUSE OF REPRESENTATIVES</b>                          |  |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                         | 21,940,607                             | 22,013,107                          | 15,591,669                       |

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, 2020  
 (Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| <b>HOUSING, ARIZONA DEPARTMENT OF</b>                        |  |                                     |                                  |
| CONSTRUCTING OR RENOVATING FACILITIES AND HOUSING ASSISTANCE | 3,500,000                              | 3,500,000                           | 3,500,000                        |
| HOUSING DEPOSIT TRUST FUND                                   | 11,500,000                             | 11,500,000                          | 11,500,000                       |
| <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            | —                                      | 1,746                               | 1,746                            |
| OPERATING LUMP SUM APPROPRIATION                             | 60,900                                 | 62,900                              | 59,667                           |
| <b>INSURANCE, DEPARTMENT OF</b>                              |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 50,594                              | 50,594                           |
| OPERATING LUMP SUM APPROPRIATION                             | 5,628,400                              | 5,663,200                           | 4,908,219                        |
| <b>JOINT LEGISLATIVE BUDGET COMMITTEE</b>                    |  |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                             | 6,693,228                              | 6,697,628                           | 2,315,252                        |
| <b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>                   |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 1,114,140                           | 1,114,140                        |
| OPERATING LUMP SUM APPROPRIATION                             | 35,848,900                             | 38,788,200                          | 27,063,044                       |
| <b>LAND DEPARTMENT, STATE</b>                                |  |                                     |                                  |
| ADMIN ADJUSTMENT DUE DILIGENCE FUND                          | —                                      | 1,200                               | 1,200                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 39,073                              | 39,073                           |
| CAP USER FEES  | 1,315,200                              | 1,796,300                           | 1,796,256                        |
| DUE DILIGENCE FUND   | 500,000                                | 500,000                             | 135,468                          |
| NATURAL RESOURCE CONSERVATION DISTRICTS                      | 389,400                                | 389,400                             | 386,155                          |
| OPERATING LUMP SUM APPROPRIATION                             | 9,680,500                              | 9,729,700                           | 9,452,915                        |
| STREAMBED NAVIGABILITY LITIGATION                            | 220,000                                | 220,000                             | 20,000                           |
| <b>LEGISLATIVE COUNCIL</b>                                   |  |                                     |                                  |
| OMBUDSMAN-CITIZENS AID OFFICE                                | 996,481                                | 998,081                             | 886,448                          |
| OPERATING LUMP SUM APPROPRIATION                             | 19,349,065                             | 19,357,465                          | 5,431,834                        |
| <b>LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF</b>          |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 13,000                              | 13,000                           |
| OPERATING LUMP SUM APPROPRIATION                             | 3,267,300                              | 3,373,800                           | 3,280,931                        |
| <b>MEDICAL EXAMINERS BOARD</b>                               |  |                                     |                                  |
| IT PROJECTS AZ MEDICAL BOARD                                 | 300,000                                | 300,000                             | 300,000                          |
| <b>MINE INSPECTOR, STATE</b>                                 |  |                                     |                                  |
| ABANDONED MINES SAFETY FUND DEPOSIT                          | 194,700                                | 194,700                             | 171,673                          |
| ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT         | —                                      | 2,020                               | 2,020                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 3,550                               | 3,550                            |
| OPERATING LUMP SUM APPROPRIATION                             | 1,061,100                              | 1,074,600                           | 907,399                          |
| <b>NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA</b>     |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 307                                 | 307                              |
| OPERATING LUMP SUM APPROPRIATION                             | 127,400                                | 129,000                             | 120,735                          |
| <b>NORTHERN ARIZONA UNIVERSITY</b>                           |  |                                     |                                  |
| ARIZONA FINANCIAL AID TRUST                                  | 1,326,000                              | 1,326,000                           | 1,326,000                        |
| BIOMEDICAL RESEARCH FUNDING                                  | 3,000,000                              | 3,000,000                           | 3,000,000                        |
| ECONOMIC POLICY INSTITUTE                                    | 500,000                                | 500,000                             | 500,000                          |
| NAU - YUMA   | 3,071,400                              | 3,071,400                           | 3,071,400                        |
| ONE TIME FUNDING   | 6,650,000                              | 6,650,000                           | 6,650,000                        |
| OPERATING LUMP SUM APPROPRIATION                             | 89,899,300                             | 89,900,900                          | 89,900,900                       |
| RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT                     | —                                      | 5,899,500                           | 5,899,500                        |
| TEACHER TRAINING   | 2,291,700                              | 2,291,800                           | 2,291,800                        |
| <b>PARKS BOARD, ARIZONA STATE</b>                            |  |                                     |                                  |
| ADMIN ADJUSTMENT KARTCHNER CAVERNS STATE PARK                | —                                      | 170,437                             | 170,437                          |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION            | —                                      | 1,174,216                           | 1,174,216                        |

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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| ARIZONA TRAIL   | 250,000                                | 250,000                             | 74,579                           |
| KARTCHNER CAVERNS STATE PARK                                | 2,245,700                              | 2,296,700                           | 2,199,264                        |
| OPERATING LUMP SUM APPROPRIATION                            | 13,217,800                             | 13,584,599                          | 13,176,702                       |
| ORACLE STATE PARK CAPITAL IMPROVEMENTS                      | 4,000,000                              | 4,000,000                           | 75,500                           |
| SPRF BSF STATE PARKS CAPITAL IMPROVEMENT                    | 2,468,571                              | 2,468,571                           | 1,407,106                        |
| SPRF BUCKSKIN MOUNTAIN STATE PARK CAPITAL IMPROVEMENTS      | 1,500,000                              | 1,500,000                           | 77,322                           |
| SPRF ROCKIN' RIVER RANCH CAPITAL DEVELOPMENT                | 3,524,606                              | 3,524,606                           | 74,957                           |
| TONTO NATURAL BRIDGE STATE PARK                             | 1,250,000                              | 1,250,000                           | 1,250,000                        |
| <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                        |
| OPERATING LUMP SUM APPROPRIATION                            | 34,100                                 | 34,100                              | 33,178                           |
| <b>PUBLIC SAFETY, DEPARTMENT OF</b>                         |  |                                     |                                  |
| ACTIC   | 750,000                                | 750,000                             | 653,289                          |
| ADMIN ADJUSTMENT ACTIC                                      | —                                      | 32,044                              | 32,044                           |
| ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING           | —                                      | 168,910                             | 168,910                          |
| ADMIN ADJUSTMENT GIITEM                                     | —                                      | 37,806                              | 37,806                           |
| ADMIN ADJUSTMENT GIITEM PERSONNEL                           | —                                      | 158,108                             | 158,108                          |
| ADMIN ADJUSTMENT GIITEM SUBACCOUNT                          | —                                      | 105,580                             | 105,580                          |
| BORDER STRIKE TASK FORCE LOCAL SUPPORT                      | 761,700                                | 761,700                             | 260,034                          |
| BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS               | 500,000                                | 500,000                             | 264,412                          |
| BORDER STRIKE TASK FORCE ONGOING                            | 7,102,500                              | 7,683,000                           | 5,547,420                        |
| CIVIL AIR PATROL  | 150,000                                | 150,000                             | 75,000                           |
| GIITEM  | 12,053,900                             | 12,903,300                          | 9,415,150                        |
| GIITEM FUND APPROPRIATION                                   | 1,534,107                              | 1,534,107                           | 925,954                          |
| GIITEM IMPACT APPROPRIATION                                 | 151,764                                | 151,764                             | 127,600                          |
| GIITEM PERSONNEL  | 10,356,900                             | 11,172,600                          | 8,157,187                        |
| GIITEM SUBACCOUNT   | 2,395,800                              | 2,396,100                           | 1,161,897                        |
| HIGHWAY PATROL VEHICLES                                     | 4,000,000                              | 4,000,000                           | 4,000,000                        |
| IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS        | 2,301,000                              | 2,301,000                           | —                                |
| MOTOR VEHICLE FUEL  | 4,384,200                              | 4,384,200                           | 3,337,972                        |
| OPERATING LUMP SUM APPROPRIATION                            | 30,621,800                             | 49,987,400                          | 49,955,660                       |
| PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE          | —                                      | 52,500                              | 52,500                           |
| PUBLIC SAFETY INTEROPERABILITY FUND DEPOSIT                 | 1,500,000                              | 1,500,000                           | 1,500,000                        |
| UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY | 410,000                                | 410,000                             | —                                |
| <b>REAL ESTATE DEPARTMENT, STATE</b>                        |  |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                            | 2,911,700                              | 2,909,500                           | 2,467,710                        |
| <b>REGENTS, ARIZONA BOARD OF</b>                            |  |                                     |                                  |
| ADAPTIVE ATHLETICS  | 160,000                                | 160,000                             | 160,000                          |
| ARIZONA TEACHER ACADEMY                                     | 15,000,000                             | 15,000,000                          | 15,000,000                       |
| 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                            | 2,363,400                              | 2,403,000                           | 2,402,933                        |
| WASHINGTON, D.C. INTERNSHIPS                                | 300,000                                | 300,000                             | 300,000                          |
| WESTERN INTERSTATE COMMISSION OFFICE                        | 153,000                                | 156,000                             | 156,000                          |
| WICHE STUDENT SUBSIDIES                                     | 4,078,000                              | 4,075,000                           | 4,075,000                        |
| <b>REVENUE, DEPARTMENT OF</b>                               |  |                                     |                                  |
| ADMIN ADJUSTMENT BRITS OPERATIONAL SUPPORT                  | —                                      | 32,311                              | 32,311                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION           | —                                      | 1,378,985                           | 1,378,985                        |
| ADMIN ADJUSTMENT UNCLAIMED PROPERTY ADMINISTRATION-AUDIT    | —                                      | 756                                 | 756                              |
| BRITS OPERATIONAL SUPPORT                                   | 7,546,500                              | 7,560,300                           | 6,853,775                        |
| INCOME TAX FRAUD PREVENTION                                 | 3,150,000                              | 3,150,000                           | 3,126,047                        |

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, 2020  
 (Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION                          | 64,683,000                             | 65,230,400                          | 59,866,292                       |
| OUT OF STATE TPT ADMINISTRATION                           | 2,000,000                              | 2,000,000                           | 1,350,331                        |
| TPT SIMPLIFICATION  | 982,500                                | 984,300                             | 883,084                          |
| UNCLAIMED PROPERTY ADMINISTRATION - AUDIT                 | 1,368,800                              | 1,493,574                           | 1,493,574                        |
| VETERANS' INCOME TAX SETTLEMENT - ADMIN                   | —                                      | 86,240                              | 5,328                            |
| <b>SCHOOL FACILITIES BOARD</b>                            |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION         | —                                      | 89,647                              | 89,647                           |
| BUILDING RENEWAL GRANT                                    | 79,458,800                             | 107,458,800                         | 107,458,800                      |
| NEW SCHOOL CONSTRUCTION                                   | 75,875,800                             | 75,875,800                          | 75,875,800                       |
| NEW SCHOOL FACILITIES DEBT SERVICE                        | 131,870,500                            | 131,870,500                         | 131,870,500                      |
| OPERATING LUMP SUM APPROPRIATION                          | 1,700,700                              | 1,718,500                           | 1,578,182                        |
| <b>SECRETARY OF STATE</b>                                 |  |                                     |                                  |
| ADMIN ADJUSTMENT ELECTION SERVICES                        | —                                      | 76,543                              | 76,543                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION         | —                                      | 181,706                             | 181,706                          |
| ADMIN ADJUSTMENT STATEWIDE VOTER REGISTRATION SYSTEM      | —                                      | 1,139,637                           | 1,139,637                        |
| BUILDING RENOVATION AND CODE COMPLIANCE                   | 102,797                                | 102,797                             | —                                |
| ELECTION SYSTEMS IMPROVEMENT FOR COUNTIES                 | —                                      | 5,352,200                           | 308,736                          |
| ELECTION SYSTEMS IMPROVEMENT FOR SECRETARY OF STATE       | —                                      | 1,338,100                           | —                                |
| HELP AMERICA VOTE ACT                                     | 1,181,422                              | 1,181,422                           | 623,805                          |
| LIBRARY GRANTS-IN-AID                                     | 891,101                                | 891,101                             | 731,501                          |
| OPERATING LUMP SUM APPROPRIATION                          | 12,483,300                             | 12,855,200                          | 12,072,315                       |
| OTHER HELP AMERICA VOTE ACT PROJECTS                      | 3,917,429                              | 3,917,429                           | 2,100,280                        |
| PRESIDENTIAL PREFERENCE ELECTION                          | 4,408,100                              | 7,025,000                           | 1,907,234                        |
| STATEWIDE RADIO READING SVC FOR BLIND                     | 97,000                                 | 97,000                              | 97,000                           |
| UNIFORM STATE LAWS COMMISSION                             | 100,000                                | 99,000                              | 61,500                           |
| <b>SENATE</b>   |  |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                          | 14,594,969                             | 14,621,669                          | 10,560,170                       |
| <b>SUPREME COURT</b>                                      |  |                                     |                                  |
| ADMIN ADJUSTMENT AUTOMATION                               | —                                      | 3,152                               | 3,152                            |
| ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS             | —                                      | 64,885                              | 64,885                           |
| ADMIN ADJUSTMENT DOMESTIC RELATIONS                       | —                                      | 583                                 | 583                              |
| ADMIN ADJUSTMENT FOSTER CARE REVIEW BOARD                 | —                                      | 4,490                               | 4,490                            |
| ADMIN ADJUSTMENT JUDICIAL NOMINATION – PERFORMANCE REVIEW | —                                      | 3,800                               | 3,800                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION         | —                                      | 69,771                              | 69,771                           |
| ADULT INTENSIVE PROBATION                                 | 10,085,100                             | 10,085,100                          | 10,085,100                       |
| ADULT STANDARD PROBATION                                  | 16,467,800                             | 16,467,800                          | 16,467,800                       |
| AUTOMATION  | 6,969,300                              | 6,986,700                           | 6,220,571                        |
| CENTRALIZED SERVICE PAYMENTS                              | 3,123,700                              | 3,125,200                           | 2,964,246                        |
| COMMISSION ON JUDICIAL CONDUCT                            | 521,300                                | 521,900                             | 521,088                          |
| COUNTY REIMBURSEMENTS                                     | 187,900                                | 187,900                             | 187,900                          |
| COURT ORDERED REMOVAL                                     | 315,000                                | 315,000                             | 315,000                          |
| DOMESTIC RELATIONS  | 639,900                                | 640,600                             | 640,429                          |
| DRUG COURT  | 1,036,400                              | 1,036,400                           | 1,036,400                        |
| FOSTER CARE REVIEW BOARD                                  | 3,260,800                              | 3,265,100                           | 3,262,166                        |
| INTERSTATE COMPACT  | 385,800                                | 385,800                             | 385,800                          |
| JUDGES COMPENSATION                                       | 17,650,200                             | 17,791,600                          | 17,371,262                       |
| JUDICIAL NOMINATION - PERFORMANCE REVIEW                  | 542,000                                | 542,500                             | 541,001                          |
| JUVENILE DIVERSION CONSEQUENCES                           | 8,609,000                              | 8,609,000                           | 8,609,000                        |
| JUVENILE FAMILY COUNSELING                                | 500,000                                | 500,000                             | 500,000                          |
| JUVENILE INTENSIVE PROBATION                              | 5,682,000                              | 5,682,000                           | 5,682,000                        |
| JUVENILE STANDARD PROBATION                               | 3,554,600                              | 3,554,600                           | 3,554,600                        |
| JUVENILE TREATMENT SERVICES                               | 20,148,000                             | 20,148,000                          | 20,148,000                       |

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, 2020  
(Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| MODEL COURT  | 438,500                                | 438,700                             | 438,700                          |
| OPERATING LUMP SUM   | 4,029,000                              | 4,406,300                           | 4,402,656                        |
| OPERATING LUMP SUM APPROPRIATION                           | 12,070,900                             | 12,517,700                          | 12,343,156                       |
| SPECIAL WATER MASTER                                       | 489,500                                | 489,700                             | 487,120                          |
| <b>TAX APPEALS, STATE BOARD OF</b>                         |  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION          | —                                      | 821                                 | 821                              |
| OPERATING LUMP SUM APPROPRIATION                           | 280,400                                | 281,800                             | 278,869                          |
| <b>TOURISM, OFFICE OF</b>                                  |  |                                     |                                  |
| ARIZONA PROMOTION  | 1,000,000                              | 1,000,000                           | 1,000,000                        |
| TOURISM FUND DEPOSIT                                       | 7,112,000                              | 7,114,000                           | 6,864,000                        |
| WINE PROMOTION   | 100,000                                | 100,000                             | 100,000                          |
| <b>TRANSPORTATION, DEPARTMENT OF</b>                       |  |                                     |                                  |
| CITIES AND TOWNS STREET AND HWY PROJECTS                   | 18,000,000                             | 18,000,000                          | 18,000,000                       |
| COUNTY CITY TOWN AIRPORT IMPROVEMENTS                      | 10,000,000                             | 10,000,000                          | 10,000,000                       |
| INTERSTATE 10 PROJECTS                                     | 1,937,924                              | 1,937,924                           | 1,030,238                        |
| INTERSTATE 10 WIDENING STUDY                               | 10,000,000                             | 10,000,000                          | 398,823                          |
| US ROUTE 95 EXPANSION                                      | 28,000,000                             | 28,000,000                          | 133,975                          |
| <b>TREASURER, STATE</b>                                    |  |                                     |                                  |
| ADMIN ADJUSTMENT JUSTICE OF THE PEACE SALARIES             | —                                      | 298,070                             | 298,070                          |
| BUDGET STABILIZATION FUND                                  | —                                      | 55,000,000                          | 55,000,000                       |
| COM COL REIMBURSEMENT ARS 15-1469-01                       | —                                      | 3,420,800                           | 3,420,800                        |
| JUSTICE OF THE PEACE SALARIES                              | 1,205,100                              | 1,205,100                           | 823,357                          |
| OPERATING LUMP SUM APPROPRIATION                           | 3,625,800                              | 3,655,200                           | 3,363,906                        |
| SWEEPS   | —                                      | 351,285                             | 351,285                          |
| <b>UNIVERSITY OF ARIZONA</b>                               |  |                                     |                                  |
| AGRICULTURE  | 32,219,171                             | 32,220,771                          | 32,220,771                       |
| ARIZONA COOPERATIVE EXTENSION                              | 13,960,529                             | 13,961,429                          | 13,961,429                       |
| ARIZONA FINANCIAL AID TRUST                                | 2,729,400                              | 2,729,400                           | 2,729,400                        |
| ARIZONA GEOLOGICAL SURVEY                                  | 948,500                                | 948,500                             | 948,500                          |
| CLINICAL RURAL ROTATION                                    | 353,600                                | 353,600                             | 353,600                          |
| CLINICAL TEACHING SUPPORT                                  | 8,587,000                              | 8,587,000                           | 8,587,000                        |
| FREEDOM CENTER   | 2,526,500                              | 2,526,500                           | 2,526,500                        |
| LIVER RESEARCH INSTITUTE                                   | 440,400                                | 440,400                             | 440,400                          |
| MINING MINERAL AND NATURAL RESOURCES EDUCATIONAL<br>MUSEUM | 428,800                                | 428,800                             | 428,800                          |
| ONE TIME FUNDING   | —                                      | 9,450,000                           | 9,450,000                        |
| OPERATING LUMP SUM APPROPRIATION - HSC                     | 34,738,200                             | 34,738,200                          | 34,738,200                       |
| OPERATING LUMP SUM APPROPRIATION - MAIN                    | 125,472,500                            | 125,947,100                         | 125,947,100                      |
| PHOENIX MEDICAL CAMPUS                                     | 31,108,500                             | 31,108,500                          | 31,108,500                       |
| RESEARCH INFRASTRUCTURE FACILITIES                         | —                                      | 14,250,200                          | 14,250,200                       |
| SIERRA VISTA CAMPUS  | 2,583,500                              | 2,583,500                           | 2,583,500                        |
| TELEMEDICINE NETWORK                                       | 1,670,000                              | 1,670,000                           | 1,670,000                        |
| <b>VETERANS' SERVICES, DEPARTMENT OF</b>                   |  |                                     |                                  |
| ADMIN ADJUSTMENT ARIZONA STATE VETERANS CEMETERIES         | —                                      | 10,975                              | 10,975                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION          | —                                      | 108,228                             | 108,228                          |
| ADMIN ADJUSTMENT VETERANS BENEFIT COUNSELING               | —                                      | 37,670                              | 37,670                           |
| ADMIN ADJUSTMENT VETERANS' INCOME TAX SETTLEMENT           | —                                      | 2,001                               | 2,001                            |
| ARIZONA STATE VETERANS CEMETERIES                          | 930,800                                | 931,300                             | 788,711                          |
| ASVH - YUMA CONSTRUCTION                                   | 9,200,000                              | 9,200,000                           | 3,980,255                        |
| ASVH FLAGSTAFF CONSTRUCTION                                | 10,000,000                             | 10,000,000                          | 4,152,520                        |
| AZ VETERAN'S SUICIDE PREVENTION                            | 1,225,500                              | 1,225,500                           | —                                |
| AZ VETERAN'S TRAUMA TREATMENT SERVICES                     | 450,000                                | 450,000                             | —                                |
| MILITARY FAMILY RELIEF FUND                                | 15,291                                 | 15,291                              | —                                |

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, 2020  
 (Expressed in Dollars)

|  | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|--|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION                       | 2,323,800                              | 2,343,700                           | 2,208,217                        |
| VETERANS BENEFIT COUNSELING                            | 2,841,000                              | 2,842,400                           | 2,777,056                        |
| VETERANS' INCOME TAX SETTLEMENT                        | —                                      | 86,240                              | —                                |
| <b>WATER RESOURCES, DEPARTMENT OF</b>                  |  |                                     |                                  |
| ADJUDICATION SUPPORT                                   | 1,740,100                              | 1,742,900                           | 1,741,773                        |
| ADMIN ADJUSTMENT ADJUDICATION SUPPORT                  | —                                      | 5,759                               | 5,759                            |
| ADMIN ADJUSTMENT ASSURED - ADEQUATE WATER SUPPLY ADMIN | —                                      | 236                                 | 236                              |
| ADMIN ADJUSTMENT AUTOMATED GROUNDWATER MONITORING      | —                                      | 1,519                               | 1,519                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION      | —                                      | 42,023                              | 42,023                           |
| ADMIN ADJUSTMENT RURAL WATER STUDIES                   | —                                      | 36,118                              | 36,118                           |
| ARIZONA WATER PROTECTION FUND DEPOSIT                  | 750,000                                | 750,000                             | 750,000                          |
| ASSURED - ADEQUATE WATER SUPPLY ADMIN                  | 1,723,900                              | 1,726,500                           | 1,726,096                        |
| AUTOMATED GROUNDWATER MONITORING                       | 411,500                                | 411,800                             | 336,813                          |
| CONSERVATION AND DROUGHT PROGRAM                       | 410,200                                | 410,700                             | 278,898                          |
| LOWER COLORADO RIVER LITIGATION EXPENSES               | 1,484,578                              | 1,484,578                           | —                                |
| NW BASINS PLANNING AREAS                               | 51,680                                 | 51,680                              | 51,680                           |
| OPERATING LUMP SUM APPROPRIATION                       | 8,711,500                              | 8,731,800                           | 8,576,224                        |
| RURAL WATER STUDIES                                    | 1,162,600                              | 1,164,000                           | 1,142,035                        |
| <b>TOTAL GENERAL FUND BUDGETARY EXPENDITURES</b>       | <b>\$ 23,955,815,957</b>               | <b>\$ 27,347,292,964</b>            | <b>\$ 25,679,929,395</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, 2020  
(Expressed in Dollars)

|   | ORIGINAL<br>BUDGET<br>(Appropriations) | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|--|-------------------------------------|----------------------------------|
| <b>TRANSPORTATION, DEPARTMENT OF</b>  |  |                                     |                                  |
| ADMIN ADJUSTMENT BUILDING RENEWAL   | \$ —                                   | \$ 746,192                          | \$ 746,192                       |
| ADMIN ADJUSTMENT DRIVER SAFETY & LIVESTOCK CONTROL  | —                                      | 625,817                             | 625,817                          |
| ADMIN ADJUSTMENT HIGHWAY DAMAGE RECOVERY ACCOUNT  | —                                      | 78,350                              | 78,350                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | —                                      | 8,934,022                           | 8,934,022                        |
| ADMIN ADJUSTMENT SAFFORD EQUIPMENT SERVICE SHOP   | —                                      | 1,691,483                           | 1,691,483                        |
| ADMIN ADJUSTMENT VEHICLE REPLACEMENT  | —                                      | 1,014,032                           | 1,014,032                        |
| AIRPORT PLANNING AND DEVELOPMENT  | 74,360,560                             | 74,360,560                          | 7,432,213                        |
| ATTORNEY GENERAL LEGAL SERVICES   | 3,623,700                              | 3,623,700                           | 3,577,700                        |
| AUTHORIZED THIRD PARTY  | 2,013,700                              | 2,020,200                           | 1,988,466                        |
| BUILDING RENEWAL  | 17,139,774                             | 17,139,774                          | 8,420,785                        |
| DRIVER SAFETY & LIVESTOCK CONTROL   | 800,000                                | 800,000                             | 643,130                          |
| FEASIBILITY STUDY BUSINESS ONE-STOP WEB PORTAL AZ DEPT ADMIN  | 160,000                                | 160,000                             | 160,000                          |
| FLAGSTAFF BUILDING EQUIPMENT  | 1,977,195                              | 1,977,195                           | 1,850,368                        |
| HIGHWAY DAMAGE RECOVERY ACCOUNT   | 8,000,000                              | 8,000,000                           | 8,000,000                        |
| HIGHWAY MAINTENANCE   | 169,614,901                            | 165,370,001                         | 147,447,350                      |
| INTERSTATE 10 PROJECTS  | 11,871,735                             | 11,871,735                          | 7,823,781                        |
| INTERSTATE 17 EXPANSION   | 40,000,000                             | 40,000,000                          | —                                |
| KEAMS CANYON  | 1,790,000                              | 1,790,000                           | 132,227                          |
| KINGMAN MATERIALS LAB   | 2,250,000                              | 2,250,000                           | 153,905                          |
| OPERATING LUMP SUM APPROPRIATION  | 205,693,000                            | 210,457,400                         | 185,860,526                      |
| PREVENTIVE SURFACE TREATMENTS   | 36,142,000                             | 36,142,000                          | 27,800,581                       |
| SELIGMAN AND WILLIAMS MAINTENANCE BLDG  | 2,300,000                              | 2,300,000                           | 520                              |
| SPREADER RACK BAYS  | 1,605,199                              | 1,605,199                           | 1,605,199                        |
| STATEWIDE HIGHWAY CONSTRUCTION  | 888,417,446                            | 888,417,446                         | 141,291,660                      |
| VEHICLE REPLACEMENT   | 15,300,000                             | 15,360,900                          | 13,052,854                       |
| VEHICLE WASH SYSTEM   | 144,451                                | 144,451                             | 144,451                          |
| WICKENBURG MAINTENANCE BLDG   | 4,600,000                              | 4,600,000                           | 291,318                          |
| <b>TOTAL TRANSPORTATION AND AVIATION PLANNING,<br/>HIGHWAY MAINTENANCE AND SAFETY FUND<br/>BUDGETARY EXPENDITURES</b> | <b>\$ 1,487,803,661</b>                | <b>\$ 1,501,480,457</b>             | <b>\$ 570,766,930</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, 2020

**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, 2019 that affect available appropriations during fiscal year 2020. The final budget represents any appropriation bills passed during fiscal year 2020 for fiscal year 2020 plus the original budget. Appropriation bills passed after the end of fiscal year 2020 for fiscal year 2020 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):

| <b>Uses/outflows of resources</b>  | <b>General Fund</b>         | <b>Transportation &amp;<br/>Aviation Planning,<br/>Highway<br/>Maintenance &amp;<br/>Safety Fund</b> |
|--|-----------------------------|--|
|  | <u>                    </u> | <u>                    </u>  |
| Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule  | \$ 25,679,929               | \$ 570,767   |
| Differences – budget to GAAP:  |                             |  |
| Increase in unpaid incurred expenditures from fiscal year end 2019 to fiscal year end 2020.  | 75,252                      | 21,376   |
| Increase in unpaid payroll expenditures from fiscal year end 2019 to fiscal year end 2020. For budgetary reporting, final June 2019 payroll expenditures were charged to fiscal year 2020 budget and final June 2020 payroll expenditures were charged to fiscal year 2021 budget. | 15,410                      | —  |
| Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.  | 1,625,188                   | —  |
| 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.  | 753,061                     | —  |
| Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2020.   | 2,300,481                   | 2,807,580  |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.  | <u>(1,031,983)</u>          | <u>(314,255)</u>   |
| Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances  | <u>\$ 29,417,338</u>        | <u>\$ 3,085,468</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, 2020

**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 Executive Branch 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, \$3.4 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 \$13.7 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, 2020

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 4,900 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 2020 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).

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           |

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
 JUNE 30, 2020

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 2020, an overall rating of 3.54 was achieved, as shown in the following graph:

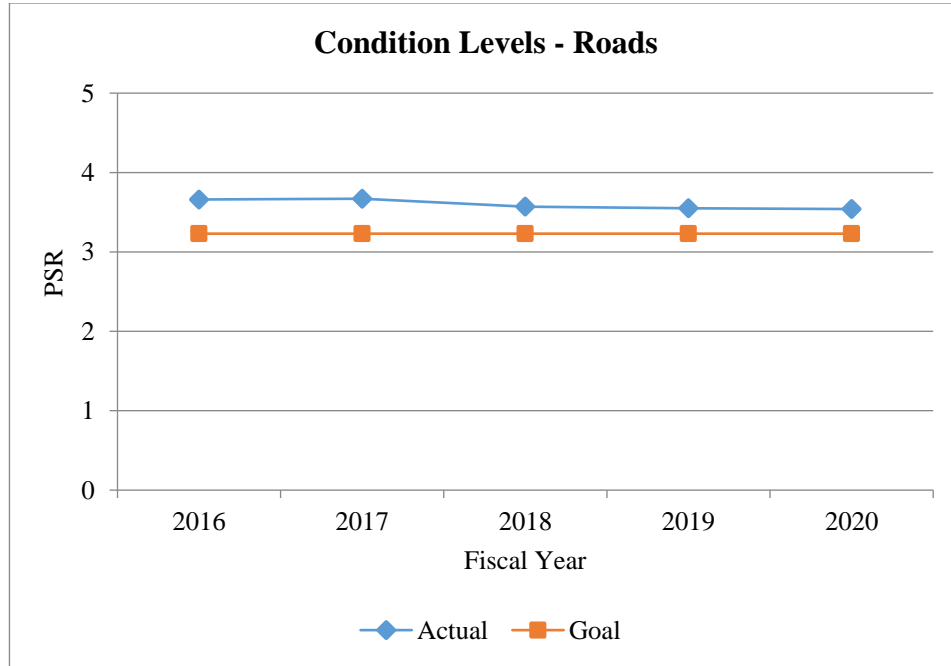


Figure 1

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 2016 through 2020 were as follows:

| Fiscal Year | Estimated Expenditures (in millions) | Actual Expenditures (in millions) |
|-------------|--------------------------------------|-----------------------------------|
| 2016        | \$272.0                              | \$300.6                           |
| 2017        | \$322.4                              | \$317.0                           |
| 2018        | \$375.0                              | \$186.4                           |
| 2019        | \$364.6                              | \$218.0                           |
| 2020        | \$509.0                              | \$294.0                           |

**Bridges**

The State’s bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2020, the State owned and maintained 4,900 bridges with an approximate total deck area of 42,745,510 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

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
 JUNE 30, 2020

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 2020, 0.9% of bridges maintained by the State 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 73% of the bridges in the State were constructed in 1980 and prior while only 27% have been constructed after 1980.

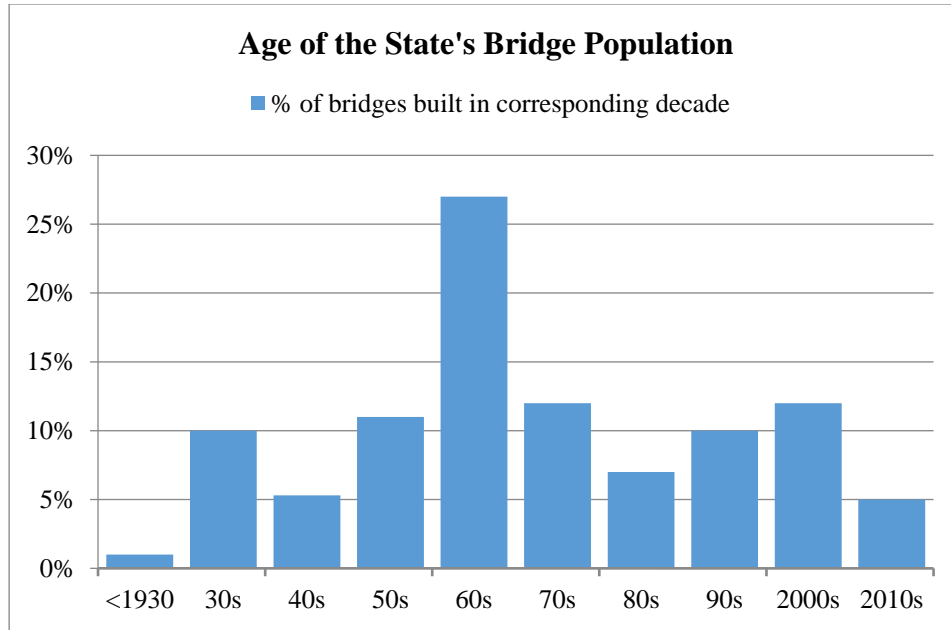


Figure 2

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 2016 through 2020 were as follows:

| Fiscal Year | Estimated Expenditures (in millions) | Actual Expenditures (in millions) |
|-------------|--------------------------------------|-----------------------------------|
| 2016        | \$11.6                               | \$39.8                            |
| 2017        | \$28.8                               | \$23.4                            |
| 2018        | \$26.4                               | \$15.3                            |
| 2019        | \$28.1                               | \$17.8                            |
| 2020        | \$20.1                               | \$11.6                            |



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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 SIX FISCAL YEARS (1)  
 JUNE 30, 2020  
 (Expressed in Thousands)

|   | <b>Reporting Fiscal Year<br/>(measurement date)</b> |                        |                        |                        |                        |
|---|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>2020<br/>(2019)</b>                              | <b>2019<br/>(2018)</b> | <b>2018<br/>(2017)</b> | <b>2017<br/>(2016)</b> | <b>2016<br/>(2015)</b> |
| State's proportion of the net pension liability   | 21.75%  | 21.87%                 | 21.89%                 | 21.75%                 | 21.67%                 |
| State's proportionate share of the net pension liability  | \$ 3,165,539  | \$ 3,050,477           | \$ 3,410,699           | \$ 3,510,533           | \$ 3,375,283           |
| State's covered payroll   | \$ 2,294,739  | \$ 2,175,916           | \$ 2,087,717           | \$ 2,039,238           | \$ 1,999,691           |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 137.95%   | 140.19%                | 163.37%                | 172.15%                | 168.79%                |
| Plan fiduciary net position as a percentage of the total pension liability                      | 73.24%  | 73.40%                 | 69.92%                 | 67.06%                 | 68.35%                 |

(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.

**Reporting Fiscal Year  
(measurement date)**

**2015  
(2014)**

21.36%

\$ 3,160,809

\$ 1,939,038

163.01%

69.49%

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 SIX FISCAL YEARS (1)  
JUNE 30, 2020  
(Expressed in Thousands)

|   | Reporting Fiscal Year<br>(measurement date) |                |                |                |                |
|---|---|----------------|----------------|----------------|----------------|
|   | 2020<br>(2019)                              | 2019<br>(2018) | 2018<br>(2017) | 2017<br>(2016) | 2016<br>(2015) |
| State's proportion of the net pension liability   | 17.50%                                      | 15.09%         | 18.61%         | 18.44%         | 18.67%         |
| State's proportionate share of the net pension liability  | \$ 114,603                                  | \$ 130,335     | \$ 226,750     | \$ 174,204     | \$ 145,898     |
| State's covered payroll   | \$ 12,445                                   | \$ 12,256      | \$ 10,895      | \$ 12,794      | \$ 12,987      |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 920.88%                                     | 1,063.44%      | 2,081.23%      | 1,361.61%      | 1,123.42%      |
| Plan fiduciary net position as a percentage of the total pension liability                      | 30.14%                                      | 30.36%         | 19.66%         | 23.42%         | 28.32%         |

(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 SIX FISCAL YEARS (1)  
JUNE 30, 2020  
(Expressed in Thousands)

|  | Reporting Fiscal Year<br>(measurement date) |                |                |                |                |
|--|---|----------------|----------------|----------------|----------------|
|  | 2020<br>(2019)                              | 2019<br>(2018) | 2018<br>(2017) | 2017<br>(2016) | 2016<br>(2015) |
| State's proportion of the net pension liability                            | 7.09%                                       | 14.12%         | 13.99%         | 13.96%         | 19.33%         |
| State's proportionate share of the net pension liability                   | \$ 47,006                                   | \$ 78,268      | \$ 170,466     | \$ 131,871     | \$ 151,048     |
| Plan fiduciary net position as a percentage of the total pension liability | 30.14%                                      | 30.36%         | 19.66%         | 23.42%         | 28.32%         |

(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.

**Reporting Fiscal Year  
(measurement date)**

**2015  
(2014)**

18.16%

\$ 121,797

\$ 12,604

966.34%

31.91%

**Reporting Fiscal Year  
(measurement date)**

**2015  
(2014)**

19.20%

\$ 128,776

31.91%

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 SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|  | Reporting Fiscal Year<br>(measurement date) |                     |                     |                     |                     |
|--|---|---------------------|---------------------|---------------------|---------------------|
|  | 2020<br>(2019)                              | 2019<br>(2018)      | 2018<br>(2017)      | 2017<br>(2016)      | 2016<br>(2015)      |
| <b>Total pension liability</b>   |   |                     |                     |                     |                     |
| Service cost   | \$ 14,020                                   | \$ 16,072           | \$ 18,914           | \$ 14,131           | \$ 13,258           |
| Interest on the total pension liability  | 87,353                                      | 86,027              | 79,711              | 78,000              | 77,421              |
| Changes of benefit terms   | —   | —                   | 10,719              | 27,674              | —                   |
| Differences between expected and actual experience in the measurement of the pension liability | 7,041                                       | (13,749)            | 17,144              | (9,237)             | (6,328)             |
| Changes of assumptions or other inputs   | 21,318                                      | —                   | 49,120              | 35,783              | —                   |
| Benefit payments, including refunds of employee contributions                                  | (78,790)                                    | (74,045)            | (74,906)            | (84,231)            | (70,586)            |
| Net change in total pension liability  | 50,942                                      | 14,305              | 100,702             | 62,120              | 13,765              |
| Total pension liability - beginning  | 1,205,814                                   | 1,191,509           | 1,090,807           | 1,028,687           | 1,014,922           |
| Total pension liability - ending (a)   | <u>\$ 1,256,756</u>                         | <u>\$ 1,205,814</u> | <u>\$ 1,191,509</u> | <u>\$ 1,090,807</u> | <u>\$ 1,028,687</u> |
| <b>Plan fiduciary net position</b>   |   |                     |                     |                     |                     |
| Contributions - employer   | \$ 66,551                                   | \$ 52,147           | \$ 61,001           | \$ 52,115           | \$ 36,889           |
| Contributions - employee   | 6,534                                       | 7,271               | 8,899               | 9,334               | 7,857               |
| Net investment income  | 19,878                                      | 24,371              | 38,483              | 1,963               | 12,867              |
| Benefit payments, including refunds of employee contributions                                  | (78,790)                                    | (74,045)            | (74,906)            | (84,231)            | (70,586)            |
| Administrative expense   | (346)                                       | (370)               | (341)               | (283)               | (317)               |
| Other changes  | (70)  | 785                 | (103)               | 545                 | 150                 |
| Net change in plan fiduciary net position  | 13,757                                      | 10,159              | 33,033              | (20,557)            | (13,140)            |
| Plan fiduciary net position - beginning  | 370,749                                     | 360,590             | 327,557             | 348,114             | 361,254             |
| Plan fiduciary net position - ending (b)   | <u>\$ 384,506</u>                           | <u>\$ 370,749</u>   | <u>\$ 360,590</u>   | <u>\$ 327,557</u>   | <u>\$ 348,114</u>   |
| <b>State's net pension liability - ending (a) - (b)</b>  | <u>\$ 872,250</u>                           | <u>\$ 835,065</u>   | <u>\$ 830,919</u>   | <u>\$ 763,250</u>   | <u>\$ 680,573</u>   |
| Plan fiduciary net position as a percentage of the total pension liability                     | 30.60%                                      | 30.75%              | 30.26%              | 30.03%              | 33.84%              |
| Covered payroll  | \$ 72,826                                   | \$ 73,183           | \$ 78,246           | \$ 68,573           | \$ 66,707           |
| State's net pension liability as a percentage of covered payroll                               | 1,197.72%                                   | 1,141.06%           | 1,061.93%           | 1,113.05%           | 1,020.24%           |

(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

| <b>Reporting Fiscal Year<br/>(measurement date)</b> |           |
|---|-----------|
| <b>2015<br/>(2014)</b>                              |           |
| \$  | 13,111    |
|   | 66,664    |
|   | 23,768    |
|   | (3,711)   |
|   | 107,172   |
|   | (69,497)  |
|   | 137,507   |
|   | 877,415   |
| \$  | 1,014,922 |

|    |          |
|----|----------|
| \$ | 31,458   |
|    | 7,587    |
|    | 46,223   |
|    | (69,497) |
|    | (372)    |
|    | 393      |
|    | 15,792   |
|    | 345,462  |
| \$ | 361,254  |

\$ 653,668

|    |           |
|----|-----------|
|    | 35.59%    |
| \$ | 63,334    |
|    | 1,032.10% |

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS**  
**CORP DEPARTMENT OF CORRECTIONS, REHABILITATION & REENTRY**  
FOR THE LAST SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|  | Reporting Fiscal Year<br>(measurement date) |                     |                     |                     |                     |
|--|---|---------------------|---------------------|---------------------|---------------------|
|  | 2020<br>(2019)                              | 2019<br>(2018)      | 2018<br>(2017)      | 2017<br>(2016)      | 2016<br>(2015)      |
| <b>Total pension liability</b>   |   |                     |                     |                     |                     |
| Service cost   | \$ 49,392                                   | \$ 51,918           | \$ 51,631           | \$ 47,529           | \$ 47,131           |
| Interest on the total pension liability  | 132,022                                     | 136,973             | 113,227             | 111,087             | 108,123             |
| Changes of benefit terms   | —   | (102,231)           | 239,128             | 2,464               | —                   |
| Differences between expected and actual experience in the measurement of the pension liability | 46,513                                      | (72,298)            | (11,373)            | (36,180)            | (30,179)            |
| Changes of assumptions or other inputs   | 47,333                                      | —                   | 46,154              | 58,949              | —                   |
| Benefit payments, including refunds of employee contributions                                  | (106,366)                                   | (103,053)           | (92,181)            | (90,460)            | (84,586)            |
| Net change in total pension liability  | 168,894                                     | (88,691)            | 346,586             | 93,389              | 40,489              |
| Total pension liability - beginning  | 1,787,870                                   | 1,876,561           | 1,529,975           | 1,436,586           | 1,396,097           |
| Total pension liability - ending (a)   | <u>\$ 1,956,764</u>                         | <u>\$ 1,787,870</u> | <u>\$ 1,876,561</u> | <u>\$ 1,529,975</u> | <u>\$ 1,436,586</u> |
| <b>Plan fiduciary net position</b>   |   |                     |                     |                     |                     |
| Contributions - employer   | \$ 86,153                                   | \$ 66,030           | \$ 62,909           | \$ 60,984           | \$ 43,105           |
| Contributions - employee   | 24,672                                      | 27,055              | 28,539              | 27,824              | 27,734              |
| Net investment income  | 52,159                                      | 63,503              | 94,033              | 4,831               | 28,414              |
| Benefit payments, including refunds of employee contributions                                  | (106,366)                                   | (103,053)           | (92,181)            | (90,460)            | (84,586)            |
| Administrative expense   | (932)                                       | (961)               | (823)               | (683)               | (704)               |
| Other changes  | (210)                                       | 232                 | (388)               | (340)               | (1,040)             |
| Net change in plan fiduciary net position  | 55,476                                      | 52,806              | 92,089              | 2,156               | 12,923              |
| Plan fiduciary net position - beginning  | 935,979                                     | 883,173             | 791,084             | 788,928             | 776,005             |
| Plan fiduciary net position - ending (b)   | <u>\$ 991,455</u>                           | <u>\$ 935,979</u>   | <u>\$ 883,173</u>   | <u>\$ 791,084</u>   | <u>\$ 788,928</u>   |
| <b>State's net pension liability - ending (a) - (b)</b>  | <u>\$ 965,309</u>                           | <u>\$ 851,891</u>   | <u>\$ 993,388</u>   | <u>\$ 738,891</u>   | <u>\$ 647,658</u>   |
| Plan fiduciary net position as a percentage of the total pension liability                     | 50.67%                                      | 52.35%              | 47.06%              | 51.71%              | 54.92%              |
| Covered payroll  | \$ 302,577                                  | \$ 316,996          | \$ 335,694          | \$ 330,538          | \$ 327,798          |
| State's net pension liability as a percentage of covered payroll                               | 319.03%                                     | 268.74%             | 295.92%             | 223.54%             | 197.58%             |

(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.



**Reporting Fiscal Year  
(measurement date)**

**2015  
(2014)**

|    |                         |
|----|-------------------------|
| \$ | 48,061                  |
|    | 92,486                  |
|    | 21,354                  |
|    | (3,818)                 |
|    | 125,557                 |
|    | <u>(83,365)</u>         |
|    | 200,275                 |
|    | <u>1,195,822</u>        |
| \$ | <u><u>1,396,097</u></u> |

|    |                       |
|----|-----------------------|
| \$ | 40,166                |
|    | 27,722                |
|    | 96,216                |
|    | (83,365)              |
|    | (757)                 |
|    | <u>(446)</u>          |
|    | 79,536                |
|    | <u>696,469</u>        |
| \$ | <u><u>776,005</u></u> |

|    |                       |
|----|-----------------------|
| \$ | <u><u>620,092</u></u> |
|----|-----------------------|

|    |         |
|----|---------|
|    | 55.58%  |
| \$ | 326,819 |
|    | 189.74% |

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**ARIZONA STATE RETIREMENT SYSTEM**  
 FOR THE LAST SEVEN FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|   | Fiscal Year  |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
| Statutorily required contribution   | \$ 267,061   | \$ 256,422   | \$ 236,938   | \$ 224,788   | \$ 220,982   | \$ 217,388   |
| State's contributions in relation to the<br>statutorily required contribution | 267,061      | 256,422      | 236,938      | 224,788      | 220,982      | 217,388      |
| State's contribution deficiency (excess)                                      | <u>\$ —</u>  | <u>\$ —</u>  | <u>\$ —</u>  | <u>\$ —</u>  | <u>\$ —</u>  | <u>\$ —</u>  |
| State's covered payroll   | \$ 2,334,153 | \$ 2,294,739 | \$ 2,175,916 | \$ 2,087,717 | \$ 2,039,238 | \$ 1,999,691 |
| State's contributions as a percentage of<br>covered payroll                   | 11.44%       | 11.17%       | 10.89%       | 10.77%       | 10.84%       | 10.87%       |

(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.

| <u>Fiscal Year</u> |                |
|--------------------|----------------|
|                    | <u>2014</u>    |
| \$                 | 206,040        |
|                    | <u>206,040</u> |
| <u>\$</u>          | <u>—</u>       |
| \$                 | 1,939,038      |
|                    | 10.63%         |

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**ELECTED OFFICIALS' RETIREMENT PLAN**  
 FOR THE LAST SEVEN FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|   | Fiscal Year |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        |
| Statutorily required contribution (2)   | \$ 10,413   | \$ 8,261    | \$ 3,564    | \$ 3,389    | \$ 3,805    | \$ 3,928    |
| State's contributions in relation to the<br>statutorily required contribution (2) | 10,413      | 8,261       | 3,564       | 3,389       | 3,805       | 3,928       |
| State's contribution deficiency (excess)  | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| State's covered payroll   | \$ 15,849   | \$ 12,445   | \$ 12,256   | \$ 10,895   | \$ 12,794   | \$ 12,987   |
| State's contributions as a percentage of<br>covered payroll                       | 65.70%      | 66.38%      | 29.08%      | 31.11%      | 29.74%      | 30.25%      |

- (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 SEVEN FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|   | Fiscal Year |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        |
| Statutorily required contribution (2)   | \$ 3,883    | \$ 4,125    | \$ 4,115    | \$ 4,171    | \$ 4,078    | \$ 4,066    |
| State's contributions in relation to the<br>statutorily required contribution (2) | 3,883       | 4,125       | 4,115       | 4,171       | 4,078       | 4,066       |
| 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.

| <b>Fiscal Year</b> |          |
|--------------------|----------|
| <b>2014</b>        |          |
| \$                 | 3,870    |
|                    | 3,870    |
| <u>\$</u>          | <u>—</u> |
| \$                 | 12,604   |
|                    | 30.70%   |

| <b>Fiscal Year</b> |          |
|--------------------|----------|
| <b>2014</b>        |          |
| \$                 | 4,092    |
|                    | 4,092    |
| <u>\$</u>          | <u>—</u> |

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**PSPRS DEPARTMENT OF PUBLIC SAFETY**  
 FOR THE LAST SEVEN FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|  | Fiscal Year |             |             |                   |             |             |
|--|-------------|-------------|-------------|-------------------|-------------|-------------|
|  | 2020        | 2019        | 2018        | 2017, as restated | 2016        | 2015        |
| Actuarially determined contribution (2)  | \$ 78,001   | \$ 66,224   | \$ 63,709   | \$ 61,001         | \$ 52,115   | \$ 36,889   |
| State's contributions in relation to the actuarially determined contribution (2) | 78,001      | 66,224      | 63,709      | 61,001            | 52,115      | 36,889      |
| State's contribution deficiency (excess)   | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u>       | <u>\$ —</u> | <u>\$ —</u> |
| State's covered payroll (2)  | \$ 79,538   | \$ 72,826   | \$ 73,183   | \$ 78,246         | \$ 68,573   | \$ 66,707   |
| State's contributions as a percentage of covered payroll                         | 98.07%      | 90.93%      | 87.05%      | 77.96%            | 76.00%      | 55.30%      |

- (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, REHABILITATION & REENTRY**  
 FOR THE LAST SEVEN FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|  | Fiscal Year |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2020        | 2019        | 2018        | 2017        | 2016        | 2015        |
| Actuarially determined contribution  | \$ 85,615   | \$ 85,872   | \$ 66,031   | \$ 62,909   | \$ 60,984   | \$ 43,105   |
| State's contributions in relation to the actuarially determined contribution | 85,615      | 85,872      | 66,031      | 62,909      | 60,984      | 43,105      |
| State's contribution deficiency (excess)                                     | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| State's covered payroll  | \$ 311,215  | \$ 302,577  | \$ 316,996  | \$ 335,694  | \$ 330,538  | \$ 327,798  |
| State's contributions as a percentage of covered payroll                     | 27.51%      | 28.38%      | 20.83%      | 18.74%      | 18.45%      | 13.15%      |

- (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.

| <b>Fiscal Year</b> |          |
|--------------------|----------|
| <b>2014</b>        |          |
| \$                 | 31,458   |
|                    | 31,458   |
| <b>\$</b>          | <b>—</b> |
| \$                 | 63,334   |
|                    | 49.67%   |

| <b>Fiscal Year</b> |          |
|--------------------|----------|
| <b>2014</b>        |          |
| \$                 | 40,166   |
|                    | 40,166   |
| <b>\$</b>          | <b>—</b> |
| \$                 | 326,819  |
|                    | 12.29%   |

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES  
 JUNE 30, 2020

**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  | PSPRS (Tiers 1 & 2) members and CORP members: Level percent-of-pay, closed<br>PSPRS (Tier 3) members: Level dollar, closed   |
| Remaining amortization period,<br>as of the 2018 actuarial valuation | PSPRS (Tiers 1 & 2) members and CORP members: 18 years<br>PSPRS (Tier 3) members: 10 years   |
| Asset valuation method   | PSPRS (Tiers 1 & 2) members and CORP members: 7-year smoothed market value, 80%/120% market corridor<br>PSPRS (Tier 3) members: 5-year smoothed market value, 80%/120% market corridor   |
| Actuarial assumptions:   |  |
| Investment rate of return  | PSPRS members with initial membership date before July 1, 2017 (Tiers 1 & 2), and CORP members with initial membership date before July 1, 2018:<br><br>In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%.<br>In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.<br>In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.<br>PSPRS members with initial membership on or after July 1, 2017 (Tier 3): 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.<br><br>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.<br><br>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.<br><br>In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP.<br><br>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 2017 valuation pursuant to an experience study of the period July 1, 2011 - June 30, 2016.<br><br>In the 2012 valuation, the experience study covered 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.<br>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.

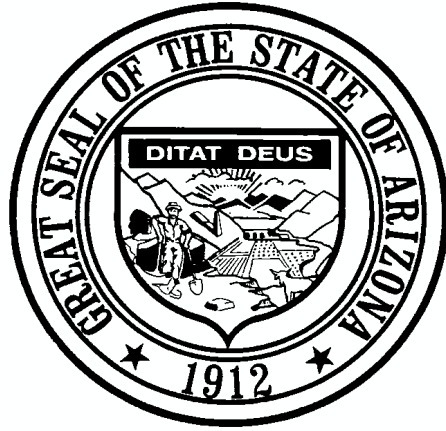


STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**ARIZONA DEPARTMENT OF ADMINISTRATION**  
FOR THE LAST THREE FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | Reporting Fiscal Year<br>(measurement date) |                |                |
|---|---|----------------|----------------|
|   | 2020<br>(2019)                              | 2019<br>(2018) | 2018<br>(2017) |
| <b>Total OPEB liability</b>   |   |                |                |
| Service cost  | \$ 81,670                                   | \$ 62,281      | \$ 87,252      |
| Interest on the total OPEB liability  | 36,500                                      | 32,074         | 32,182         |
| Changes of benefit terms  | —   | —              | (83,199)       |
| Differences between expected and actual<br>experience in the measurement of the<br>OPEB liability | 36,896                                      | —              | (30,663)       |
| Changes of assumptions or other inputs  | 268,793                                     | (39,410)       | (273,577)      |
| Benefit payments  | (28,100)                                    | (26,183)       | (28,848)       |
| Net changes   | 395,759                                     | 28,762         | (296,853)      |
| Total OPEB liability - beginning  | 875,525                                     | 846,763        | 1,143,616      |
| Total OPEB liability - ending (2)   | \$ 1,271,284                                | \$ 875,525     | \$ 846,763     |
| Covered-employee payroll  | \$ 3,571,920                                | \$ 3,270,734   | \$ 3,184,746   |
| Total OPEB liability as a percentage<br>of covered-employee payroll                               | 35.59%                                      | 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**

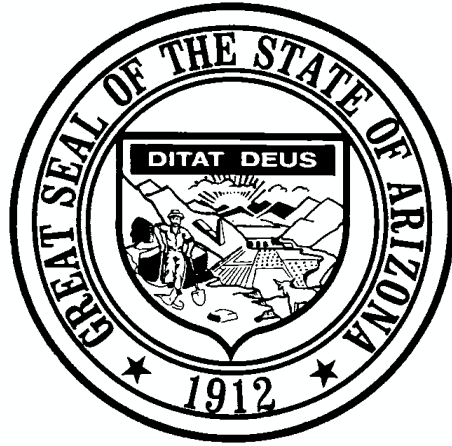
*Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).*

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020  
(Expressed in Thousands)

|  | SPECIAL<br>REVENUE<br>FUNDS | DEBT<br>SERVICE<br>FUNDS | CAPITAL<br>PROJECTS<br>FUNDS | TOTAL               |
|--|-----------------------------|--------------------------|------------------------------|---------------------|
| <b>ASSETS</b>  |                             |                          |                              |                     |
| Cash   | \$ 3,828                    | \$ —                     | \$ —                         | \$ 3,828            |
| Cash and pooled investments with<br>State Treasurer                            | 1,309,161                   | 16,098                   | —                            | 1,325,259           |
| Collateral investment pool   | 15,400                      | —                        | —                            | 15,400              |
| Receivables, net of allowances:  |                             |                          |                              |                     |
| Taxes  | 101,195                     | —                        | —                            | 101,195             |
| Other  | 16,905                      | —                        | —                            | 16,905              |
| Due from U.S. Government   | 24,970                      | —                        | —                            | 24,970              |
| Due from component units   | —                           | —                        | —                            | —                   |
| Due from others  | 1,300                       | —                        | —                            | 1,300               |
| Due from other funds   | 103,429                     | —                        | —                            | 103,429             |
| Restricted assets:   |                             |                          |                              |                     |
| Cash and pooled investments with<br>State Treasurer                            | 355,560                     | 6,203                    | 11,218                       | 372,981             |
| Cash held by trustee   | —                           | 49,487                   | —                            | 49,487              |
| Inventories, at cost   | 637                         | —                        | —                            | 637                 |
| Other  | 14                          | —                        | —                            | 14                  |
| <b>Total Assets</b>  | <b>\$ 1,932,399</b>         | <b>\$ 71,788</b>         | <b>\$ 11,218</b>             | <b>\$ 2,015,405</b> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND<br/>BALANCES</b>   |                             |                          |                              |                     |
| Liabilities:   |                             |                          |                              |                     |
| Accounts payable and other current<br>liabilities                              | \$ 54,179                   | \$ —                     | \$ 4,852                     | \$ 59,031           |
| Accrued liabilities  | 61,501                      | —                        | 21                           | 61,522              |
| Obligations under securities loan<br>agreements                                | 15,400                      | —                        | —                            | 15,400              |
| Due to local governments   | 262,442                     | —                        | —                            | 262,442             |
| Due to others  | 12,953                      | —                        | —                            | 12,953              |
| Due to other funds   | 16,017                      | —                        | —                            | 16,017              |
| Unearned revenue   | 1,302                       | —                        | —                            | 1,302               |
| <b>Total Liabilities</b>   | <b>423,794</b>              | <b>—</b>                 | <b>4,873</b>                 | <b>428,667</b>      |
| Deferred Inflows of Resources:   |                             |                          |                              |                     |
| Unavailable revenue  | 414                         | —                        | —                            | 414                 |
| Fund Balances:   |                             |                          |                              |                     |
| Nonspendable   | 637                         | —                        | —                            | 637                 |
| Restricted   | 578,106                     | 71,788                   | 6,345                        | 656,239             |
| Committed  | 929,448                     | —                        | —                            | 929,448             |
| <b>Total Fund Balances</b>   | <b>1,508,191</b>            | <b>71,788</b>            | <b>6,345</b>                 | <b>1,586,324</b>    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <b>\$ 1,932,399</b>         | <b>\$ 71,788</b>         | <b>\$ 11,218</b>             | <b>\$ 2,015,405</b> |

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|  | SPECIAL<br>REVENUE<br>FUNDS | DEBT<br>SERVICE<br>FUNDS | CAPITAL<br>PROJECTS<br>FUNDS | TOTAL               |
|--|-----------------------------|--------------------------|------------------------------|---------------------|
| <b>REVENUES</b>  |                             |                          |                              |                     |
| Taxes:   |                             |                          |                              |                     |
| Sales  | \$ 662,466                  | \$ 64,125                | \$ —                         | \$ 726,591          |
| Tobacco  | 238,004                     | —                        | —                            | 238,004             |
| Motor vehicle and fuel   | 248,552                     | —                        | —                            | 248,552             |
| Other  | 106,041                     | —                        | —                            | 106,041             |
| Intergovernmental  | 255,219                     | —                        | —                            | 255,219             |
| Licenses, fees, and permits                                    | 388,859                     | —                        | —                            | 388,859             |
| Hospital and nursing facility assessments                      | 360,157                     | —                        | —                            | 360,157             |
| Earnings on investments  | 108,813                     | 2,405                    | 546                          | 111,764             |
| Sales and charges for services                                 | 54,449                      | —                        | —                            | 54,449              |
| Fines, forfeitures, and penalties                              | 147,485                     | —                        | —                            | 147,485             |
| Gaming   | 106,310                     | —                        | —                            | 106,310             |
| Other  | 36,522                      | 20                       | —                            | 36,542              |
| Total Revenues   | <u>2,712,877</u>            | <u>66,550</u>            | <u>546</u>                   | <u>2,779,973</u>    |
| <b>EXPENDITURES</b>  |                             |                          |                              |                     |
| Current:   |                             |                          |                              |                     |
| General government   | 178,075                     | 4,312                    | —                            | 182,387             |
| Health and welfare   | 865,544                     | —                        | —                            | 865,544             |
| Inspection and regulation                                      | 153,523                     | —                        | —                            | 153,523             |
| Education  | 958,881                     | —                        | —                            | 958,881             |
| Protection and safety  | 269,843                     | —                        | —                            | 269,843             |
| Transportation   | —                           | —                        | 32,170                       | 32,170              |
| Natural resources  | 131,581                     | —                        | —                            | 131,581             |
| Intergovernmental revenue sharing                              | 9,973                       | —                        | —                            | 9,973               |
| Debt service:  |                             |                          |                              |                     |
| Principal  | 2,360                       | 388,419                  | —                            | 390,779             |
| Interest and other fiscal charges                              | 658                         | 157,401                  | —                            | 158,059             |
| Capital outlay   | 42,925                      | —                        | 16,389                       | 59,314              |
| Total Expenditures   | <u>2,613,363</u>            | <u>550,132</u>           | <u>48,559</u>                | <u>3,212,054</u>    |
| Excess (Deficiency) of Revenues Over Expenditures              | <u>99,514</u>               | <u>(483,582)</u>         | <u>(48,013)</u>              | <u>(432,081)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                          |                             |                          |                              |                     |
| Transfers in   | 144,657                     | 483,975                  | —                            | 628,632             |
| Transfers out  | (149,113)                   | —                        | —                            | (149,113)           |
| Refunding bonds issued   | —                           | 756,630                  | —                            | 756,630             |
| Refunding certificates of participation issued                 | —                           | 425,005                  | —                            | 425,005             |
| Payment to refunded certificates of participation escrow agent | —                           | (480,097)                | —                            | (480,097)           |
| Payment to refunded bond escrow agent                          | —                           | (782,272)                | —                            | (782,272)           |
| Premium on debt issued   | —                           | 88,080                   | —                            | 88,080              |
| Total Other Financing Sources (Uses)                           | <u>(4,456)</u>              | <u>491,321</u>           | <u>—</u>                     | <u>486,865</u>      |
| Net Change in Fund Balances                                    | <u>95,058</u>               | <u>7,739</u>             | <u>(48,013)</u>              | <u>54,784</u>       |
| Fund Balances - Beginning                                      | <u>1,413,133</u>            | <u>64,049</u>            | <u>54,358</u>                | <u>1,531,540</u>    |
| Fund Balances - Ending   | <u>\$ 1,508,191</u>         | <u>\$ 71,788</u>         | <u>\$ 6,345</u>              | <u>\$ 1,586,324</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, 2020  
(Expressed in Thousands)

|  | PUBLIC<br>SAFETY &<br>CORRECTIONAL<br>PROGRAMS | ENVIRONMENTAL<br>PROTECTION | HEALTHCARE<br>& SOCIAL<br>SERVICES | TOBACCO<br>TAX &<br>HEALTHCARE | JUDICIAL<br>& LEGAL<br>SERVICES | REGULATING<br>& LICENSING |
|--|--|-----------------------------|------------------------------------|--------------------------------|---------------------------------|---------------------------|
| <b>ASSETS</b>  |  |                             |                                    |                                |                                 |                           |
| Cash   | \$ 3,783                                       | \$ —                        | \$ —                               | \$ —                           | \$ —                            | \$ 15                     |
| Cash and pooled investments<br>with State Treasurer                                | 232,775  | 90,440                      | 239,756                            | 11,314                         | 121,212                         | 196,900                   |
| Collateral investment pool   | 1,294  | 2,481                       | —                                  | 3,322                          | 1,799                           | 1,429                     |
| Receivables, net of allowances:  |  |                             |                                    |                                |                                 |                           |
| Taxes  | 5,102  | 234                         | 6,896                              | 14,649                         | —                               | —                         |
| Other  | 1  | 671                         | 3,845                              | —                              | 6                               | 4,289                     |
| Due from U.S. Government   | —  | —                           | 24,970                             | —                              | —                               | —                         |
| Due from others  | —  | —                           | —                                  | —                              | —                               | —                         |
| Due from other funds   | 17,970   | 4,624                       | 3,203                              | 1,574                          | 842                             | —                         |
| Inventories, at cost   | 637  | —                           | —                                  | —                              | —                               | —                         |
| Restricted assets:   |  |                             |                                    |                                |                                 |                           |
| Cash and pooled investments<br>with State Treasurer                                | —  | —                           | 911                                | 354,649                        | —                               | —                         |
| Other  | —  | —                           | —                                  | 14                             | —                               | —                         |
| <b>Total Assets</b>  | <b>\$ 261,562</b>                              | <b>\$ 98,450</b>            | <b>\$ 279,581</b>                  | <b>\$ 385,522</b>              | <b>\$ 123,859</b>               | <b>\$ 202,633</b>         |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND<br/>BALANCES</b>       |  |                             |                                    |                                |                                 |                           |
| Liabilities:   |  |                             |                                    |                                |                                 |                           |
| Accounts payable and other<br>current liabilities                                  | \$ 16,420                                      | \$ 7,870                    | \$ 10,576                          | \$ 2,595                       | \$ 6,986                        | \$ 3,644                  |
| Accrued liabilities  | 12,775   | 1,107                       | 38,159                             | 603                            | 1,467                           | 4,061                     |
| Obligations under securities loan<br>agreements                                    | 1,294  | 2,481                       | —                                  | 3,322                          | 1,799                           | 1,429                     |
| Due to local governments   | —  | 2,441                       | —                                  | —                              | —                               | —                         |
| Due to others  | —  | —                           | —                                  | 12,622                         | 68                              | 263                       |
| Due to other funds   | 1  | 99                          | 4,245                              | 11,488                         | —                               | 184                       |
| Unearned revenue   | —  | —                           | —                                  | —                              | —                               | 723                       |
| <b>Total Liabilities</b>   | <b>30,490</b>                                  | <b>13,998</b>               | <b>52,980</b>                      | <b>30,630</b>                  | <b>10,320</b>                   | <b>10,304</b>             |
| Deferred Inflows of Resources:   |  |                             |                                    |                                |                                 |                           |
| Unavailable revenue  | —  | —                           | 414                                | —                              | —                               | —                         |
| Fund Balances:   |  |                             |                                    |                                |                                 |                           |
| Nonspendable   | 637  | —                           | —                                  | —                              | —                               | —                         |
| Restricted   | —  | 3,019                       | 94,013                             | 354,892                        | 3,883                           | 4,295                     |
| Committed  | 230,435  | 81,433                      | 132,174                            | —                              | 109,656                         | 188,034                   |
| <b>Total Fund Balances</b>   | <b>231,072</b>                                 | <b>84,452</b>               | <b>226,187</b>                     | <b>354,892</b>                 | <b>113,539</b>                  | <b>192,329</b>            |
| <b>Total Liabilities, Deferred<br/>Inflows of Resources,<br/>and Fund Balances</b> | <b>\$ 261,562</b>                              | <b>\$ 98,450</b>            | <b>\$ 279,581</b>                  | <b>\$ 385,522</b>              | <b>\$ 123,859</b>               | <b>\$ 202,633</b>         |

| GAME & FISH      | STATE PARKS DEVELOPMENT | BUSINESS DEVELOPMENT | EDUCATIONAL PROGRAMS | GROUNDWATER PROTECTION & CONSERVATION | CLEAN ELECTIONS SYSTEM | TOTAL               |
|------------------|-------------------------|----------------------|----------------------|---------------------------------------|------------------------|---------------------|
| \$ 30            | \$ —                    | \$ —                 | \$ —                 | \$ —                                  | \$ —                   | \$ 3,828            |
| 78,871           | 18,912                  | 83,706               | 181,700              | 23,495                                | 30,080                 | 1,309,161           |
| 2,656            | —                       | 2,419                | —                    | —                                     | —                      | 15,400              |
| —                | —                       | —                    | 74,314               | —                                     | —                      | 101,195             |
| 1,525            | —                       | 5                    | 6,561                | —                                     | 2                      | 16,905              |
| —                | —                       | —                    | —                    | —                                     | —                      | 24,970              |
| 1,300            | —                       | —                    | —                    | —                                     | —                      | 1,300               |
| 450              | 1,070                   | —                    | 73,696               | —                                     | —                      | 103,429             |
| —                | —                       | —                    | —                    | —                                     | —                      | 637                 |
| —                | —                       | —                    | —                    | —                                     | —                      | 355,560             |
| —                | —                       | —                    | —                    | —                                     | —                      | 14                  |
| <u>\$ 84,832</u> | <u>\$ 19,982</u>        | <u>\$ 86,130</u>     | <u>\$ 336,271</u>    | <u>\$ 23,495</u>                      | <u>\$ 30,082</u>       | <u>\$ 1,932,399</u> |

|                  |                  |                  |                   |                  |                  |                     |
|------------------|------------------|------------------|-------------------|------------------|------------------|---------------------|
| \$ 389           | \$ 796           | \$ 2,551         | \$ 110            | \$ 28            | \$ 2,214         | \$ 54,179           |
| 2,589            | 235              | 222              | 174               | 76               | 33               | 61,501              |
| 2,656            | —                | 2,419            | —                 | —                | —                | 15,400              |
| —                | —                | —                | 260,001           | —                | —                | 262,442             |
| —                | —                | —                | —                 | —                | —                | 12,953              |
| —                | —                | —                | —                 | —                | —                | 16,017              |
| 579              | —                | —                | —                 | —                | —                | 1,302               |
| <u>6,213</u>     | <u>1,031</u>     | <u>5,192</u>     | <u>260,285</u>    | <u>104</u>       | <u>2,247</u>     | <u>423,794</u>      |
| —                | —                | —                | —                 | —                | —                | 414                 |
| —                | —                | —                | —                 | —                | —                | 637                 |
| 14,183           | —                | —                | 75,986            | —                | 27,835           | 578,106             |
| 64,436           | 18,951           | 80,938           | —                 | 23,391           | —                | 929,448             |
| <u>78,619</u>    | <u>18,951</u>    | <u>80,938</u>    | <u>75,986</u>     | <u>23,391</u>    | <u>27,835</u>    | <u>1,508,191</u>    |
| <u>\$ 84,832</u> | <u>\$ 19,982</u> | <u>\$ 86,130</u> | <u>\$ 336,271</u> | <u>\$ 23,495</u> | <u>\$ 30,082</u> | <u>\$ 1,932,399</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, 2020  
(Expressed in Thousands)

|  | SAFETY &<br>CORRECTIONAL<br>PROGRAMS | ENVIRONMENTAL<br>PROTECTION | HEALTHCARE<br>& SOCIAL<br>SERVICES | TOBACCO<br>TAX &<br>HEALTHCARE | JUDICIAL<br>& LEGAL<br>SERVICES | REGULATING<br>& LICENSING |
|--|--------------------------------------|-----------------------------|------------------------------------|--------------------------------|---------------------------------|---------------------------|
| <b>REVENUES</b>                                      |                                      |                             |                                    |                                |                                 |                           |
| Taxes:   |                                      |                             |                                    |                                |                                 |                           |
| Sales  | \$ 18,582                            | \$ 653                      | \$ 3,320                           | \$ —                           | \$ —                            | \$ —                      |
| Tobacco  | 3,406                                | —                           | 7,663                              | 226,935                        | —                               | —                         |
| Motor vehicle and fuel                               | 205,423                              | 29,045                      | 2,922                              | —                              | —                               | —                         |
| Other  | 70,765                               | 1,800                       | 288                                | —                              | —                               | 33,188                    |
| Intergovernmental                                    | 24,654                               | 134                         | 182,672                            | 206                            | 1,456                           | 122                       |
| Licenses, fees, and permits                          | 24,781                               | 73,656                      | 52,795                             | —                              | 25,080                          | 131,397                   |
| Hospital and nursing facility<br>assessments         | —                                    | —                           | 360,157                            | —                              | —                               | —                         |
| Earnings on investments                              | 984                                  | 1,650                       | 533                                | 14,174                         | 1,326                           | 842                       |
| Sales and charges for services                       | 20,847                               | —                           | 2,743                              | —                              | 622                             | 3,798                     |
| Fines, forfeitures, and penalties                    | 60,679                               | 20,598                      | 6,256                              | —                              | 51,669                          | 1,619                     |
| Gaming   | —                                    | —                           | 21,486                             | —                              | —                               | 35,691                    |
| Other  | 1,284                                | 340                         | 6,851                              | 890                            | 1,796                           | 2,455                     |
| Total Revenues                                       | <u>431,405</u>                       | <u>127,876</u>              | <u>647,686</u>                     | <u>242,205</u>                 | <u>81,949</u>                   | <u>209,112</u>            |
| <b>EXPENDITURES</b>                                  |                                      |                             |                                    |                                |                                 |                           |
| Current:   |                                      |                             |                                    |                                |                                 |                           |
| General government                                   | 25,440                               | 33,216                      | 3,777                              | 510                            | 88,939                          | 2,479                     |
| Health and welfare                                   | —                                    | 110,668                     | 641,590                            | 101,788                        | —                               | 11,498                    |
| Inspection and regulation                            | 18                                   | 1,373                       | —                                  | —                              | 4                               | 152,127                   |
| Education  | —                                    | —                           | 2                                  | 141,249                        | —                               | —                         |
| Protection and safety                                | 269,843                              | —                           | —                                  | —                              | —                               | —                         |
| Natural resources                                    | 28,311                               | 485                         | —                                  | —                              | —                               | 28                        |
| Intergovernmental revenue sharing                    | —                                    | 9,973                       | —                                  | —                              | —                               | —                         |
| Debt service:  |                                      |                             |                                    |                                |                                 |                           |
| Principal  | 1,595                                | —                           | —                                  | —                              | —                               | —                         |
| Interest and other fiscal charges                    | 17                                   | —                           | —                                  | —                              | —                               | —                         |
| Capital outlay                                       | 23,628                               | 167                         | 820                                | —                              | 744                             | 672                       |
| Total Expenditures                                   | <u>348,852</u>                       | <u>155,882</u>              | <u>646,189</u>                     | <u>243,547</u>                 | <u>89,687</u>                   | <u>166,804</u>            |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>82,553</u>                        | <u>(28,006)</u>             | <u>1,497</u>                       | <u>(1,342)</u>                 | <u>(7,738)</u>                  | <u>42,308</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                      |                             |                                    |                                |                                 |                           |
| Transfers in   | 75,266                               | 68                          | 20,126                             | 1,555                          | 10,541                          | 3,314                     |
| Transfers out  | (49,680)                             | (10,831)                    | (14,751)                           | (3,066)                        | (25,874)                        | (35,665)                  |
| Total Other Financing<br>Sources (Uses)              | <u>25,586</u>                        | <u>(10,763)</u>             | <u>5,375</u>                       | <u>(1,511)</u>                 | <u>(15,333)</u>                 | <u>(32,351)</u>           |
| Net Change in Fund Balances                          | <u>108,139</u>                       | <u>(38,769)</u>             | <u>6,872</u>                       | <u>(2,853)</u>                 | <u>(23,071)</u>                 | <u>9,957</u>              |
| Fund Balances - Beginning                            | <u>122,933</u>                       | <u>123,221</u>              | <u>219,315</u>                     | <u>357,745</u>                 | <u>136,610</u>                  | <u>182,372</u>            |
| Fund Balances - Ending                               | <u>\$ 231,072</u>                    | <u>\$ 84,452</u>            | <u>\$ 226,187</u>                  | <u>\$ 354,892</u>              | <u>\$ 113,539</u>               | <u>\$ 192,329</u>         |

| GAME &<br>FISH   | STATE PARKS<br>DEVELOPMENT | BUSINESS<br>DEVELOPMENT | EDUCATIONAL<br>PROGRAMS | GROUNDWATER<br>PROTECTION &<br>CONSERVATION | CLEAN<br>ELECTIONS<br>SYSTEM | TOTAL               |
|------------------|----------------------------|-------------------------|-------------------------|---|------------------------------|---------------------|
| \$ —             | \$ —                       | \$ —                    | \$ 639,911              | \$ —  | \$ —                         | \$ 662,466          |
| —                | —                          | —                       | —                       | —   | —                            | 238,004             |
| 1,136            | 9,826                      | —                       | 200                     | —   | —                            | 248,552             |
| —                | —                          | —                       | —                       | —   | —                            | 106,041             |
| 39,703           | —                          | 5,238                   | 1,034                   | —   | —                            | 255,219             |
| 50,819           | 1,915                      | 9,602                   | 3,828                   | 14,986                                      | —                            | 388,859             |
| —                | —                          | —                       | —                       | —   | —                            | 360,157             |
| 1,141            | 230                        | 916                     | 86,644                  | 373   | —                            | 108,813             |
| 2,745            | —                          | 214                     | 23,480                  | —   | —                            | 54,449              |
| 141              | —                          | 34                      | —                       | —   | 6,489                        | 147,485             |
| 6,138            | —                          | —                       | 42,995                  | —   | —                            | 106,310             |
| 2,516            | 77                         | 16,183                  | 2,915                   | 1,174                                       | 41                           | 36,522              |
| <u>104,339</u>   | <u>12,048</u>              | <u>32,187</u>           | <u>801,007</u>          | <u>16,533</u>                               | <u>6,530</u>                 | <u>2,712,877</u>    |
| 10               | —                          | 17,281                  | —                       | —   | 6,423                        | 178,075             |
| —                | —                          | —                       | —                       | —   | —                            | 865,544             |
| —                | —                          | 1                       | —                       | —   | —                            | 153,523             |
| —                | —                          | —                       | 817,630                 | —   | —                            | 958,881             |
| —                | —                          | —                       | —                       | —   | —                            | 269,843             |
| 81,583           | 5,556                      | —                       | —                       | 15,618                                      | —                            | 131,581             |
| —                | —                          | —                       | —                       | —   | —                            | 9,973               |
| 765              | —                          | —                       | —                       | —   | —                            | 2,360               |
| 641              | —                          | —                       | —                       | —   | —                            | 658                 |
| 16,417           | 35                         | 442                     | —                       | —   | —                            | 42,925              |
| <u>99,416</u>    | <u>5,591</u>               | <u>17,724</u>           | <u>817,630</u>          | <u>15,618</u>                               | <u>6,423</u>                 | <u>2,613,363</u>    |
| 4,923            | 6,457                      | 14,463                  | (16,623)                | 915   | 107                          | 99,514              |
| 10,103           | —                          | 15,000                  | 7,804                   | 880   | —                            | 144,657             |
| (6,908)          | (55)                       | (1,050)                 | (198)                   | (1,035)                                     | —                            | (149,113)           |
| 3,195            | (55)                       | 13,950                  | 7,606                   | (155)                                       | —                            | (4,456)             |
| 8,118            | 6,402                      | 28,413                  | (9,017)                 | 760   | 107                          | 95,058              |
| 70,501           | 12,549                     | 52,525                  | 85,003                  | 22,631                                      | 27,728                       | 1,413,133           |
| <u>\$ 78,619</u> | <u>\$ 18,951</u>           | <u>\$ 80,938</u>        | <u>\$ 75,986</u>        | <u>\$ 23,391</u>                            | <u>\$ 27,835</u>             | <u>\$ 1,508,191</u> |

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Dollars)

|   | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|-------------------------------------|----------------------------------|
| <b>ACCOUNTANCY, ARIZONA STATE BOARD OF</b>                        |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | \$ 13,024                           | \$ 13,024                        |
| OPERATING LUMP SUM APPROPRIATION                                  | 2,045,300                           | 1,839,895                        |
| <b>ACUPUNCTURE BOARD OF EXAMINERS</b>                             |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 6,661                               | 6,661                            |
| OPERATING LUMP SUM APPROPRIATION                                  | 176,000                             | 169,838                          |
| <b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>                      |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 115,550                             | 115,550                          |
| OPERATING LUMP SUM APPROPRIATION                                  | 1,501,000                           | 1,027,645                        |
| <b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>                         |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 20,214                              | 20,214                           |
| OPERATING LUMP SUM APPROPRIATION                                  | 1,448,800                           | 1,391,498                        |
| <b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>       |                                     |                                  |
| ACA ADULT EXPANSION   | 37,389,000                          | 36,718,095                       |
| ADMIN ADJUSTMENT ACA ADULT EXPANSION                              | 141,023                             | 141,023                          |
| ADMIN ADJUSTMENT PROPOSITION 204 SERVICES                         | 23,203,515                          | 23,203,515                       |
| ALTCS SERVICES  | 114,497,600                         | 113,704,704                      |
| CRISIS SERVICES   | 2,250,200                           | 2,250,200                        |
| PROPOSITION 204 SERVICES  | 319,699,200                         | 295,699,093                      |
| TRADITIONAL MEDICAID SERVICES                                     | 66,861,800                          | 66,861,800                       |
| <b>ATHLETIC TRAINING, BOARD OF</b>                                |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 5,264                               | 5,264                            |
| OPERATING LUMP SUM APPROPRIATION                                  | 127,000                             | 112,707                          |
| <b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>                       |                                     |                                  |
| ADMIN ADJUSTMENT FEDERALISM UNIT                                  | 25,143                              | 25,143                           |
| ADMIN ADJUSTMENT GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION | 26,536                              | 26,536                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 397,619                             | 397,619                          |
| ADMIN ADJUSTMENT TOBACCO ENFORCEMENT                              | 4,733                               | 4,733                            |
| ADMIN ADJUSTMENT VICTIMS RIGHTS                                   | 1,706                               | 1,706                            |
| CASE MANAGEMENT SYSTEM UPGRADE                                    | 1,171,638                           | 1,126,508                        |
| CHILD AND FAMILY ADVOCACY CENTERS                                 | 400,000                             | 400,000                          |
| FEDERALISM UNIT   | 1,002,000                           | 888,015                          |
| FIRST RESPONDER PERSONNEL MENTAL HEALTH SERVICES                  | 400,000                             | 256,349                          |
| GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION                  | 1,208,700                           | 1,049,078                        |
| GRANTS FOR OPIOID EDUCATION AND PREVENTION EFFORTS                | 246,755                             | 177,413                          |
| HUMAN TRAFFICKING SURVIVOR SERVICES                               | 300,000                             | 274,130                          |
| MULTIDISCIPLINARY YOUNG PERSONS PROGRAM                           | 250,000                             | 250,000                          |
| OPERATING LUMP SUM APPROPRIATION                                  | 13,781,600                          | 12,103,330                       |
| PAD NATIONAL MORTGAGE SETTLEMENT                                  | 16,335,706                          | 918,994                          |
| PEACE OFFICE EQUIPMENT GRANT                                      | 2,500,000                           | —                                |
| PEACE OFFICE MEMORIAL FUND DEPOSIT                                | 1,000,000                           | 1,000,000                        |
| SOUTHERN ARIZONA DRUG ENFORCEMENT                                 | 319,000                             | 229,895                          |
| TOBACCO ENFORCEMENT   | 736,400                             | 111,571                          |
| VICTIMS RIGHTS  | 3,767,700                           | 2,495,004                        |
| VOTER FRAUD UNIT  | 530,000                             | 246,631                          |
| <b>AUTOMOBILE THEFT AUTHORITY</b>                                 |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 2,623                               | 2,623                            |
| ARIZONA VEHICLE THEFT TASK FORCE                                  | 3,650,000                           | 3,650,000                        |
| LOCAL GRANTS  | 957,700                             | 957,393                          |
| OPERATING LUMP SUM APPROPRIATION                                  | 654,400                             | 623,455                          |
| REIMBURSABLE PROGRAMS   | 50,000                              | —                                |
| <b>BARBERS, BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                 | 10,576                              | 10,576                           |

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Dollars)

|   | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|-------------------------------------|----------------------------------|
| OPERATING LUMP SUM APPROPRIATION                                      | 406,300                             | 387,268                          |
| <b>BEHAVIORAL HEALTH EXAMINERS, BOARD OF</b>                          |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 21,957                              | 21,957                           |
| OPERATING LUMP SUM APPROPRIATION                                      | 1,770,000                           | 1,565,093                        |
| <b>CHILD SAFETY, DEPARTMENT OF</b>                                    |                                     |                                  |
| ADMIN ADJUSTMENT DCS - CASEWORKERS                                    | 203,019                             | 203,019                          |
| ADMIN ADJUSTMENT DCS IN-HOME MITIGATION                               | 1,135,410                           | 1,135,410                        |
| DCS - CASEWORKERS   | 207,100                             | —                                |
| DCS IN-HOME MITIGATION  | 1,459,300                           | 449,371                          |
| <b>CHIROPRACTIC EXAMINERS, STATE BOARD OF</b>                         |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 27,565                              | 27,565                           |
| OPERATING LUMP SUM APPROPRIATION                                      | 438,600                             | 390,093                          |
| <b>CONTRACTORS, REGISTRAR OF</b>                                      |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 47,653                              | 47,653                           |
| OFFICE OF ADMINISTRATIVE HEARINGS COSTS                               | 1,017,600                           | 423,179                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 11,351,200                          | 10,187,914                       |
| <b>CORPORATION COMMISSION</b>   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 615,746                             | 615,746                          |
| ANNUAL REVERSION  | 18,647,175                          | 18,647,175                       |
| CORPORATION FILINGS, SAME DAY SERVICE                                 | 402,000                             | 402,000                          |
| INVESTIGATE-PROSECUTE SECUR FRD                                       | 26,509                              | —                                |
| OPERATING LUMP SUM APPROPRIATION                                      | 26,315,300                          | 25,915,773                       |
| UTILITY, AUDIT, STUDY, INVEST, HEAR                                   | 1,281,763                           | 521,763                          |
| <b>CORRECTIONS, REHABILITATION &amp; REENTRY, STATE DEPARTMENT OF</b> |                                     |                                  |
| ADMIN ADJUSTMENT COMMUNITY CORRECTIONS                                | 17,863                              | 17,863                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 21,923                              | 21,923                           |
| ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM                              | 6,378,415                           | 6,378,415                        |
| CASH TRANSFER TO BUILDING RENEWAL FUND                                | 2,500,000                           | 2,500,000                        |
| COMMUNITY CORRECTIONS   | 305,500                             | 118,520                          |
| INMATE HEALTH CARE CONTRACTED SERVICES                                | 10,000,000                          | —                                |
| OPERATING LUMP SUM APPROPRIATION                                      | 7,092,100                           | 6,582,781                        |
| PRIVATE PRISON PER DIEM   | 27,311,500                          | 27,311,499                       |
| <b>COSMETOLOGY, BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 29,109                              | 29,109                           |
| ANNUAL LEAVE PAYOUT   | 68,400                              | —                                |
| OPERATING LUMP SUM APPROPRIATION                                      | 1,914,900                           | 1,776,144                        |
| <b>CRIMINAL JUSTICE COMMISSION, ARIZONA</b>                           |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 15,629                              | 15,629                           |
| ADMIN ADJUSTMENT VICTIM COMPENSATION - ASSISTANCE                     | 73                                  | 73                               |
| CRIMINAL HISTORY REPOSITORY UPGRADE                                   | 1,188,675                           | 89,819                           |
| OPERATING LUMP SUM APPROPRIATION                                      | 1,268,700                           | 1,021,763                        |
| STATE AID TO COUNTY ATTORNEYS   | 973,700                             | 716,329                          |
| VICTIM COMPENSATION - ASSISTANCE                                      | 4,223,000                           | 3,978,585                        |
| <b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>                        |                                     |                                  |
| ADMIN ADJUSTMENT EARLY CHILDHOOD & FAMILY EDUCATION PROGRAMS          | 53,504                              | 53,504                           |
| <b>DEAF AND HARD OF HEARING, COMMISSION FOR THE</b>                   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 153,602                             | 153,602                          |
| INTERPRETER CERT AND LICENSURE  | 248,992                             | —                                |
| OPERATING LUMP SUM APPROPRIATION                                      | 4,432,900                           | 2,961,105                        |
| SUPPORT SERVICES FOR THE DEAF-BLIND                                   | 192,000                             | 2,706                            |
| <b>DENTAL EXAMINERS, STATE BOARD OF</b>                               |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 103,474                             | 103,474                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 1,229,800                           | 1,142,913                        |

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Dollars)

|  | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|-------------------------------------|----------------------------------|
| <b>ECONOMIC SECURITY, DEPARTMENT OF</b>                    |                                     |                                  |
| ADMIN ADJUSTMENT ADULT SERVICES                            | 1,171,000                           | 1,171,000                        |
| ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES           | 3,724                               | 3,724                            |
| ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM    | 1,900,000                           | 1,900,000                        |
| ADMIN ADJUSTMENT DDD COST EFFECTIVENESS STUDY              | 849,281                             | 849,281                          |
| ADMIN ADJUSTMENT DDD PROGRAM EXPENSES SUPPLEMENTAL         | 1,000,000                           | 1,000,000                        |
| ADMIN ADJUSTMENT DES OPERATING LUMP SUM                    | 560,545                             | 560,545                          |
| ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION              | 621,058                             | 621,058                          |
| ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY    | 119,948                             | 119,948                          |
| ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SVCS    | 48,904                              | 48,904                           |
| ADMIN ADJUSTMENT JOBS                                      | 846,550                             | 846,550                          |
| ADMIN ADJUSTMENT REHABILITATION SERVICES                   | 250,672                             | 250,672                          |
| ATTORNEY GENERAL LEGAL SERVICES                            | 97,900                              | 2,836                            |
| DDD COST EFFECTIVENESS STUDY                               | 1,220,000                           | —                                |
| DES OPERATING LUMP SUM                                     | 2,954,500                           | 2,442,238                        |
| DOMESTIC VIOLENCE PREVENTION                               | 4,100,000                           | 2,563,549                        |
| INDEPENDENT LIVING REHABILITATION SVCS                     | 1,123,400                           | 998,458                          |
| JOBS   | 1,110,900                           | —                                |
| REHABILITATION SERVICES                                    | 654,700                             | 380,656                          |
| <b>EDUCATION, DEPARTMENT OF</b>                            |                                     |                                  |
| ACCOUNTABILITY - SCH SAFETY PROP 301                       | 11,903,773                          | 1,900,108                        |
| ACHIEVEMENT TESTING - PROP 301                             | 13,587,580                          | 4,384,305                        |
| 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                             | 332,644                             | 82,600                           |
| CLASSROOM SITE FUND  | 602,511,600                         | —                                |
| FAILING SCHOOL TUTORING - PROP 301                         | 3,087,007                           | 465,454                          |
| INSTRUCTIONAL IMPROVEMENT FUND                             | 45,000,000                          | —                                |
| OPERATING LUMP SUM APPROPRIATION - ADMIN                   | 4,401,500                           | 130,759                          |
| SCHOOL SAFETY PROGRAM                                      | 7,800,000                           | —                                |
| TEACHER CERTIFICATION                                      | 2,208,900                           | 1,862,810                        |
| <b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>                |                                     |                                  |
| ADMIN ADJUSTMENT EMISSIONS CONTROL - CONTRACTOR PAYMENTS   | 512,422                             | 512,422                          |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION          | 489,626                             | 489,626                          |
| ADMIN ADJUSTMENT SAFE DRINKING WATER PROGRAM               | 46,252                              | 46,252                           |
| EMISSIONS CONTROL - CONTRACTOR PAYMENTS                    | 22,619,500                          | 22,618,473                       |
| NOGALES WASH AND INTERNATIONAL OUTFALL INTERCEPTOR PROJECT | 2,569,300                           | 2,569,300                        |
| OPERATING LUMP SUM APPROPRIATION                           | 30,580,100                          | 23,094,213                       |
| SAFE DRINKING WATER PROGRAM                                | 1,812,000                           | 1,661,834                        |
| SWEEPS   | 1,193,911                           | 1,193,911                        |
| WQARF TRANSFERS  | 8,552,000                           | 8,552,000                        |
| <b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>               |                                     |                                  |
| OPERATING LUMP SUM APPROPRIATION                           | 4,037,200                           | 3,678,295                        |
| <b>FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF</b>     |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION          | 21,185                              | 21,185                           |
| DOCUMENT DIGITIZATION COSTS                                | 75,000                              | 2,002                            |
| OPERATING LUMP SUM APPROPRIATION                           | 388,400                             | 361,215                          |
| RETIREMENT PAYOUT  | 11,300                              | —                                |
| <b>GAME AND FISH DEPARTMENT, ARIZONA</b>                   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION          | 266,137                             | 266,137                          |
| ADMIN ADJUSTMENT WATERCRAFT GRANT PROGRAM                  | 109,640                             | 109,640                          |
| BUILDING RENEWAL   | 1,616,778                           | 1,234,878                        |

(Continued)



STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Dollars)

|  | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|-------------------------------------|----------------------------------|
| DAM MAINTENANCE  | 200,000                             | 50,000                           |
| HATCHERY MAINTENANCE CIP FUND                                  | 400,000                             | 398,206                          |
| OPERATING LUMP SUM APPROPRIATION                               | 40,921,100                          | 33,992,746                       |
| PITTMAN-ROBERTSON-DINGELL-JOHNSON ACT                          | 3,058,000                           | 3,058,000                        |
| PROPERTY MAINTENANCE   | 375,001                             | 322,787                          |
| SWEEPS   | 141,453                             | 141,453                          |
| <b>GAMING, DEPARTMENT OF</b>                                   |                                     |                                  |
| ADMIN ADJUSTMENT DIVISION OF RACING - LUMP SUM                 | 1,656                               | 1,656                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION              | 10,083                              | 10,083                           |
| ADMIN ADJUSTMENT PROBLEM GAMBLING                              | 64,828                              | 64,828                           |
| ARIZONA BREEDERS AWARD   | 250,000                             | 250,000                          |
| CASINO OPERATION CERTIFICATION                                 | 2,098,300                           | 2,093,533                        |
| DIVISION OF RACING - LUMP SUM                                  | 2,252,400                           | 1,592,416                        |
| OPERATING LUMP SUM APPROPRIATION                               | 9,161,100                           | 8,015,630                        |
| PROBLEM GAMBLING   | 2,292,200                           | 1,752,774                        |
| <b>HEALTH SERVICES, DEPARTMENT OF</b>                          |                                     |                                  |
| ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION   | 592,398                             | 592,398                          |
| ADMIN ADJUSTMENT FOLIC ACID                                    | 40,581                              | 40,581                           |
| ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES                  | 63,354                              | 63,354                           |
| ADMIN ADJUSTMENT HOMELESS PREGNANT WOMEN SERVICES              | 11,060                              | 11,060                           |
| ADMIN ADJUSTMENT NEWBORN SCREENING PROGRAM                     | 308,204                             | 308,204                          |
| ADMIN ADJUSTMENT RADIATION REGULATION                          | 18,816                              | 18,816                           |
| ADMIN ADJUSTMENT RENAL DENTAL CARE AND NUTRITION SUPPLEMENT    | 75,000                              | 75,000                           |
| ADMIN ADJUSTMENT STATE LOAN REPAYMENT PROGRAM                  | 60,018                              | 60,018                           |
| AGENCYWIDE OPERATING LUMP SUM APPROPRIATION                    | 22,210,100                          | 19,202,071                       |
| ALZHEIMER DISEASE RESEARCH                                     | 3,000,000                           | 3,000,000                        |
| ARIZONA STATE HOSPITAL - OPERATING                             | 310,000                             | 310,000                          |
| BIOMEDICAL RESEARCH SUPPORT                                    | 1,000,000                           | 498,750                          |
| EMERGENCY MEDICAL SERVICES LOCAL ALLOCATION                    | 442,000                             | 408,868                          |
| FOLIC ACID   | 400,000                             | 367,944                          |
| GENOMICS-BASED MEDICAL RESEARCH                                | 501,250                             | 498,750                          |
| HIGH RISK PERINATAL SERVICES                                   | 450,000                             | 406,679                          |
| HOMELESS PREGNANT WOMEN SERVICES                               | 100,000                             | 74,920                           |
| NEWBORN SCREENING PROGRAM                                      | 7,231,400                           | 6,749,475                        |
| NURSING CARE SPECIAL PROJECTS                                  | 100,000                             | 64,939                           |
| OPIOID ABUSE PREVENTION CAMPAIGN                               | 80,923                              | 56,095                           |
| RADIATION REGULATION   | 2,299,700                           | 2,263,201                        |
| RENAL DENTAL CARE AND NUTRITION SUPPLEMENT                     | 300,000                             | 150,000                          |
| STATE LOAN REPAYMENT PROGRAM                                   | 1,000,000                           | 911,132                          |
| <b>HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF</b> |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION              | 1,368                               | 1,368                            |
| OPERATING LUMP SUM APPROPRIATION                               | 46,100                              | 40,447                           |
| <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              | 424,959                             | 424,959                          |
| OPERATING LUMP SUM APPROPRIATION                               | 20,055,500                          | 19,188,414                       |
| RELIEF   | 3,553                               | 3,553                            |
| <b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>                     |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION              | 279,789                             | 279,789                          |
| OPERATING LUMP SUM APPROPRIATION                               | 531,500                             | 131,192                          |
| <b>LAND DEPARTMENT, STATE</b>                                  |                                     |                                  |
| NATURAL RESOURCE CONSERVATION DISTRICTS                        | 230,600                             | 122,473                          |

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Dollars)

|   | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|-------------------------------------|----------------------------------|
| NRC ED CENTERS  | 30,000                              | 28,224                           |
| <b>LEGISLATIVE COUNCIL</b>  |                                     |                                  |
| TELECOMMUNICATION FUND FOR THE DEAF   | 250,000                             | —                                |
| <b>MASSAGE THERAPY, BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 19,948                              | 19,948                           |
| OPERATING LUMP SUM APPROPRIATION  | 471,600                             | 465,857                          |
| <b>MEDICAL EXAMINERS BOARD</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 155,817                             | 155,817                          |
| MEDICAL BOARD LICENSURE COMPACT   | 50,000                              | —                                |
| OPERATING LUMP SUM APPROPRIATION  | 6,871,300                           | 6,532,326                        |
| PERFORMANCE BASED INCENTIVE PROGRAM   | 165,600                             | 159,042                          |
| SWEEPS  | 300,000                             | 300,000                          |
| <b>MINE INSPECTOR, STATE</b>  |                                     |                                  |
| ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION   | 680                                 | 680                              |
| AGGREGATE MINED LAND RECLAMATION  | 112,900                             | 22,854                           |
| <b>NATUROPATHIC PHYSICIANS MEDICAL BOARD</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 4,599                               | 4,599                            |
| OPERATING LUMP SUM APPROPRIATION  | 193,400                             | 154,317                          |
| <b>NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 76,109                              | 76,109                           |
| OPERATING LUMP SUM APPROPRIATION  | 200,000                             | 47,227                           |
| <b>NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF</b> |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 5,527                               | 5,527                            |
| OPERATING LUMP SUM APPROPRIATION  | 455,000                             | 427,961                          |
| <b>NURSING, STATE BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 25,889                              | 25,889                           |
| CERTIFIED NURSING PROGRAM   | 538,400                             | 499,363                          |
| OPERATING LUMP SUM APPROPRIATION  | 4,232,600                           | 4,130,995                        |
| <b>OCCUPATIONAL THERAPY EXAMINERS, BOARD OF</b>   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 7,843                               | 7,843                            |
| OPERATING LUMP SUM APPROPRIATION  | 199,000                             | 173,774                          |
| <b>OPTICIANS, STATE BOARD OF DISPENSING</b>   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 2,117                               | 2,117                            |
| OPERATING LUMP SUM APPROPRIATION  | 155,900                             | 140,020                          |
| <b>OPTOMETRY, STATE BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 3,610                               | 3,610                            |
| OPERATING LUMP SUM APPROPRIATION  | 240,700                             | 224,992                          |
| <b>OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 20,127                              | 20,127                           |
| OPERATING LUMP SUM APPROPRIATION  | 1,012,300                           | 930,322                          |
| <b>PARENTS COMMISSION ON DRUG EDUCATION AND PREVENTION, ARIZONA</b>   |                                     |                                  |
| PARENTS COMM ON MIDDLE AND HIGH SCHOOL PREVENTION EDUCATION   | 300,000                             | —                                |
| <b>PARKS BOARD, ARIZONA STATE</b>   |                                     |                                  |
| GREAT WESTERN TRAIL   | 692,100                             | —                                |
| SLIF BUCKSKIN MARINE FIRE EQUIPMENT   | 225,000                             | 225,000                          |
| <b>PHARMACY, ARIZONA STATE BOARD OF</b>   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION   | 22,396                              | 22,396                           |
| 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  | 2,615,300                           | 2,427,502                        |
| PRESCRIBER REPORT CARD  | 50,000                              | 50,000                           |

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STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Dollars)

|   | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|-------------------------------------|----------------------------------|
| <b>PHYSICAL THERAPY EXAMINERS, BOARD OF</b>                         |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 12,315                              | 12,315                           |
| OPERATING LUMP SUM APPROPRIATION                                    | 503,700                             | 438,286                          |
| <b>PODIATRY EXAMINERS, STATE BOARD OF</b>                           |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 5,427                               | 5,427                            |
| OPERATING LUMP SUM APPROPRIATION                                    | 168,100                             | 140,602                          |
| <b>POSTSECONDARY EDUCATION, COMMISSION FOR</b>                      |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 122                                 | 122                              |
| AZ MINORITY ED POLICY ANALYSIS CENTER                               | 42,401                              | 30,229                           |
| LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP                            | 1,098,700                           | 1,098,700                        |
| OPERATING LUMP SUM APPROPRIATION                                    | 186,400                             | 115,117                          |
| TWELVE PLUS PARTNERSHIP   | 29,262                              | 24,432                           |
| <b>PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR</b>             |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 8,312                               | 8,312                            |
| OPERATING LUMP SUM APPROPRIATION                                    | 423,300                             | 394,277                          |
| <b>PSYCHOLOGIST EXAMINERS, STATE BOARD OF</b>                       |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 10,266                              | 10,266                           |
| OPERATING LUMP SUM APPROPRIATION                                    | 516,100                             | 488,349                          |
| <b>PUBLIC SAFETY, DEPARTMENT OF</b>                                 |                                     |                                  |
| ACTIC   | 700,000                             | 634,183                          |
| ADMIN ADJUSTMENT ACTIC  | 2,041                               | 2,041                            |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 556,749                             | 556,749                          |
| ADMIN ADJUSTMENT PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE | 2,755                               | 2,755                            |
| ADMIN ADJUSTMENT PUBLIC SAFETY EQUIPMENT SURCHARGE                  | 2,213                               | 2,213                            |
| LOOP 2020 RADIO TOWER   | 309,000                             | 43,323                           |
| MICROWAVE COMMUNICATION SYSTEM UPGRADE                              | 1,212,645                           | 26,303                           |
| MOTOR VEHICLE FUEL  | 1,070,400                           | 1,070,400                        |
| OPERATING LUMP SUM APPROPRIATION                                    | 229,497,300                         | 221,330,993                      |
| PEACE OFFICER STANDARDS TRAINING BOARD ENFORCEMENT TRAINING         | 1,027,300                           | 1,027,300                        |
| PEACE OFFICER TRAINING EQUIPMENT                                    | 1,047,800                           | —                                |
| PEACE OFFICER TRAINING EQUIPMENT - OVERTIME PAY                     | 302,193                             | 302,193                          |
| PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL PURCHASE                 | 2,300,000                           | 593,365                          |
| PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE                  | 559,800                             | 317,239                          |
| PUBLIC SAFETY EQUIPMENT SURCHARGE                                   | 2,890,000                           | 2,848,374                        |
| REMOTE HOUSING REPLACEMENT  | 2,400,000                           | 2,400,000                        |
| SWEEPS  | 18,203,300                          | 18,203,300                       |
| <b>RESIDENTIAL UTILITY CONSUMER OFFICE</b>                          |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 4,739                               | 4,739                            |
| OPERATING LUMP SUM APPROPRIATION                                    | 1,203,600                           | 904,940                          |
| PROFESSIONAL WITNESSES  | 364,943                             | 154,423                          |
| <b>RESPIRATORY CARE EXAMINERS, BOARD OF</b>                         |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 9,403                               | 9,403                            |
| OPERATING LUMP SUM APPROPRIATION                                    | 322,600                             | 298,868                          |
| <b>REVENUE, DEPARTMENT OF</b>                                       |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 649                                 | 649                              |
| OPERATING LUMP SUM APPROPRIATION                                    | 681,500                             | 507,986                          |
| <b>SUPREME COURT</b>  |                                     |                                  |
| ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS                       | 12,120                              | 12,120                           |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                   | 158,873                             | 158,873                          |
| ADMIN ADJUSTMENT STATE AID  | 3,568                               | 3,568                            |
| ADULT INTENSIVE PROBATION   | 1,535,200                           | 889,065                          |
| ADULT STANDARD PROBATION  | 3,774,100                           | 3,406,621                        |
| AUTOMATION  | 13,226,000                          | 11,021,506                       |

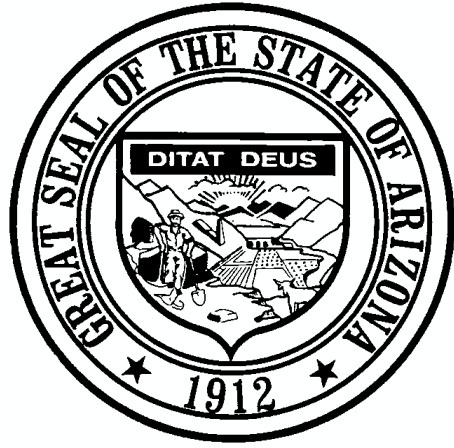
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STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Dollars)

|  | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|--|-------------------------------------|----------------------------------|
| CENTRALIZED SERVICE PAYMENTS   | 449,900                             | 77,747                           |
| COMMUNITY PUNISHMENT   | 2,310,300                           | 1,148,173                        |
| COURT APPOINTED SPECIAL ADVOCATE   | 3,520,700                           | 3,444,546                        |
| COURTHOUSE SECURITY  | 750,000                             | 738,238                          |
| INTERSTATE COMPACT   | 92,800                              | 85,720                           |
| JUVENILE CRIME REDUCTION   | 3,312,800                           | 1,251,747                        |
| JUVENILE STANDARD PROBATION  | 150,000                             | —                                |
| OPERATING LUMP SUM   | 348,100                             | 242,320                          |
| OPERATING LUMP SUM APPROPRIATION   | 3,143,200                           | 2,383,895                        |
| STATE AID  | 5,670,600                           | 3,912,095                        |
| <b>TECHNICAL REGISTRATION, STATE BOARD OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION  | 129,508                             | 129,508                          |
| OPERATING LUMP SUM APPROPRIATION   | 2,199,500                           | 1,861,971                        |
| <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  | 20,573                              | 20,573                           |
| OPERATING LUMP SUM APPROPRIATION   | 600,000                             | 452,641                          |
| <b>WATER RESOURCES, DEPARTMENT OF</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION  | 3,428                               | 3,428                            |
| ASSURED - ADEQUATE WATER SUPPLY ADMIN  | 268,600                             | 266,730                          |
| LOWER COLORADO RIVER LITIGATION EXPENSES   | 1,280,845                           | 133,151                          |
| OPERATING LUMP SUM APPROPRIATION   | 1,675,900                           | 1,283,618                        |
| <b>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES<br/>BEFORE ADJUSTMENTS</b>   | 2,170,034,470                       | 1,275,012,728                    |
| <b>Less:</b>   |                                     |                                  |
| Department of Education's appropriations for Basic State Aid Entitlement, School Safety Program,<br>Operating Lump Sum Appropriation - Admin, Classroom Site Fund, and Instructional Improvement<br>Fund that were duplicate expenditure authorizations. | (743,292,100)                       | —                                |
| <b>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES<br/>AFTER ADJUSTMENTS</b>  | \$ 1,426,742,370                    | \$ 1,275,012,728                 |

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 LAND ENDOWMENTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Dollars)

|   | FINAL<br>BUDGET<br>(Appropriations) | ACTUAL<br>EXPENDITURE<br>AMOUNTS |
|---|-------------------------------------|----------------------------------|
| <b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>                          |                                     |                                  |
| CAPITOL MALL AIR HANDLER UNITS  | \$ 1,000,000                        | \$ 155,110                       |
| CAPITOL MALL ELEVATOR REPLACEMENT                                     | 4,100,000                           | 1,438,863                        |
| <b>CORRECTIONS, REHABILITATION &amp; REENTRY, STATE DEPARTMENT OF</b> |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 28,797                              | 28,797                           |
| INMATE HEALTH CARE CONTRACTED SERVICES                                | 1,500,000                           | 1,500,000                        |
| OPERATING LUMP SUM APPROPRIATION                                      | 1,879,600                           | 1,586,542                        |
| 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                      | 761,421                             | 761,421                          |
| ADMIN ADJUSTMENT PRESCHOOL-OUTREACH PROGRAMS                          | 206,276                             | 206,276                          |
| PHOENIX DAY SCHOOL FOR THE DEAF                                       | 5,766,748                           | 5,704,663                        |
| PRESCHOOL-OUTREACH PROGRAMS   | 2,882,339                           | 2,626,690                        |
| TUCSON CAMPUS   | 4,772,613                           | 4,735,340                        |
| <b>EDUCATION, DEPARTMENT OF</b>                                       |                                     |                                  |
| ADMIN ADJUSTMENT BASIC STATE AID SUPPLEMENTAL APPROPRIATION           | 6,833,400                           | 6,833,400                        |
| BASIC STATE AID ENTITLEMENT   | 290,489,100                         | 290,489,100                      |
| <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                   | 282                                 | 282                              |
| ARIZONA STATE HOSPITAL - OPERATING                                    | 650,000                             | 575,069                          |
| <b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>                            |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 100,424                             | 100,424                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 4,012,400                           | 2,491,238                        |
| <b>LAND DEPARTMENT, STATE</b>   |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 145,834                             | 145,834                          |
| FIRE SUPPRESSION  | 800,000                             | 800,000                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 6,481,700                           | 5,719,342                        |
| <b>PIONEERS' HOME, ARIZONA</b>  |                                     |                                  |
| ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION                     | 129,892                             | 129,892                          |
| ADMIN ADJUSTMENT PRESCRIPTION DRUGS                                   | 11,984                              | 11,984                           |
| CAPITAL IMPROVEMENTS  | 414,000                             | 414,000                          |
| OPERATING LUMP SUM APPROPRIATION                                      | 6,452,200                           | 6,401,692                        |
| PRESCRIPTION DRUGS  | 122,000                             | 115,071                          |
| <b>TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES</b>             | <b>\$ 342,103,510</b>               | <b>\$ 335,533,530</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.

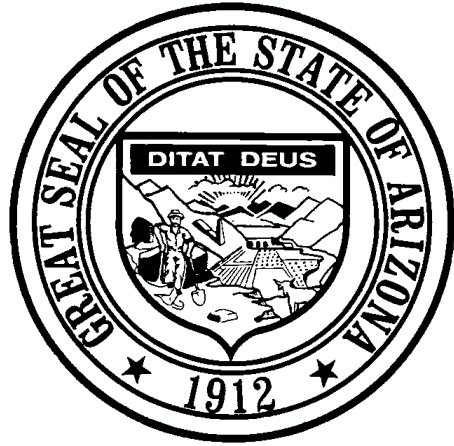
STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR DEBT SERVICE FUNDS  
JUNE 30, 2020  
(Expressed in Thousands)

|   | LOTTERY         | DEPARTMENT OF<br>TRANSPORTATION | DEPARTMENT OF<br>ADMINISTRATION<br>DEBT<br>INSTRUMENT | SCHOOL<br>FACILITIES<br>DEBT<br>INSTRUMENT | TOTAL            |
|---|-----------------|---------------------------------|---|--|------------------|
| <b>ASSETS</b>                                       |                 |                                 |   |  |                  |
| Cash and pooled investments<br>with State Treasurer | \$ 3,778        | \$ —                            | \$ 3,000  | \$ 9,320                                   | \$ 16,098        |
| Restricted assets:                                  |                 |                                 |   |  |                  |
| Cash and pooled investments<br>with State Treasurer | —               | 183                             | 6,020   | —  | 6,203            |
| Cash held by trustee                                | —               | —                               | 7,898   | 41,589                                     | 49,487           |
| Total Assets  | <u>\$ 3,778</u> | <u>\$ 183</u>                   | <u>\$ 16,918</u>                                      | <u>\$ 50,909</u>                           | <u>\$ 71,788</u> |
| <b>FUND BALANCES</b>                                |                 |                                 |   |  |                  |
| Fund Balances:                                      |                 |                                 |   |  |                  |
| Restricted  | <u>\$ 3,778</u> | <u>\$ 183</u>                   | <u>\$ 16,918</u>                                      | <u>\$ 50,909</u>                           | <u>\$ 71,788</u> |
| Total Fund Balances                                 | <u>\$ 3,778</u> | <u>\$ 183</u>                   | <u>\$ 16,918</u>                                      | <u>\$ 50,909</u>                           | <u>\$ 71,788</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, 2020  
(Expressed in Thousands)

|   | LOTTERY   | DEPARTMENT OF<br>TRANSPORTATION | DEPARTMENT OF<br>ADMINISTRATION<br>DEBT<br>INSTRUMENT | SCHOOL<br>FACILITIES<br>DEBT<br>INSTRUMENT | TOTAL     |
|---|-----------|---------------------------------|---|--|-----------|
| <b>REVENUES</b>   |           |                                 |   |  |           |
| Sales taxes   | \$ —      | \$ —                            | \$ —  | \$ 64,125                                  | \$ 64,125 |
| Earnings on investments   | —         | 2,054                           | 284   | 67   | 2,405     |
| Other   | —         | —                               | 20  | —  | 20        |
| Total Revenues  | —         | 2,054                           | 304   | 64,192                                     | 66,550    |
| <b>EXPENDITURES</b>   |           |                                 |   |  |           |
| Current:  |           |                                 |   |  |           |
| General government  | 70        | —                               | 4,242   | —  | 4,312     |
| Debt service:   |           |                                 |   |  |           |
| Principal   | 24,209    | 214,765                         | 86,580  | 62,865                                     | 388,419   |
| Interest and other fiscal charges                                 | 11,541    | 104,235                         | 40,366  | 1,259                                      | 157,401   |
| Total Expenditures  | 35,820    | 319,000                         | 131,188   | 64,124                                     | 550,132   |
| Excess (Deficiency) of Revenues<br>Over Expenditures              | (35,820)  | (316,946)                       | (130,884)   | 68   | (483,582) |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |           |                                 |   |  |           |
| Transfers in  | 34,609    | 314,255                         | 130,082   | 5,029                                      | 483,975   |
| Refunding bonds issued  | 246,355   | 510,275                         | —   | —  | 756,630   |
| Refunding certificates of participation<br>issued                 | —         | —                               | 425,005   | —  | 425,005   |
| Payment to refunded bond escrow agent                             | (273,994) | (508,278)                       | —   | —  | (782,272) |
| Payment to refunded certificates of<br>participation escrow agent | —         | —                               | (480,097)   | —  | (480,097) |
| Premium on debt issued  | 28,877    | —                               | 59,203  | —  | 88,080    |
| Total Other Financing<br>Sources (Uses)                           | 35,847    | 316,252                         | 134,193   | 5,029                                      | 491,321   |
| Net Change in Fund Balances                                       | 27        | (694)                           | 3,309   | 5,097                                      | 7,739     |
| Fund Balances - Beginning   | 3,751     | 877                             | 13,609  | 45,812                                     | 64,049    |
| Fund Balances - Ending  | \$ 3,778  | \$ 183                          | \$ 16,918   | \$ 50,909                                  | \$ 71,788 |



# **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, 2020  
(Expressed in Thousands)

DEPARTMENT OF  
TRANSPORTATION  
FINANCED

**ASSETS**

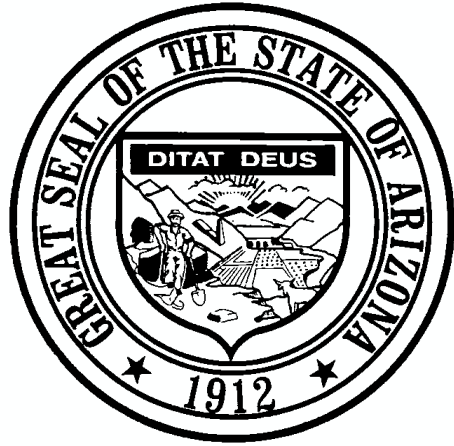
|   |    |        |
|---|----|--------|
| Restricted assets:                                  |    |        |
| Cash and pooled investments<br>with State Treasurer | \$ | 11,218 |
| Total Assets  | \$ | 11,218 |

**LIABILITIES AND FUND BALANCES**

|   |    |        |
|---|----|--------|
| Liabilities:                                      |    |        |
| Accounts payable and other current<br>liabilities | \$ | 4,852  |
| Accrued liabilities                               |    | 21     |
| Total Liabilities                                 |    | 4,873  |
| Fund Balances:                                    |    |        |
| Restricted  | \$ | 6,345  |
| Total Fund Balances                               |    | 6,345  |
| Total Liabilities and Fund Balances               | \$ | 11,218 |

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|                             | DEPARTMENT OF<br>TRANSPORTATION<br>FINANCED |
|-----------------------------|---|
| <b>REVENUES</b>             |   |
| Earnings on investments     | \$ 546                                      |
| Total Revenues              | <u>546</u>                                  |
| <b>EXPENDITURES</b>         |   |
| Current:                    |   |
| Transportation              | 32,170                                      |
| Capital outlay              | 16,389                                      |
| Total Expenditures          | <u>48,559</u>                               |
| (Deficiency) of Revenues    |   |
| Over Expenditures           | <u>(48,013)</u>                             |
| Net Change in Fund Balances | (48,013)                                    |
| Fund Balances - Beginning   | <u>54,358</u>                               |
| Fund Balances - Ending      | <u>\$ 6,345</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 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, Rehabilitation & Reentry) 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 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, and the Tonto Natural Bridge Publications and Souvenirs Revolving Fund.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2020  
(Expressed in Thousands)

|   | LOTTERY          | ARIZONA<br>CORRECTIONAL<br>INDUSTRIES | COLISEUM &<br>EXPOSITION<br>CENTER | INDUSTRIAL<br>COMMISSION<br>SPECIAL FUND |
|---|------------------|---------------------------------------|------------------------------------|--|
| <b>ASSETS</b>   |                  |                                       |                                    |  |
| Current Assets:   |                  |                                       |                                    |  |
| Cash  | \$ —             | \$ 82                                 | \$ 60                              | \$ 38,946                                |
| Cash and pooled investments with<br>State Treasurer                             | 57,531           | 12,332                                | 4,509                              | 343                                      |
| Receivables, net of allowances:   |                  |                                       |                                    |  |
| Interest  | —                | —                                     | —                                  | 1,049                                    |
| Other   | 25,262           | 4,175                                 | 10                                 | 4,370                                    |
| Inventories, at cost  | 5,329            | 4,273                                 | —                                  | —  |
| Other current assets  | 3,848            | 298                                   | —                                  | —  |
| Total Current Assets  | <u>91,970</u>    | <u>21,160</u>                         | <u>4,579</u>                       | <u>44,708</u>                            |
| Noncurrent Assets:  |                  |                                       |                                    |  |
| Investments   | —                | —                                     | —                                  | 298,911                                  |
| Net OPEB asset  | —                | 14                                    | 5                                  | —  |
| Other noncurrent assets   | 10,486           | —                                     | —                                  | —  |
| Capital assets:   |                  |                                       |                                    |  |
| Land and other non-depreciable  | 938              | 1,328                                 | 70                                 | 2,988                                    |
| Buildings, equipment, and other depreciable,<br>net of accumulated depreciation | 20,030           | 6,472                                 | 5,437                              | 1,860                                    |
| Total Noncurrent Assets   | <u>31,454</u>    | <u>7,814</u>                          | <u>5,512</u>                       | <u>303,759</u>                           |
| Total Assets  | <u>123,424</u>   | <u>28,974</u>                         | <u>10,091</u>                      | <u>348,467</u>                           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                  |                                       |                                    |  |
| Related to pensions   | 788              | 823                                   | 373                                | —  |
| Related to OPEB   | 556              | 956                                   | 341                                | —  |
| Total Deferred Outflows of Resources  | <u>1,344</u>     | <u>1,779</u>                          | <u>714</u>                         | <u>—</u>                                 |
| <b>LIABILITIES</b>  |                  |                                       |                                    |  |
| Current Liabilities:  |                  |                                       |                                    |  |
| Accounts payable and other current liabilities                                  | \$ 6,036         | \$ 2,286                              | \$ 131                             | \$ 1,263                                 |
| Payable for securities purchased  | —                | —                                     | —                                  | 2,675                                    |
| Accrued liabilities   | —                | 719                                   | 104                                | —  |
| Due to others   | 59,706           | —                                     | —                                  | —  |
| Due to other funds  | 29,610           | —                                     | —                                  | —  |
| Current portion of accrued insurance losses                                     | —                | —                                     | —                                  | 11,462                                   |
| Current portion of other long-term liabilities                                  | 385              | 744                                   | 166                                | —  |
| Total Current Liabilities   | <u>95,737</u>    | <u>3,749</u>                          | <u>401</u>                         | <u>15,400</u>                            |
| Noncurrent Liabilities:   |                  |                                       |                                    |  |
| Accrued insurance losses  | —                | —                                     | —                                  | 221,868                                  |
| Net pension liability   | 5,655            | 7,204                                 | 2,848                              | —  |
| Net OPEB liability  | 1,782            | 3,926                                 | 777                                | —  |
| Total Noncurrent Liabilities  | <u>7,437</u>     | <u>11,130</u>                         | <u>3,625</u>                       | <u>221,868</u>                           |
| Total Liabilities   | <u>103,174</u>   | <u>14,879</u>                         | <u>4,026</u>                       | <u>237,268</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                  |                                       |                                    |  |
| Related to pensions   | 407              | 626                                   | 304                                | —  |
| Related to OPEB   | 219              | 710                                   | 99                                 | —  |
| Total Deferred Inflows of Resources   | <u>626</u>       | <u>1,336</u>                          | <u>403</u>                         | <u>—</u>                                 |
| <b>NET POSITION</b>   |                  |                                       |                                    |  |
| Net investment in capital assets  | 20,968           | 7,800                                 | 5,507                              | 4,848                                    |
| Restricted for:   |                  |                                       |                                    |  |
| Other   | —                | —                                     | —                                  | 20,241                                   |
| Unrestricted  | —                | 6,738                                 | 869                                | 86,110                                   |
| Total Net Position  | <u>\$ 20,968</u> | <u>\$ 14,538</u>                      | <u>\$ 6,376</u>                    | <u>\$ 111,199</u>                        |



| HIGHWAY<br>EXPANSION<br>& EXTENSION<br>LOAN PROGRAM |              |    | OTHER         | TOTAL             |
|---|--------------|----|---------------|-------------------|
| \$  | —            | \$ | —             | \$ 39,088         |
|   | 1,218        |    | 24,769        | 100,702           |
|   | —            |    | —             | 1,049             |
|   | —            |    | 3,313         | 37,130            |
|   | —            |    | —             | 9,602             |
|   | —            |    | —             | 4,146             |
|   | <u>1,218</u> |    | <u>28,082</u> | <u>191,717</u>    |
|   | —            |    | —             | 298,911           |
|   | —            |    | 36            | 55                |
|   | —            |    | —             | 10,486            |
|   | —            |    | 4,368         | 9,692             |
|   | —            |    | 5,510         | 39,309            |
|   | —            |    | 9,914         | 358,453           |
|   | <u>1,218</u> |    | <u>37,996</u> | <u>550,170</u>    |
|   | —            |    | 2,903         | 4,887             |
|   | —            |    | 1,408         | 3,261             |
|   | —            |    | 4,311         | 8,148             |
| \$  | —            | \$ | 1,081         | \$ 10,797         |
|   | —            |    | —             | 2,675             |
|   | —            |    | 830           | 1,653             |
|   | —            |    | —             | 59,706            |
|   | —            |    | —             | 29,610            |
|   | —            |    | —             | 11,462            |
|   | —            |    | 679           | 1,974             |
|   | —            |    | 2,590         | 117,877           |
|   | —            |    | —             | 221,868           |
|   | —            |    | 18,798        | 34,505            |
|   | —            |    | 6,082         | 12,567            |
|   | —            |    | 24,880        | 268,940           |
|   | —            |    | 27,470        | 386,817           |
|   | —            |    | 1,372         | 2,709             |
|   | —            |    | 955           | 1,983             |
|   | —            |    | 2,327         | 4,692             |
|   | —            |    | 9,878         | 49,001            |
|   | —            |    | —             | 20,241            |
|   | <u>1,218</u> |    | <u>2,632</u>  | <u>97,567</u>     |
| \$  | <u>1,218</u> | \$ | <u>12,510</u> | \$ <u>166,809</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, 2020  
(Expressed in Thousands)

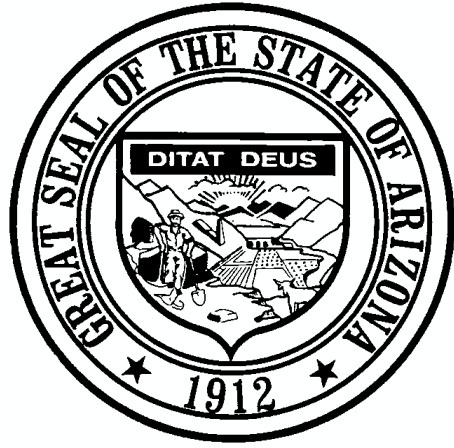
|   | LOTTERY          | ARIZONA<br>CORRECTIONAL<br>INDUSTRIES | COLISEUM &<br>EXPOSITION<br>CENTER | INDUSTRIAL<br>COMMISSION<br>SPECIAL FUND |
|---|------------------|---------------------------------------|------------------------------------|--|
| <b>OPERATING REVENUES</b>                   |                  |                                       |                                    |  |
| Sales and charges for services              | \$ 1,097,448     | \$ 46,303                             | \$ 14,891                          | \$ —                                     |
| Settlement income                           | —                | —                                     | —                                  | 14,644                                   |
| Other                                       | 310              | —                                     | 208                                | —  |
| Total Operating Revenues                    | <u>1,097,758</u> | <u>46,303</u>                         | <u>15,099</u>                      | <u>14,644</u>                            |
| <b>OPERATING EXPENSES</b>                   |                  |                                       |                                    |  |
| Cost of sales and benefits                  | 839,563          | 33,024                                | 952                                | 11,660                                   |
| Personal services                           | 6,644            | 6,427                                 | 4,764                              | —  |
| Contractual services                        | 14,318           | —                                     | 277                                | —  |
| Depreciation and amortization               | 3,177            | 1,432                                 | 569                                | 314                                      |
| Insurance                                   | 39               | —                                     | 295                                | —  |
| Other                                       | 2,899            | —                                     | 6,022                              | —  |
| Total Operating Expenses                    | <u>866,640</u>   | <u>40,883</u>                         | <u>12,879</u>                      | <u>11,974</u>                            |
| Operating Income                            | <u>231,118</u>   | <u>5,420</u>                          | <u>2,220</u>                       | <u>2,670</u>                             |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>    |                  |                                       |                                    |  |
| Gifts and donations                         | —                | —                                     | 10                                 | —  |
| Gain on sale of capital assets              | —                | 19                                    | —                                  | 79                                       |
| Investment income                           | 636              | 102                                   | 22                                 | 3,349                                    |
| Other non-operating revenue                 | —                | —                                     | —                                  | 2,386                                    |
| Distributions                               | (14,973)         | —                                     | —                                  | —  |
| Other non-operating expense                 | —                | —                                     | —                                  | (3,238)                                  |
| Total Non-Operating Revenues (Expenses)     | <u>(14,337)</u>  | <u>121</u>                            | <u>32</u>                          | <u>2,576</u>                             |
| Income Before Transfers                     | 216,781          | 5,541                                 | 2,252                              | 5,246                                    |
| Transfers in                                | —                | 3,767                                 | —                                  | —  |
| Transfers out                               | <u>(211,171)</u> | <u>(9,280)</u>                        | <u>(1,661)</u>                     | <u>—</u>                                 |
| Change in Net Position                      | 5,610            | 28                                    | 591                                | 5,246                                    |
| Total Net Position - Beginning, as restated | <u>15,358</u>    | <u>14,510</u>                         | <u>5,785</u>                       | <u>105,953</u>                           |
| Total Net Position - Ending                 | <u>\$ 20,968</u> | <u>\$ 14,538</u>                      | <u>\$ 6,376</u>                    | <u>\$ 111,199</u>                        |

| HIGHWAY<br>EXPANSION<br>& EXTENSION<br>LOAN PROGRAM |       |    | OTHER  | TOTAL        |
|---|-------|----|--------|--------------|
| \$  | —     | \$ | 38,390 | \$ 1,197,032 |
|   | —     |    | —      | 14,644       |
|   | —     |    | 1,711  | 2,229        |
|   | —     |    | 40,101 | 1,213,905    |
|   | —     |    | 30     | 885,229      |
|   | —     |    | 23,085 | 40,920       |
|   | —     |    | 8,030  | 22,625       |
|   | —     |    | 369    | 5,861        |
|   | —     |    | 281    | 615          |
|   | —     |    | 5,710  | 14,631       |
|   | —     |    | 37,505 | 969,881      |
|   | —     |    | 2,596  | 244,024      |
|   | —     |    | —      | 10           |
|   | —     |    | —      | 98           |
|   | 22    |    | 286    | 4,417        |
|   | —     |    | —      | 2,386        |
|   | —     |    | —      | (14,973)     |
|   | —     |    | —      | (3,238)      |
|   | 22    |    | 286    | (11,300)     |
|   | 22    |    | 2,882  | 232,724      |
|   | —     |    | —      | 3,767        |
|   | —     |    | —      | (222,112)    |
|   | 22    |    | 2,882  | 14,379       |
|   | 1,196 |    | 9,628  | 152,430      |
| \$  | 1,218 | \$ | 12,510 | \$ 166,809   |

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | LOTTERY           | ARIZONA<br>CORRECTIONAL<br>INDUSTRIES | COLISEUM &<br>EXPOSITION<br>CENTER | INDUSTRIAL<br>COMMISSION<br>SPECIAL FUND |
|---|-------------------|---------------------------------------|------------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                                       |                                    |  |
| Receipts from customers   | \$ 712,249        | \$ 47,961                             | \$ 14,889                          | \$ —                                     |
| Receipts from settlement income   | —                 | —                                     | —                                  | 10,340                                   |
| Payments to suppliers, prize winners, claimants,<br>or insurance companies                                | (497,737)         | (14,858)                              | (8,475)                            | (11,625)                                 |
| Payments to employees   | (6,260)           | (24,455)                              | (4,689)                            | —  |
| Other receipts  | —                 | —                                     | 218                                | 2,382                                    |
| Net Cash Provided by Operating Activities   | <u>208,252</u>    | <u>8,648</u>                          | <u>1,943</u>                       | <u>1,097</u>                             |
| <b>CASH FLOWS FROM NON-CAPITAL<br/>FINANCING ACTIVITIES</b>   |                   |                                       |                                    |  |
| Transfers from other Funds  | —                 | 3,767                                 | —                                  | —  |
| Distributions   | (14,973)          | —                                     | —                                  | —  |
| Transfers to other funds  | (223,875)         | (9,280)                               | (1,661)                            | —  |
| Net Cash (Used) by Non-capital Financing Activities   | <u>(238,848)</u>  | <u>(5,513)</u>                        | <u>(1,661)</u>                     | <u>—</u>                                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                       |                   |                                       |                                    |  |
| Proceeds from sale of capital assets  | —                 | 23                                    | —                                  | —  |
| Acquisition and construction of capital assets  | (8,787)           | (1,685)                               | (1,579)                            | —  |
| Net Cash (Used) by Capital and Related Financing Activities   | <u>(8,787)</u>    | <u>(1,662)</u>                        | <u>(1,579)</u>                     | <u>—</u>                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                                       |                                    |  |
| Proceeds from sales and maturities of investments   | —                 | —                                     | —                                  | 142,096                                  |
| Interest and dividends from investments   | 608               | 101                                   | 22                                 | 7,410                                    |
| Purchase of investments   | —                 | —                                     | —                                  | (150,638)                                |
| Net Cash Provided (Used) by Investing Activities  | <u>608</u>        | <u>101</u>                            | <u>22</u>                          | <u>(1,132)</u>                           |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (38,775)          | 1,574                                 | (1,275)                            | (35)                                     |
| Cash and Cash Equivalents - Beginning, as restated  | 96,306            | 10,840                                | 5,844                              | 39,324                                   |
| Cash and Cash Equivalents - Ending  | <u>\$ 57,531</u>  | <u>\$ 12,414</u>                      | <u>\$ 4,569</u>                    | <u>\$ 39,289</u>                         |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH PROVIDED BY<br/>OPERATING ACTIVITIES</b>            |                   |                                       |                                    |  |
| Operating income  | \$ 231,118        | \$ 5,420                              | \$ 2,220                           | \$ 2,670                                 |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities                 |                   |                                       |                                    |  |
| Depreciation and amortization   | 3,177             | 1,432                                 | 569                                | 314                                      |
| Provision for uncollectible accounts  | —                 | 221                                   | —                                  | —  |
| Miscellaneous income  | —                 | —                                     | 10                                 | 115                                      |
| Net changes in assets, deferred outflows of resources,<br>liabilities, and deferred inflows of resources: |                   |                                       |                                    |  |
| (Increase) decrease in receivables, net of allowances   | (16,629)          | 1,367                                 | (2)                                | (4,307)                                  |
| Decrease in inventories, at cost  | 1,167             | 609                                   | —                                  | —  |
| (Increase) decrease in other assets   | 239               | (227)                                 | —                                  | —  |
| Decrease in net OPEB asset  | —                 | 5                                     | 2                                  | —  |
| (Increase) decrease in deferred pension<br>outflows of resources  | 352               | 250                                   | 169                                | —  |
| (Increase) in deferred OPEB outflows of resources   | (523)             | (792)                                 | (301)                              | —  |
| Increase (decrease) in accounts payable   | (3,318)           | (760)                                 | (929)                              | 11                                       |
| Increase (decrease) in accrued liabilities  | (7,856)           | 1                                     | (2)                                | —  |
| Increase in unearned revenue  | —                 | 12                                    | —                                  | —  |
| Increase in accrued insurance losses  | —                 | —                                     | —                                  | 2,294                                    |
| Increase (decrease) in net pension liability  | 158               | 27                                    | (43)                               | —  |
| Increase in net OPEB liability  | 723               | 1,256                                 | 398                                | —  |
| Increase (decrease) in other liabilities  | —                 | 101                                   | (6)                                | —  |
| (Decrease) in deferred pension inflows of resources   | (308)             | (282)                                 | (115)                              | —  |
| Increase (decrease) in deferred OPEB<br>inflows of resources  | (48)              | 8                                     | (27)                               | —  |
| Net Cash Provided by Operating Activities   | <u>\$ 208,252</u> | <u>\$ 8,648</u>                       | <u>\$ 1,943</u>                    | <u>\$ 1,097</u>                          |
| <b>SCHEDULE OF NONCASH INVESTING, CAPITAL<br/>AND NON-CAPITAL FINANCING ACTIVITIES</b>                    |                   |                                       |                                    |  |
| Decrease in fair value of investments   | \$ —              | \$ —                                  | \$ —                               | \$ (4,875)                               |
| Total Noncash Investing, Capital and Non-capital<br>Financing Activities                                  | <u>\$ —</u>       | <u>\$ —</u>                           | <u>\$ —</u>                        | <u>\$ (4,875)</u>                        |

| HIGHWAY<br>EXPANSION<br>& EXTENSION<br>LOAN PROGRAM |       |    | OTHER    | TOTAL      |
|---|-------|----|----------|------------|
| \$  | —     | \$ | 38,431   | \$ 813,530 |
|   | —     |    | —        | 10,340     |
|   | —     |    | (14,095) | (546,790)  |
|   | —     |    | (21,169) | (56,573)   |
|   | —     |    | 1,711    | 4,311      |
|   | —     |    | 4,878    | 224,818    |
|   | —     |    | —        | 3,767      |
|   | —     |    | —        | (14,973)   |
|   | —     |    | —        | (234,816)  |
|   | —     |    | —        | (246,022)  |
|   | —     |    | —        | 23         |
|   | —     |    | (1,514)  | (13,565)   |
|   | —     |    | (1,514)  | (13,542)   |
|   | —     |    | —        | 142,096    |
|   | 22    |    | 286      | 8,449      |
|   | —     |    | —        | (150,638)  |
|   | 22    |    | 286      | (93)       |
|   | 22    |    | 3,650    | (34,839)   |
|   | 1,196 |    | 21,119   | 174,629    |
| \$  | 1,218 | \$ | 24,769   | \$ 139,790 |
| \$  | —     | \$ | 2,596    | \$ 244,024 |
|   | —     |    | 369      | 5,861      |
|   | —     |    | —        | 221        |
|   | —     |    | —        | 125        |
|   | —     |    | 41       | (19,530)   |
|   | —     |    | —        | 1,776      |
|   | —     |    | —        | 12         |
|   | —     |    | 6        | 13         |
|   | —     |    | (516)    | 255        |
|   | —     |    | (1,092)  | (2,708)    |
|   | —     |    | (44)     | (5,040)    |
|   | —     |    | (3)      | (7,860)    |
|   | —     |    | —        | 12         |
|   | —     |    | —        | 2,294      |
|   | —     |    | 2,804    | 2,946      |
|   | —     |    | 1,896    | 4,273      |
|   | —     |    | 78       | 173        |
|   | —     |    | (1,078)  | (1,783)    |
|   | —     |    | (179)    | (246)      |
| \$  | —     | \$ | 4,878    | \$ 224,818 |
| \$  | —     | \$ | —        | \$ (4,875) |
| \$  | —     | \$ | —        | \$ (4,875) |



## 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, 2020  
(Expressed in Thousands)

|  | RISK<br>MANAGEMENT  | TRANSPORTATION<br>EQUIPMENT | HEALTH<br>INSURANCE<br>TRUST | TELE-<br>COMMUNICATION |
|--|---------------------|-----------------------------|------------------------------|------------------------|
| <b>ASSETS</b>  |                     |                             |                              |                        |
| Current Assets:  |                     |                             |                              |                        |
| Cash and pooled investments with State Treasurer                             | \$ 86,299           | \$ 6,481                    | \$ 82,241                    | \$ 1,204               |
| Receivables, net of allowances:  |                     |                             |                              |                        |
| Other  | 38                  | 1,382                       | 17,339                       | 292                    |
| Due from other funds   | —                   | —                           | —                            | —                      |
| Inventories, at cost   | —                   | 1,818                       | —                            | —                      |
| Other current assets   | 4,577               | —                           | 11,629                       | —                      |
| Total Current Assets   | <u>90,914</u>       | <u>9,681</u>                | <u>111,209</u>               | <u>1,496</u>           |
| Noncurrent Assets:   |                     |                             |                              |                        |
| Net OPEB asset   | 24                  | —                           | 5                            | 2                      |
| Capital assets:  |                     |                             |                              |                        |
| Buildings, equipment, and other depreciable, net of accumulated depreciation | 37                  | 67,693                      | 111                          | 28                     |
| Total Noncurrent Assets  | <u>61</u>           | <u>67,693</u>               | <u>116</u>                   | <u>30</u>              |
| Total Assets   | <u>90,975</u>       | <u>77,374</u>               | <u>111,325</u>               | <u>1,526</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                     |                             |                              |                        |
| Related to pensions  | 1,483               | 1,196                       | 260                          | 79                     |
| Related to OPEB  | 658                 | 868                         | 156                          | 55                     |
| Total Deferred Outflows of Resources   | <u>2,141</u>        | <u>2,064</u>                | <u>416</u>                   | <u>134</u>             |
| <b>LIABILITIES</b>   |                     |                             |                              |                        |
| Current Liabilities:   |                     |                             |                              |                        |
| Accounts payable and other current liabilities                               | 2,627               | 464                         | 22,022                       | 56                     |
| Accrued liabilities  | 463                 | 665                         | 115                          | 37                     |
| Due to U.S. Government   | 4,833               | —                           | —                            | —                      |
| Due to other funds   | —                   | 712                         | —                            | —                      |
| Current portion of accrued insurance losses                                  | 69,011              | —                           | 76,944                       | —                      |
| Current portion of other long-term liabilities                               | 664                 | 730                         | 190                          | 62                     |
| Total Current Liabilities  | <u>77,598</u>       | <u>2,571</u>                | <u>99,271</u>                | <u>155</u>             |
| Noncurrent Liabilities:  |                     |                             |                              |                        |
| Accrued insurance losses   | 364,472             | —                           | —                            | —                      |
| Net pension liability  | 12,446              | 12,334                      | 2,432                        | 940                    |
| Net OPEB liability   | 2,696               | 3,719                       | 658                          | 238                    |
| Other long-term liabilities  | —                   | —                           | —                            | —                      |
| Total Noncurrent Liabilities   | <u>379,614</u>      | <u>16,053</u>               | <u>3,090</u>                 | <u>1,178</u>           |
| Total Liabilities  | <u>457,212</u>      | <u>18,624</u>               | <u>102,361</u>               | <u>1,333</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                             |                              |                        |
| Related to pensions  | 1,439               | 1,555                       | 316                          | 122                    |
| Related to OPEB  | 443                 | 1,347                       | 105                          | 39                     |
| Total Deferred Inflows of Resources  | <u>1,882</u>        | <u>2,902</u>                | <u>421</u>                   | <u>161</u>             |
| <b>NET POSITION</b>  |                     |                             |                              |                        |
| Net investment in capital assets   | 37                  | 67,693                      | 111                          | 28                     |
| Unrestricted (deficit)   | (366,015)           | (9,781)                     | 8,848                        | 138                    |
| Total Net Position   | <u>\$ (365,978)</u> | <u>\$ 57,912</u>            | <u>\$ 8,959</u>              | <u>\$ 166</u>          |



| AUTOMATION<br>OPERATIONS | RETIREE<br>ACCUMULATED<br>SICK LEAVE | MOTOR<br>POOL    | OTHER            | TOTAL               |
|--------------------------|--------------------------------------|------------------|------------------|---------------------|
| \$ 9,786                 | \$ 5,412                             | \$ 1,981         | \$ 35,579        | \$ 228,983          |
| 1,011                    | —                                    | 427              | 93               | 20,582              |
| 3,586                    | —                                    | 123              | 4                | 3,713               |
| —                        | —                                    | —                | 161              | 1,979               |
| 797                      | —                                    | —                | —                | 17,003              |
| <u>15,180</u>            | <u>5,412</u>                         | <u>2,531</u>     | <u>35,837</u>    | <u>272,260</u>      |
| 9                        | —                                    | 1                | 23               | 64                  |
| 1,209                    | —                                    | 12,200           | 383              | 81,661              |
| <u>1,218</u>             | <u>—</u>                             | <u>12,201</u>    | <u>406</u>       | <u>81,725</u>       |
| <u>16,398</u>            | <u>5,412</u>                         | <u>14,732</u>    | <u>36,243</u>    | <u>353,985</u>      |
| 465                      | 9                                    | 26               | 1,346            | 4,864               |
| 272                      | 6                                    | 26               | 636              | 2,677               |
| <u>737</u>               | <u>15</u>                            | <u>52</u>        | <u>1,982</u>     | <u>7,541</u>        |
| 1,344                    | —                                    | 489              | 1,274            | 28,276              |
| 215                      | —                                    | 8                | 544              | 2,047               |
| —                        | —                                    | —                | —                | 4,833               |
| —                        | —                                    | —                | —                | 712                 |
| —                        | —                                    | —                | —                | 145,955             |
| 370                      | 10,506                               | 13               | 921              | 13,456              |
| <u>1,929</u>             | <u>10,506</u>                        | <u>510</u>       | <u>2,739</u>     | <u>195,279</u>      |
| —                        | —                                    | —                | —                | 364,472             |
| 4,448                    | 85                                   | 423              | 11,985           | 45,093              |
| 1,142                    | 29                                   | 118              | 2,563            | 11,163              |
| —                        | 148,551                              | —                | —                | 148,551             |
| <u>5,590</u>             | <u>148,665</u>                       | <u>541</u>       | <u>14,548</u>    | <u>569,279</u>      |
| <u>7,519</u>             | <u>159,171</u>                       | <u>1,051</u>     | <u>17,287</u>    | <u>764,558</u>      |
| 578                      | 11                                   | 55               | 1,558            | 5,634               |
| 185                      | 4                                    | 19               | 423              | 2,565               |
| <u>763</u>               | <u>15</u>                            | <u>74</u>        | <u>1,981</u>     | <u>8,199</u>        |
| 1,209                    | —                                    | 12,200           | 383              | 81,661              |
| 7,644                    | (153,759)                            | 1,459            | 18,574           | (492,892)           |
| <u>\$ 8,853</u>          | <u>\$ (153,759)</u>                  | <u>\$ 13,659</u> | <u>\$ 18,957</u> | <u>\$ (411,231)</u> |

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET POSITION**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

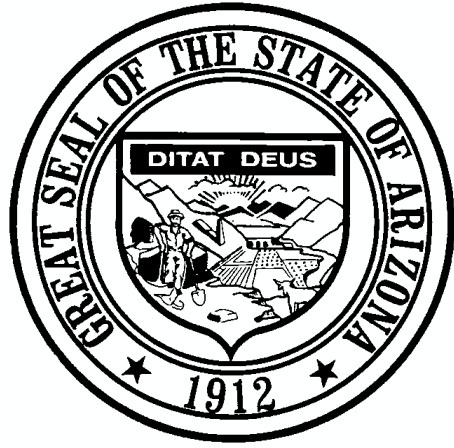
|   | RISK<br>MANAGEMENT  | TRANSPORTATION<br>EQUIPMENT | HEALTH<br>INSURANCE<br>TRUST | TELE-<br>COMMUNICATION |
|---|---------------------|-----------------------------|------------------------------|------------------------|
| <b>OPERATING REVENUES</b>                           |                     |                             |                              |                        |
| Sales and charges for services                      | \$ 107,835          | \$ 25,549                   | \$ 842,299                   | \$ 1,898               |
| Other   | —                   | —                           | 8                            | —                      |
| Total Operating Revenues                            | <u>107,835</u>      | <u>25,549</u>               | <u>842,307</u>               | <u>1,898</u>           |
| <b>OPERATING EXPENSES</b>                           |                     |                             |                              |                        |
| Cost of sales and benefits                          | —                   | 13,817                      | 875,556                      | 86                     |
| Personal services                                   | 12,243              | 13,814                      | 3,757                        | 1,015                  |
| Contractual services                                | 26,710              | 541                         | 1,993                        | 415                    |
| Depreciation and amortization                       | 7                   | 13,766                      | 11                           | 10                     |
| Insurance   | 54,160              | —                           | 1,409                        | 13                     |
| Other   | 2,214               | 628                         | 869                          | 162                    |
| Total Operating Expenses                            | <u>95,334</u>       | <u>42,566</u>               | <u>883,595</u>               | <u>1,701</u>           |
| Operating Income (Loss)                             | <u>12,501</u>       | <u>(17,017)</u>             | <u>(41,288)</u>              | <u>197</u>             |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>            |                     |                             |                              |                        |
| Gain (loss) on sale of capital assets               | —                   | 1,336                       | —                            | —                      |
| Investment income                                   | —                   | 81                          | —                            | —                      |
| Gain on extinguishment of debt                      | —                   | —                           | —                            | —                      |
| Other non-operating revenue                         | —                   | —                           | —                            | —                      |
| Other non-operating expense                         | (3,651)             | —                           | —                            | —                      |
| Total Non-Operating Revenues (Expenses)             | <u>(3,651)</u>      | <u>1,417</u>                | <u>—</u>                     | <u>—</u>               |
| Income (Loss) Before Contributions<br>and Transfers | 8,850               | (15,600)                    | (41,288)                     | 197                    |
| Capital grants and contributions                    | —                   | 8,334                       | —                            | —                      |
| Transfers in  | —                   | 3,217                       | —                            | —                      |
| Transfers out                                       | (2,857)             | (1)                         | (14)                         | (53)                   |
| Change in Net Position                              | 5,993               | (4,050)                     | (41,302)                     | 144                    |
| Total Net Position - Beginning                      | <u>(371,971)</u>    | <u>61,962</u>               | <u>50,261</u>                | <u>22</u>              |
| Total Net Position - Ending                         | <u>\$ (365,978)</u> | <u>\$ 57,912</u>            | <u>\$ 8,959</u>              | <u>\$ 166</u>          |

| AUTOMATION<br>OPERATIONS | RETIREE<br>ACCUMULATED<br>SICK LEAVE | MOTOR<br>POOL    | OTHER            | TOTAL               |
|--------------------------|--------------------------------------|------------------|------------------|---------------------|
| \$ 27,403                | \$ 16,122                            | \$ 6,154         | \$ 31,656        | \$ 1,058,916        |
| —                        | —                                    | —                | 4,083            | 4,091               |
| <u>27,403</u>            | <u>16,122</u>                        | <u>6,154</u>     | <u>35,739</u>    | <u>1,063,007</u>    |
| 18,077                   | 7,521                                | 3,529            | 31               | 918,617             |
| 5,196                    | 84                                   | 102              | 13,864           | 50,075              |
| 750                      | 4                                    | 16               | 4,720            | 35,149              |
| 593                      | —                                    | 2,477            | 142              | 17,006              |
| 314                      | —                                    | 204              | 1,418            | 57,518              |
| 3,197                    | —                                    | 502              | 9,425            | 16,997              |
| <u>28,127</u>            | <u>7,609</u>                         | <u>6,830</u>     | <u>29,600</u>    | <u>1,095,362</u>    |
| <u>(724)</u>             | <u>8,513</u>                         | <u>(676)</u>     | <u>6,139</u>     | <u>(32,355)</u>     |
| (13)                     | —                                    | (365)            | —                | 958                 |
| —                        | —                                    | —                | —                | 81                  |
| 2,133                    | —                                    | —                | —                | 2,133               |
| —                        | —                                    | 182              | —                | 182                 |
| —                        | —                                    | —                | —                | (3,651)             |
| <u>2,120</u>             | <u>—</u>                             | <u>(183)</u>     | <u>—</u>         | <u>(297)</u>        |
| 1,396                    | 8,513                                | (859)            | 6,139            | (32,652)            |
| —                        | —                                    | 850              | —                | 9,184               |
| —                        | —                                    | —                | —                | 3,217               |
| <u>(349)</u>             | <u>—</u>                             | <u>—</u>         | <u>(2,424)</u>   | <u>(5,698)</u>      |
| 1,047                    | 8,513                                | (9)              | 3,715            | (25,949)            |
| <u>7,806</u>             | <u>(162,272)</u>                     | <u>13,668</u>    | <u>15,242</u>    | <u>(385,282)</u>    |
| <u>\$ 8,853</u>          | <u>\$ (153,759)</u>                  | <u>\$ 13,659</u> | <u>\$ 18,957</u> | <u>\$ (411,231)</u> |

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|  | RISK<br>MANAGEMENT | TRANSPORTATION<br>EQUIPMENT | HEALTH<br>INSURANCE<br>TRUST | TELE-<br>COMMUNICATION |
|--|--------------------|-----------------------------|------------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                    |                             |                              |                        |
| Receipts from interfund services / premiums  | \$ 107,879         | \$ 25,767                   | \$ 861,207                   | \$ 1,752               |
| Payments to suppliers or insurance companies   | (87,918)           | (16,236)                    | (892,047)                    | (689)                  |
| Payments to employees  | (11,660)           | (12,511)                    | (3,785)                      | (749)                  |
| Payments to retirees   | —                  | —                           | —                            | —                      |
| Other receipts   | —                  | —                           | 8                            | —                      |
| Other payments   | (3,651)            | —                           | —                            | —                      |
| Net Cash Provided (Used) by Operating Activities   | <u>4,650</u>       | <u>(2,980)</u>              | <u>(34,617)</u>              | <u>314</u>             |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>  |                    |                             |                              |                        |
| Transfers to other funds   | (2,857)            | (1)                         | (14)                         | (53)                   |
| Net Cash (Used) by Non-capital Financing Activities  | <u>(2,857)</u>     | <u>(1)</u>                  | <u>(14)</u>                  | <u>(53)</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                    |                             |                              |                        |
| Proceeds from sale of capital assets   | 9                  | 2,275                       | —                            | —                      |
| Transfers from other funds   | —                  | 3,217                       | —                            | —                      |
| Acquisition and construction of capital assets   | —                  | (1,794)                     | (108)                        | —                      |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                   | <u>9</u>           | <u>3,698</u>                | <u>(108)</u>                 | <u>—</u>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |                             |                              |                        |
| Interest and dividends from investments  | —                  | 81                          | —                            | —                      |
| Net Cash Provided by Investing Activities  | <u>—</u>           | <u>81</u>                   | <u>—</u>                     | <u>—</u>               |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 1,802              | 798                         | (34,739)                     | 261                    |
| Cash and Cash Equivalents - Beginning  | <u>84,497</u>      | <u>5,683</u>                | <u>116,980</u>               | <u>943</u>             |
| Cash and Cash Equivalents - Ending   | <u>\$ 86,299</u>   | <u>\$ 6,481</u>             | <u>\$ 82,241</u>             | <u>\$ 1,204</u>        |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   |                    |                             |                              |                        |
| Operating income (loss)  | \$ 12,501          | \$ (17,017)                 | \$ (41,288)                  | \$ 197                 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities   |                    |                             |                              |                        |
| Depreciation and amortization  | 7                  | 13,766                      | 11                           | 10                     |
| Miscellaneous income (expense)   | (3,651)            | —                           | —                            | —                      |
| Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: |                    |                             |                              |                        |
| (Increase) decrease in receivables, net of allowances  | 34                 | (1)                         | 18,912                       | (146)                  |
| (Increase) decrease in due from other funds  | —                  | 219                         | —                            | —                      |
| (Increase) decrease in inventories, at cost  | —                  | 194                         | —                            | —                      |
| (Increase) in other assets   | (858)              | —                           | (634)                        | —                      |
| Decrease in net OPEB asset   | 10                 | —                           | 1                            | —                      |
| Decrease in deferred pension outflows of resources   | 1,408              | 404                         | 72                           | 41                     |
| (Increase) in deferred OPEB outflows of resources  | (465)              | (761)                       | (116)                        | (41)                   |
| Increase (decrease) in accounts payable  | (130)              | (1,496)                     | (4,692)                      | (13)                   |
| Increase in accrued liabilities  | 47                 | 186                         | 13                           | 11                     |
| (Decrease) in due to U.S. Government   | (5,232)            | —                           | —                            | —                      |
| (Decrease) in due to other funds   | —                  | —                           | —                            | —                      |
| Increase (decrease) in accrued insurance losses  | 1,386              | —                           | (6,899)                      | —                      |
| Increase (decrease) in net pension liability   | (614)              | 1,195                       | (67)                         | 119                    |
| Increase in net OPEB liability   | 645                | 374                         | 150                          | 85                     |
| Increase (decrease) in other liabilities   | 79                 | 35                          | 35                           | 62                     |
| (Decrease) in deferred pension inflows of resources  | (366)              | (629)                       | (79)                         | (8)                    |
| Increase (decrease) in deferred OPEB inflows of resources  | (151)              | 551                         | (36)                         | (3)                    |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 4,650</u>    | <u>\$ (2,980)</u>           | <u>\$ (34,617)</u>           | <u>\$ 314</u>          |
| <b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES</b>                     |                    |                             |                              |                        |
| Contribution of capital assets from other funds  | \$ —               | \$ 8,334                    | \$ —                         | \$ —                   |
| Total Noncash Investing, Capital and Non-capital Financing Activities                                  | <u>\$ —</u>        | <u>\$ 8,334</u>             | <u>\$ —</u>                  | <u>\$ —</u>            |

| AUTOMATION<br>OPERATIONS | RETIREE<br>ACCUMULATED<br>SICK LEAVE | MOTOR<br>POOL   | OTHER            | TOTAL              |
|--------------------------|--------------------------------------|-----------------|------------------|--------------------|
| \$ 27,722                | \$ 16,122                            | \$ 6,530        | \$ 31,700        | \$ 1,078,679       |
| (26,036)                 | (4)                                  | (4,251)         | (15,641)         | (1,042,822)        |
| (4,791)                  | (74)                                 | (231)           | (13,090)         | (46,891)           |
| —                        | (14,135)                             | —               | —                | (14,135)           |
| 2,133                    | —                                    | 182             | 4,063            | 6,386              |
| —                        | —                                    | —               | —                | (3,651)            |
| <u>(972)</u>             | <u>1,909</u>                         | <u>2,230</u>    | <u>7,032</u>     | <u>(22,434)</u>    |
| (349)                    | —                                    | —               | (2,424)          | (5,698)            |
| <u>(349)</u>             | <u>—</u>                             | <u>—</u>        | <u>(2,424)</u>   | <u>(5,698)</u>     |
| —                        | —                                    | —               | —                | 2,284              |
| —                        | —                                    | —               | —                | 3,217              |
| <u>(111)</u>             | <u>—</u>                             | <u>(3,320)</u>  | <u>(16)</u>      | <u>(5,349)</u>     |
| <u>(111)</u>             | <u>—</u>                             | <u>(3,320)</u>  | <u>(16)</u>      | <u>152</u>         |
| —                        | —                                    | —               | —                | 81                 |
| <u>—</u>                 | <u>—</u>                             | <u>—</u>        | <u>—</u>         | <u>81</u>          |
| (1,432)                  | 1,909                                | (1,090)         | 4,592            | (27,899)           |
| <u>11,218</u>            | <u>3,503</u>                         | <u>3,071</u>    | <u>30,987</u>    | <u>256,882</u>     |
| <u>\$ 9,786</u>          | <u>\$ 5,412</u>                      | <u>\$ 1,981</u> | <u>\$ 35,579</u> | <u>\$ 228,983</u>  |
| \$ (724)                 | \$ 8,513                             | \$ (676)        | \$ 6,139         | \$ (32,355)        |
| 593                      | —                                    | 2,477           | 142              | 17,006             |
| 2,133                    | —                                    | 182             | —                | (1,336)            |
| (3,413)                  | —                                    | 499             | 13               | 15,898             |
| 3,730                    | —                                    | (123)           | 3                | 3,829              |
| —                        | —                                    | —               | (127)            | 67                 |
| (245)                    | —                                    | —               | —                | (1,737)            |
| 2                        | —                                    | —               | 8                | 21                 |
| 124                      | 2                                    | 37              | 500              | 2,588              |
| (200)                    | (5)                                  | (19)            | (454)            | (2,061)            |
| (1,320)                  | —                                    | 67              | 80               | (7,504)            |
| 4                        | —                                    | —               | 66               | 327                |
| (2,133)                  | —                                    | —               | —                | (7,365)            |
| —                        | —                                    | (67)            | —                | (67)               |
| —                        | —                                    | —               | —                | (5,513)            |
| 203                      | 7                                    | (113)           | 154              | 884                |
| 354                      | 9                                    | 8               | 677              | 2,302              |
| 50                       | (6,614)                              | (1)             | 257              | (6,097)            |
| (92)                     | (1)                                  | (30)            | (303)            | (1,508)            |
| (38)                     | (2)                                  | (11)            | (123)            | 187                |
| <u>\$ (972)</u>          | <u>\$ 1,909</u>                      | <u>\$ 2,230</u> | <u>\$ 7,032</u>  | <u>\$ (22,434)</u> |
| <u>\$ —</u>              | <u>\$ —</u>                          | <u>\$ 850</u>   | <u>\$ —</u>      | <u>\$ 9,184</u>    |
| <u>\$ —</u>              | <u>\$ —</u>                          | <u>\$ 850</u>   | <u>\$ —</u>      | <u>\$ 9,184</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, Rehabilitation & Reentry 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, 2020  
(Expressed in Thousands)

PENSION TRUST FUNDS

|   | ASRS                 | PSPRS               | EORP              | CORP                | AOC               |
|---|----------------------|---------------------|-------------------|---------------------|-------------------|
| <b>ASSETS</b>   |                      |                     |                   |                     |                   |
| Cash  | \$ 11,136            | \$ 243,745          | \$ 8,149          | \$ 40,259           | \$ 12,117         |
| Receivables, net of allowances:                         |                      |                     |                   |                     |                   |
| Accrued interest and dividends                          | 27,949               | 7,910               | 269               | 1,548               | 466               |
| Securities sold   | 7,667                | 8,372               | 285               | 1,639               | 493               |
| Futures contracts                                       | 5,714                | —                   | —                 | —                   | —                 |
| Contributions   | 86,441               | 19,483              | 6,640             | 12,627              | 3,602             |
| Court fees  | —                    | —                   | 926               | —                   | —                 |
| Due from other funds                                    | —                    | —                   | —                 | —                   | —                 |
| Other   | 30,150               | 603                 | 3,973             | 8,696               | 2,617             |
| Total receivables                                       | <u>157,921</u>       | <u>36,368</u>       | <u>12,093</u>     | <u>24,510</u>       | <u>7,178</u>      |
| Investments, at fair value:                             |                      |                     |                   |                     |                   |
| Short-term investments                                  | 984,400              | —                   | —                 | —                   | —                 |
| Fixed income securities                                 | 11,866,361           | —                   | —                 | —                   | —                 |
| Equity  | 20,942,282           | 5,317,301           | 180,823           | 1,040,643           | 313,202           |
| Core bonds  | —                    | 96,506              | 3,282             | 18,887              | 5,684             |
| Private credit  | —                    | 1,114,803           | 37,911            | 218,177             | 65,665            |
| Real estate   | 6,435,215            | —                   | —                 | —                   | —                 |
| Diversifying strategies                                 | —                    | 1,044,156           | 35,508            | 204,350             | 61,503            |
| Collateral investment pool                              | 98,591               | 192,263             | 6,538             | 37,627              | 11,325            |
| Other investments                                       | —                    | 259,126             | 8,813             | 50,713              | 15,263            |
| Total investments                                       | <u>40,326,849</u>    | <u>8,024,155</u>    | <u>272,875</u>    | <u>1,570,397</u>    | <u>472,642</u>    |
| Property and equipment, net of accumulated depreciation | —                    | 2,657               | 202               | 359                 | 107               |
| Total Assets  | <u>40,495,906</u>    | <u>8,306,925</u>    | <u>293,319</u>    | <u>1,635,525</u>    | <u>492,044</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                      |                     |                   |                     |                   |
| Related to pensions                                     | —                    | 637                 | 28                | 126                 | 38                |
| <b>LIABILITIES</b>                                      |                      |                     |                   |                     |                   |
| Accounts payable and other current liabilities          | 7,710                | 906                 | —                 | 3,755               | 1,130             |
| Payable for securities purchased                        | 1,210,481            | 2,511               | 85                | 491                 | 148               |
| Obligation under securities loan agreements             | 98,591               | 192,263             | 6,538             | 37,627              | 11,325            |
| Futures contracts payable                               | 1,531                | —                   | —                 | —                   | —                 |
| Due to other funds                                      | 10,007               | —                   | —                 | —                   | —                 |
| Net pension liability                                   | —                    | 5,975               | 198               | 1,193               | 359               |
| Total Liabilities                                       | <u>1,328,320</u>     | <u>201,655</u>      | <u>6,821</u>      | <u>43,066</u>       | <u>12,962</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                      |                     |                   |                     |                   |
| Related to pensions                                     | —                    | 109                 | 24                | 74                  | 22                |
| <b>NET POSITION</b>                                     |                      |                     |                   |                     |                   |
| Restricted for:   |                      |                     |                   |                     |                   |
| Pension benefits  | 39,167,586           | 8,105,798           | 286,502           | 1,592,511           | 479,098           |
| Other post-employment benefits                          | —                    | —                   | —                 | —                   | —                 |
| Total Net Position                                      | <u>\$ 39,167,586</u> | <u>\$ 8,105,798</u> | <u>\$ 286,502</u> | <u>\$ 1,592,511</u> | <u>\$ 479,098</u> |



OTHER EMPLOYEE BENEFIT TRUST FUNDS

| LONG-TERM<br>DISABILITY<br>FUND | HEALTH BENEFIT SUPPLEMENT FUND |                   |                  |                   |                  | TOTAL                |
|---------------------------------|--------------------------------|-------------------|------------------|-------------------|------------------|----------------------|
| ASRS                            | ASRS                           | PSPRS             | EORP             | CORP              | AOC              |                      |
| \$ 99                           | \$ 483                         | \$ 9,046          | \$ 688           | \$ 2,705          | \$ 281           | \$ 328,708           |
| 109                             | 1,228                          | 323               | 23               | 112               | 12               | 39,949               |
| 30                              | 332                            | 342               | 24               | 119               | 12               | 19,315               |
| 22                              | 248                            | —                 | —                | —                 | —                | 5,984                |
| 1,088                           | 1,544                          | 69                | —                | —                 | —                | 131,494              |
| —                               | —                              | —                 | —                | —                 | —                | 926                  |
| 1,302                           | 8,705                          | —                 | —                | —                 | —                | 10,007               |
| 6,012                           | 1,300                          | —                 | —                | —                 | —                | 53,351               |
| <u>8,563</u>                    | <u>13,357</u>                  | <u>734</u>        | <u>47</u>        | <u>231</u>        | <u>24</u>        | <u>261,026</u>       |
| 3,854                           | 105,404                        | —                 | —                | —                 | —                | 1,093,658            |
| 46,460                          | 514,200                        | —                 | —                | —                 | —                | 12,427,021           |
| 81,995                          | 907,482                        | 217,178           | 15,268           | 75,523            | 7,850            | 29,099,547           |
| —                               | —                              | 3,942             | 277              | 1,371             | 143              | 130,092              |
| —                               | —                              | 45,532            | 3,201            | 15,834            | 1,646            | 1,502,769            |
| 25,196                          | 278,854                        | —                 | —                | —                 | —                | 6,739,265            |
| —                               | —                              | 42,647            | 2,998            | 14,830            | 1,542            | 1,407,534            |
| 386                             | 4,272                          | 7,853             | 552              | 2,731             | 284              | 362,422              |
| —                               | —                              | 10,583            | 744              | 3,681             | 383              | 349,306              |
| <u>157,891</u>                  | <u>1,810,212</u>               | <u>327,735</u>    | <u>23,040</u>    | <u>113,970</u>    | <u>11,848</u>    | <u>53,111,614</u>    |
| —                               | —                              | —                 | —                | —                 | —                | 3,325                |
| <u>166,553</u>                  | <u>1,824,052</u>               | <u>337,515</u>    | <u>23,775</u>    | <u>116,906</u>    | <u>12,153</u>    | <u>53,704,673</u>    |
| —                               | —                              | —                 | —                | —                 | —                | 829                  |
| 142                             | 376                            | —                 | —                | —                 | —                | 14,019               |
| 4,739                           | 52,453                         | 102               | 7                | 35                | 4                | 1,271,056            |
| 386                             | 4,272                          | 7,853             | 552              | 2,731             | 284              | 362,422              |
| 6                               | 66                             | —                 | —                | —                 | —                | 1,603                |
| —                               | —                              | —                 | —                | —                 | —                | 10,007               |
| —                               | —                              | —                 | —                | —                 | —                | 7,725                |
| <u>5,273</u>                    | <u>57,167</u>                  | <u>7,955</u>      | <u>559</u>       | <u>2,766</u>      | <u>288</u>       | <u>1,666,832</u>     |
| —                               | —                              | —                 | —                | —                 | —                | 229                  |
| —                               | —                              | —                 | —                | —                 | —                | 49,631,495           |
| <u>161,280</u>                  | <u>1,766,885</u>               | <u>329,560</u>    | <u>23,216</u>    | <u>114,140</u>    | <u>11,865</u>    | <u>2,406,946</u>     |
| <u>\$ 161,280</u>               | <u>\$ 1,766,885</u>            | <u>\$ 329,560</u> | <u>\$ 23,216</u> | <u>\$ 114,140</u> | <u>\$ 11,865</u> | <u>\$ 52,038,441</u> |

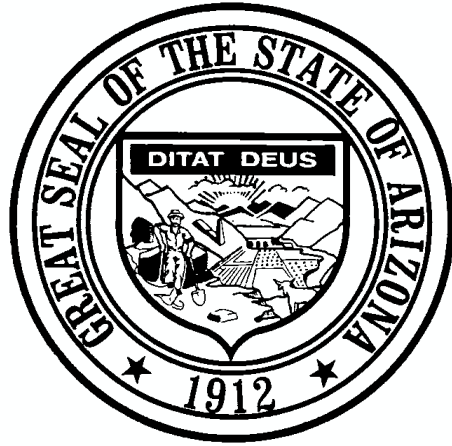
STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

PENSION TRUST FUNDS

|  | ASRS          | PSPRS        | EORP       | CORP         | AOC        |
|--|---------------|--------------|------------|--------------|------------|
| <b>ADDITIONS:</b>                                  |               |              |            |              |            |
| Member contributions                               | \$ 1,272,080  | \$ 132,369   | \$ 3,691   | \$ 36,472    | \$ 9,676   |
| Employer contributions                             | 1,254,651     | 953,193      | 41,598     | 130,970      | 36,311     |
| Non-employer entity contributions                  | —             | —            | 5,000      | —            | —          |
| Member purchase of service credit                  | 12,276        | 10,479       | 835        | 463          | 76         |
| Court fees   | —             | —            | 11,010     | —            | —          |
| Investment income:                                 |               |              |            |              |            |
| Net increase in fair value of investments          | 127,220       | 59,646       | 2,261      | 11,272       | 3,302      |
| Interest income                                    | 65,448        | 5,686        | 181        | 1,024        | 299        |
| Dividends  | 322,811       | 67,305       | 2,275      | 12,570       | 3,682      |
| Other investment income                            | 31,972        | 25,045       | 3,537      | 27,491       | 8,053      |
| Securities lending income                          | 4,858         | 5,160        | 173        | 962          | 282        |
| Total investment income                            | 552,309       | 162,842      | 8,427      | 53,319       | 15,618     |
| Less investment expenses:                          |               |              |            |              |            |
| Investment activity expenses                       | 197,586       | 56,370       | 2,281      | 10,480       | 3,070      |
| Securities lending expenses                        | 528           | 3,992        | 134        | 745          | 218        |
| Net investment income                              | 354,195       | 102,480      | 6,012      | 42,094       | 12,330     |
| Other additions                                    | 1,109         | 535          | 184        | —            | 311        |
| Total Additions                                    | 2,894,311     | 1,199,056    | 68,330     | 209,999      | 58,704     |
| <b>DEDUCTIONS:</b>                                 |               |              |            |              |            |
| Retirement, disability, and survivor benefits      | 3,281,317     | 900,055      | 67,592     | 135,890      | 34,213     |
| Health insurance subsidy                           | —             | —            | —          | —            | —          |
| Refunds to withdrawing members, including interest | 242,252       | 14,341       | 14         | 18,847       | 1,686      |
| Administrative expense                             | 26,845        | 8,407        | 287        | 1,629        | 477        |
| Other deductions                                   | 1,453         | 368          | —          | 747          | 118        |
| Total Deductions                                   | 3,551,867     | 923,171      | 67,893     | 157,113      | 36,494     |
| Change in net position restricted for:             |               |              |            |              |            |
| Pension benefits                                   | (657,556)     | 275,885      | 437        | 52,886       | 22,210     |
| Other post-employment benefits                     | —             | —            | —          | —            | —          |
| Net Position - Beginning                           | 39,825,142    | 7,829,913    | 286,065    | 1,539,625    | 456,888    |
| Net Position - Ending                              | \$ 39,167,586 | \$ 8,105,798 | \$ 286,502 | \$ 1,592,511 | \$ 479,098 |

OTHER EMPLOYEE BENEFIT TRUST FUNDS

| LONG-TERM<br>DISABILITY |              | HEALTH BENEFIT SUPPLEMENT FUND |           |            |           |      | TOTAL         |
|-------------------------|--------------|--------------------------------|-----------|------------|-----------|------|---------------|
| FUND                    | ASRS         | ASRS                           | PSPRS     | EORP       | CORP      | AOC  |               |
| \$ 18,169               | \$ —         | \$ —                           | \$ —      | \$ —       | \$ —      | \$ — | \$ 1,472,457  |
| 18,397                  | 52,371       | 5,651                          | —         | 28         | 634       | —    | 2,493,804     |
| —                       | —            | —                              | —         | —          | —         | —    | 5,000         |
| 11                      | 22           | —                              | —         | —          | —         | —    | 24,162        |
| —                       | —            | —                              | —         | —          | —         | —    | 11,010        |
| 656                     | 5,517        | 1,954                          | 186       | 1,585      | 149       | —    | 213,748       |
| 266                     | 4,241        | —                              | 15        | 144        | 13        | —    | 77,317        |
| 1,310                   | 14,013       | 2,226                          | 187       | 1,767      | 166       | —    | 428,312       |
| 130                     | 1,388        | 1,537                          | 291       | 1,220      | 115       | —    | 100,779       |
| 20                      | 210          | 171                            | 14        | 135        | 13        | —    | 11,998        |
| 2,382                   | 25,369       | 5,888                          | 693       | 4,851      | 456       | —    | 832,154       |
| 799                     | 8,582        | 1,563                          | 188       | 1,473      | 138       | —    | 282,530       |
| 2                       | 23           | 132                            | 11        | 105        | 10        | —    | 5,900         |
| 1,581                   | 16,764       | 4,193                          | 494       | 3,273      | 308       | —    | 543,724       |
| —                       | 1            | —                              | —         | —          | —         | —    | 2,140         |
| 38,158                  | 69,158       | 9,844                          | 494       | 3,301      | 942       | —    | 4,552,297     |
| 49,615                  | —            | —                              | —         | —          | —         | —    | 4,468,682     |
| —                       | 140,619      | 17,051                         | 1,098     | 3,986      | 560       | —    | 163,314       |
| —                       | —            | —                              | —         | —          | —         | —    | 277,140       |
| 1,524                   | 1,163        | 340                            | 24        | 127        | 12        | —    | 40,835        |
| 530                     | —            | —                              | —         | —          | —         | —    | 3,216         |
| 51,669                  | 141,782      | 17,391                         | 1,122     | 4,113      | 572       | —    | 4,953,187     |
| —                       | —            | —                              | —         | —          | —         | —    | (306,138)     |
| (13,511)                | (72,624)     | (7,547)                        | (628)     | (812)      | 370       | —    | (94,752)      |
| 174,791                 | 1,839,509    | 337,107                        | 23,844    | 114,952    | 11,495    | —    | 52,439,331    |
| \$ 161,280              | \$ 1,766,885 | \$ 329,560                     | \$ 23,216 | \$ 114,140 | \$ 11,865 | \$ — | \$ 52,038,441 |



# 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, 2020  
(Expressed in Thousands)

|  | CENTRAL<br>ARIZONA<br>WATER<br>CONSERVATION<br>DISTRICT | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>FF&C | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>MEDIUM-TERM |
|--|---|---|---|--|
| <b>ASSETS</b>  |   |   |   |  |
| Cash and pooled investments with State Treasurer                   | \$ —  | \$ —                                      | \$ (450)  | \$ 1,233   |
| Receivables, net of allowances:                                    |   |   |   |  |
| Accrued interest and dividends                                     | 1,187   | 40  | 13  | 1,333  |
| Investments, at fair value:  |   |   |   |  |
| Fixed income securities  | 417,790   | 1,647,018                                 | 1,815,370   | 391,966  |
| Collateral investment pool   | 11,534  | —   | —   | 1,028  |
| Total investments  | <u>429,324</u>  | <u>1,647,018</u>                          | <u>1,815,370</u>                                    | <u>392,994</u>   |
| Total Assets   | <u>430,511</u>  | <u>1,647,058</u>                          | <u>1,814,933</u>                                    | <u>395,560</u>   |
| <b>LIABILITIES</b>   |   |   |   |  |
| Management fee payable   | 18  | 75  | 89  | 18   |
| Obligations under securities loan agreements                       | 11,534  | —   | —   | 1,028  |
| Total Liabilities  | <u>11,552</u>   | <u>75</u>                                 | <u>89</u>   | <u>1,046</u>   |
| <b>NET POSITION</b>  |   |   |   |  |
| Held in trust for pool participants                                | <u>\$ 418,959</u>                                       | <u>\$ 1,646,983</u>                       | <u>\$ 1,814,844</u>                                 | <u>\$ 394,514</u>  |
| Net position consist of:   |   |   |   |  |
| Participant shares outstanding                                     | 410,305   | 1,646,983                                 | 1,814,844   | 375,119  |
| Participants' net position value (net position/shares outstanding) | \$ 1.02   | \$ 1.00                                   | \$ 1.00   | \$ 1.05  |

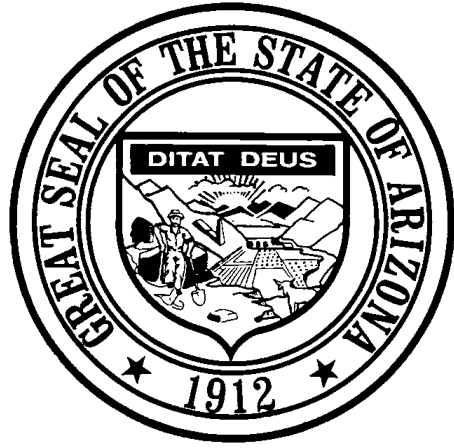
| LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>MEDIUM-TERM<br>FF&C | LEHMAN<br>BROTHERS<br>POOL | TOTAL               |
|--|----------------------------|---------------------|
| \$ —   | \$ —                       | \$ 783              |
| 147  | —                          | 2,720               |
| 113,734  | 219                        | 4,386,097           |
| —  | —                          | 12,562              |
| <u>113,734</u>   | <u>219</u>                 | <u>4,398,659</u>    |
| <u>113,881</u>   | <u>219</u>                 | <u>4,402,162</u>    |
| 5  | —                          | 205                 |
| —  | —                          | 12,562              |
| <u>5</u>   | <u>—</u>                   | <u>12,767</u>       |
| <u>\$ 113,876</u>  | <u>\$ 219</u>              | <u>\$ 4,389,395</u> |
| 111,861  | 17,493                     | 4,376,605           |
| \$ 1.02  | \$ 0.01                    |                     |

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
INVESTMENT TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | CENTRAL<br>ARIZONA<br>WATER<br>CONSERVATION<br>DISTRICT | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>FF&C | LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>MEDIUM-TERM |
|---|---|---|---|--|
| <b>ADDITIONS:</b>   |   |   |   |  |
| Investment income:  |   |   |   |  |
| Net increase (decrease) in fair value<br>of investments       | \$ 6,403  | \$ 191                                    | \$ (136)  | \$ 5,758   |
| Interest income   | 9,510   | 26,861                                    | 23,063  | 8,371  |
| Securities lending income                                     | 51  | 37  | 414   | 45   |
| Total investment income                                       | <u>15,964</u>   | <u>27,089</u>                             | <u>23,341</u>                                       | <u>14,174</u>  |
| Less: Investment activity expenses                            |   |   |   |  |
| Investment activity expenses                                  | 211   | 916                                       | 905   | 208  |
| Securities lending expenses                                   | 34  | 11  | 136   | 38   |
| Net investment income   | <u>15,719</u>   | <u>26,162</u>                             | <u>22,300</u>                                       | <u>13,928</u>  |
| Capital share and individual account<br>transactions:         |   |   |   |  |
| Shares sold   | 107,683   | 3,110,824                                 | 2,719,677   | 48,787   |
| Reinvested interest income                                    | 9,065   | 25,936                                    | 22,444  | 7,827  |
| Shares redeemed   | (82,500)  | (2,904,865)                               | (2,437,663)   | (21,392)   |
| Transfers in (out)  | —   | 181                                       | —   | —  |
| Net capital share and individual<br>account transactions      | <u>34,248</u>   | <u>232,076</u>                            | <u>304,458</u>                                      | <u>35,222</u>  |
| Total Additions   | <u>49,967</u>   | <u>258,238</u>                            | <u>326,758</u>                                      | <u>49,150</u>  |
| <b>DEDUCTIONS:</b>  |   |   |   |  |
| Dividends to investors  | <u>15,719</u>   | <u>26,162</u>                             | <u>22,300</u>                                       | <u>13,928</u>  |
| Total Deductions  | <u>15,719</u>   | <u>26,162</u>                             | <u>22,300</u>                                       | <u>13,928</u>  |
| Change in net position held in trust for<br>pool participants | 34,248  | 232,076                                   | 304,458   | 35,222   |
| Net Position - Beginning                                      | <u>384,711</u>  | <u>1,414,907</u>                          | <u>1,510,386</u>                                    | <u>359,292</u>   |
| Net Position - Ending   | <u>\$ 418,959</u>                                       | <u>\$ 1,646,983</u>                       | <u>\$ 1,814,844</u>                                 | <u>\$ 394,514</u>  |



| LOCAL<br>GOVERNMENT<br>INVESTMENT<br>POOL -<br>MEDIUM-TERM<br>FF&C | LEHMAN<br>BROTHERS<br>POOL | TOTAL               |
|--|----------------------------|---------------------|
| \$ 691   | \$ 253                     | \$ 13,160           |
| 1,906  | —                          | 69,711              |
| 5  | —                          | 552                 |
| <u>2,602</u>   | <u>253</u>                 | <u>83,423</u>       |
| 55   | —                          | 2,295               |
| 2  | —                          | 221                 |
| <u>2,545</u>   | <u>253</u>                 | <u>80,907</u>       |
| 18,039   | —                          | 6,005,010           |
| 1,754  | —                          | 67,026              |
| (3,271)  | —                          | (5,449,691)         |
| <u>—</u>   | <u>(181)</u>               | <u>—</u>            |
| <u>16,522</u>  | <u>(181)</u>               | <u>622,345</u>      |
| <u>19,067</u>  | <u>72</u>                  | <u>703,252</u>      |
| 2,545  | —                          | 80,654              |
| <u>2,545</u>   | <u>—</u>                   | <u>80,654</u>       |
| 16,522   | 72                         | 622,598             |
| <u>97,354</u>  | <u>147</u>                 | <u>3,766,797</u>    |
| <u>\$ 113,876</u>  | <u>\$ 219</u>              | <u>\$ 4,389,395</u> |



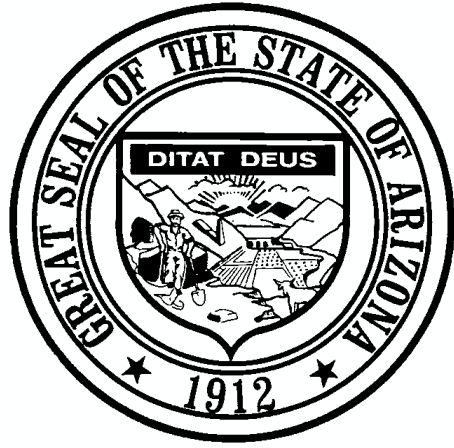
## AGENCY FUNDS

*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, 2020  
 (Expressed in Thousands)

|   | TREASURER<br>CUSTODIAL<br>SECURITIES FUND | OTHER<br>TREASURER<br>FUNDS | OTHER<br>FUNDS    | TOTAL             |
|---|---|-----------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                       |   |                             |                   |                   |
| Cash  | \$ —                                      | \$ —                        | \$ 26,399         | \$ 26,399         |
| Cash and pooled investments<br>with State Treasurer | —   | 13,628                      | 65,467            | 79,095            |
| Collateral investment pool                          | —   | —                           | 1,153             | 1,153             |
| Receivables, net of allowances:                     |   |                             |                   |                   |
| Accrued interest                                    | —   | —                           | 1                 | 1                 |
| Other   | —   | —                           | 306               | 306               |
| Due from others                                     | —   | —                           | 73,903            | 73,903            |
| Custodial securities in safekeeping                 | 443,500                                   | —                           | 5,963             | 449,463           |
| <b>Total Assets</b>                                 | <b>\$ 443,500</b>                         | <b>\$ 13,628</b>            | <b>\$ 173,192</b> | <b>\$ 630,320</b> |
| <b>LIABILITIES</b>                                  |   |                             |                   |                   |
| Obligation under securities<br>loan agreements      | \$ —                                      | \$ —                        | \$ 1,153          | \$ 1,153          |
| Due to local governments                            | —   | 52                          | 10,706            | 10,758            |
| Due to others                                       | 443,500                                   | 13,576                      | 161,333           | 618,409           |
| <b>Total Liabilities</b>                            | <b>\$ 443,500</b>                         | <b>\$ 13,628</b>            | <b>\$ 173,192</b> | <b>\$ 630,320</b> |

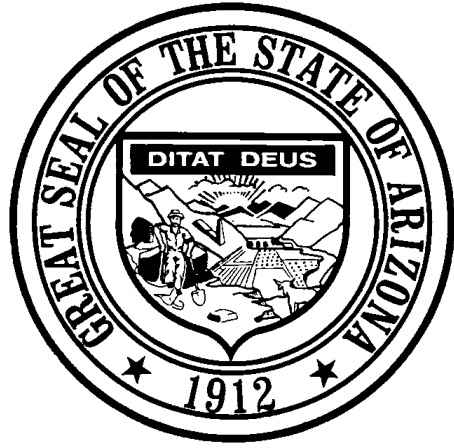
STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|  | BALANCE<br>JUNE 30, 2019 | ADDITIONS           | DELETIONS           | BALANCE<br>JUNE 30, 2020 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| <b>TREASURER CUSTODIAL SECURITIES FUND</b>       |                          |                     |                     |                          |
| Assets:  |                          |                     |                     |                          |
| Custodial securities in safekeeping              | \$ 449,999               | \$ 298,957          | \$ 305,456          | \$ 443,500               |
| Total Assets                                     | <u>\$ 449,999</u>        | <u>\$ 298,957</u>   | <u>\$ 305,456</u>   | <u>\$ 443,500</u>        |
| Liabilities:                                     |                          |                     |                     |                          |
| Due to others                                    | \$ 449,999               | \$ 298,957          | \$ 305,456          | \$ 443,500               |
| Total Liabilities                                | <u>\$ 449,999</u>        | <u>\$ 298,957</u>   | <u>\$ 305,456</u>   | <u>\$ 443,500</u>        |
| <b>OTHER TREASURER FUNDS</b>                     |                          |                     |                     |                          |
| Assets:  |                          |                     |                     |                          |
| Cash and pooled investments with State Treasurer | \$ 17,115                | \$ 31,506           | \$ 34,993           | \$ 13,628                |
| Receivables, net of allowances:                  |                          |                     |                     |                          |
| Other  | —                        | 3                   | 3                   | —                        |
| Total Assets                                     | <u>\$ 17,115</u>         | <u>\$ 31,509</u>    | <u>\$ 34,996</u>    | <u>\$ 13,628</u>         |
| Liabilities:                                     |                          |                     |                     |                          |
| Due to local governments                         | \$ 51                    | \$ 35,471           | \$ 35,470           | \$ 52                    |
| Due to others                                    | 17,064                   | 12,682              | 16,170              | 13,576                   |
| Total Liabilities                                | <u>\$ 17,115</u>         | <u>\$ 48,153</u>    | <u>\$ 51,640</u>    | <u>\$ 13,628</u>         |
| <b>OTHER FUNDS</b>                               |                          |                     |                     |                          |
| Assets:  |                          |                     |                     |                          |
| Cash   | \$ 4,132                 | \$ 774,864          | \$ 752,597          | \$ 26,399                |
| Cash and pooled investments with State Treasurer | 58,379                   | 132,966             | 125,878             | 65,467                   |
| Collateral investment pool                       | —                        | 1,153               | —                   | 1,153                    |
| Receivables, net of allowances:                  |                          |                     |                     |                          |
| Accrued interest                                 | 3                        | 1                   | 3                   | 1                        |
| Other  | 7                        | 705                 | 406                 | 306                      |
| Due from others                                  | 77,388                   | 73,903              | 77,388              | 73,903                   |
| Custodial securities in safekeeping              | 6,023                    | 5,963               | 6,023               | 5,963                    |
| Total Assets                                     | <u>\$ 145,932</u>        | <u>\$ 989,555</u>   | <u>\$ 962,295</u>   | <u>\$ 173,192</u>        |
| Liabilities:                                     |                          |                     |                     |                          |
| Obligation under securities loan agreements      | \$ —                     | \$ 1,153            | \$ —                | \$ 1,153                 |
| Due to local governments                         | 10,423                   | 130,354             | 130,071             | 10,706                   |
| Due to others                                    | 135,509                  | 1,029,088           | 1,003,264           | 161,333                  |
| Total Liabilities                                | <u>\$ 145,932</u>        | <u>\$ 1,160,595</u> | <u>\$ 1,133,335</u> | <u>\$ 173,192</u>        |

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Expressed in Thousands)

|  | BALANCE<br>JUNE 30, 2019 | ADDITIONS           | DELETIONS           | BALANCE<br>JUNE 30, 2020 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| <b>COMBINED TOTAL ALL AGENCY FUNDS</b>           |                          |                     |                     |                          |
| Assets:  |                          |                     |                     |                          |
| Cash   | \$ 4,132                 | \$ 774,864          | \$ 752,597          | \$ 26,399                |
| Cash and pooled investments with State Treasurer | 75,494                   | 164,472             | 160,871             | 79,095                   |
| Collateral investment pool                       | —                        | 1,153               | —                   | 1,153                    |
| Receivables, net of allowances:                  |                          |                     |                     |                          |
| Accrued interest                                 | 3                        | 1                   | 3                   | 1                        |
| Other  | 7                        | 708                 | 409                 | 306                      |
| Due from others                                  | 77,388                   | 73,903              | 77,388              | 73,903                   |
| Custodial securities in safekeeping              | 456,022                  | 304,920             | 311,479             | 449,463                  |
|  | <u>613,046</u>           | <u>1,320,021</u>    | <u>1,302,747</u>    | <u>630,320</u>           |
| Total Assets                                     | <u>\$ 613,046</u>        | <u>\$ 1,320,021</u> | <u>\$ 1,302,747</u> | <u>\$ 630,320</u>        |
| Liabilities:                                     |                          |                     |                     |                          |
| Obligation under securities                      |                          |                     |                     |                          |
| loan agreements                                  | \$ —                     | \$ 1,153            | \$ —                | \$ 1,153                 |
| Due to local governments                         | 10,474                   | 165,825             | 165,541             | 10,758                   |
| Due to others                                    | 602,572                  | 1,340,727           | 1,324,890           | 618,409                  |
|  | <u>613,046</u>           | <u>1,507,705</u>    | <u>1,490,431</u>    | <u>630,320</u>           |
| Total Liabilities                                | <u>\$ 613,046</u>        | <u>\$ 1,507,705</u> | <u>\$ 1,490,431</u> | <u>\$ 630,320</u>        |





# 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.

**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.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR COMPONENT UNITS  
JUNE 30, 2020  
(Expressed in Thousands)

|  | ARIZONA<br>POWER<br>AUTHORITY | RIO<br>NUEVO   | ARIZONA PUBLIC<br>SCHOOL CREDIT<br>ENHANCEMENT |
|--|-------------------------------|----------------|--|
| <b>ASSETS</b>  |                               |                |  |
| Current Assets:  |                               |                |  |
| Cash   | \$ —                          | \$ 6,294       | \$ —   |
| Cash and pooled investments<br>with State Treasurer                                | 7,283                         | —              | 106,182  |
| Collateral investment pool   | —                             | —              | —  |
| Short-term investments   | —                             | —              | —  |
| Restricted investments held by trustee   | 1,163                         | —              | —  |
| Receivables, net of allowances:  |                               |                |  |
| Loans and notes  | —                             | —              | —  |
| Other  | 1,737                         | 201            | —  |
| Due from primary government  | —                             | 1,083          | —  |
| Other current assets   | 503                           | 28             | —  |
| Total Current Assets   | <u>10,686</u>                 | <u>7,606</u>   | <u>106,182</u>                                 |
| Noncurrent Assets:   |                               |                |  |
| Restricted assets:   |                               |                |  |
| Cash held by trustee   | —                             | 82,686         | —  |
| Investments held by trustee  | 1,803                         | —              | —  |
| Loans and notes receivable,<br>net of allowances                                   | —                             | 11,434         | —  |
| Investments  | —                             | —              | —  |
| Net OPEB asset   | —                             | —              | —  |
| Other noncurrent assets  | 23,075                        | —              | —  |
| Capital assets:  |                               |                |  |
| Land and other non-depreciable   | —                             | 22,796         | —  |
| Buildings, equipment, and other<br>depreciable, net of accumulated<br>depreciation | 76                            | 77,568         | —  |
| Total Noncurrent Assets  | <u>24,954</u>                 | <u>194,484</u> | <u>—</u>                                       |
| Total Assets   | <u>35,640</u>                 | <u>202,090</u> | <u>106,182</u>                                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                               |                |  |
| Related to pensions  | 136                           | —              | —  |
| Related to OPEB  | —                             | —              | —  |
| Loss on debt refundings  | —                             | 4,234          | —  |
| Total Deferred Outflows of Resources   | <u>136</u>                    | <u>4,234</u>   | <u>—</u>                                       |

| ARIZONA<br>COMMERCE<br>AUTHORITY | INSURANCE<br>DEPARTMENT<br>GUARANTY FUNDS | TOTAL          |
|----------------------------------|---|----------------|
| \$ 12,554                        | \$ 13,907                                 | \$ 32,755      |
| 95,215                           | 146                                       | 208,826        |
| 2,706                            | —   | 2,706          |
| —                                | 134,648                                   | 134,648        |
| —                                | —   | 1,163          |
| 406                              | —   | 406            |
| 1,574                            | —   | 3,512          |
| —                                | —   | 1,083          |
| 147                              | —   | 678            |
| <u>112,602</u>                   | <u>148,701</u>                            | <u>385,777</u> |
| —                                | —   | 82,686         |
| —                                | —   | 1,803          |
| 409                              | —   | 11,843         |
| —                                | 96,739                                    | 96,739         |
| —                                | 1   | 1              |
| —                                | —   | 23,075         |
| —                                | —   | 22,796         |
| 944                              | —   | 78,588         |
| <u>1,353</u>                     | <u>96,740</u>                             | <u>317,531</u> |
| <u>113,955</u>                   | <u>245,441</u>                            | <u>703,308</u> |
| —                                | 41  | 177            |
| —                                | 22  | 22             |
| —                                | —   | 4,234          |
| —                                | 63  | 4,433          |

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR COMPONENT UNITS  
JUNE 30, 2020  
(Expressed in Thousands)

|  | ARIZONA<br>POWER<br>AUTHORITY | RIO<br>NUEVO     | ARIZONA PUBLIC<br>SCHOOL CREDIT<br>ENHANCEMENT |
|--|-------------------------------|------------------|--|
| <b>LIABILITIES</b>                             |                               |                  |  |
| Current Liabilities:                           |                               |                  |  |
| Accounts payable and other current liabilities | \$ 2,464                      | \$ 8,446         | \$ —   |
| Accrued liabilities                            | 593                           | 126              | —  |
| Obligations under securities loan agreements   | —                             | —                | —  |
| Unearned revenue                               | —                             | 1,129            | —  |
| Current portion of accrued insurance losses    | —                             | —                | —  |
| Current portion of long-term debt              | 550                           | 6,042            | —  |
| Current portion of other long-term liabilities | —                             | —                | —  |
| Total Current Liabilities                      | <u>3,607</u>                  | <u>15,743</u>    | <u>—</u>                                       |
| Noncurrent Liabilities:                        |                               |                  |  |
| Unearned revenue                               | —                             | 4,389            | —  |
| Accrued insurance losses                       | —                             | —                | —  |
| Net pension liability                          | 941                           | —                | —  |
| Net OPEB liability                             | —                             | —                | —  |
| Long-term debt                                 | 25,475                        | 110,050          | 80,000   |
| Total Noncurrent Liabilities                   | <u>26,416</u>                 | <u>114,439</u>   | <u>80,000</u>                                  |
| Total Liabilities                              | <u>30,023</u>                 | <u>130,182</u>   | <u>80,000</u>                                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                               |                  |  |
| Related to pensions                            | 63                            | —                | —  |
| Related to OPEB                                | —                             | —                | —  |
| Total Deferred Inflows of Resources            | <u>63</u>                     | <u>—</u>         | <u>—</u>                                       |
| <b>NET POSITION</b>                            |                               |                  |  |
| Net investment in capital assets               | 76                            | 47,075           | —  |
| Restricted for:                                |                               |                  |  |
| Debt service                                   | 2,966                         | 8,448            | —  |
| Loans and other financial assistance           | —                             | —                | —  |
| Other  | —                             | —                | —  |
| Unrestricted (deficit)                         | <u>2,648</u>                  | <u>20,619</u>    | <u>26,182</u>                                  |
| Total Net Position                             | <u>\$ 5,690</u>               | <u>\$ 76,142</u> | <u>\$ 26,182</u>                               |

| ARIZONA<br>COMMERCE<br>AUTHORITY | INSURANCE<br>DEPARTMENT<br>GUARANTY FUNDS | TOTAL             |
|----------------------------------|---|-------------------|
| \$ 1,049                         | \$ —                                      | \$ 11,959         |
| 538                              | —   | 1,257             |
| 2,706                            | —   | 2,706             |
| 1,339                            | —   | 2,468             |
| —                                | 24,783                                    | 24,783            |
| —                                | —   | 6,592             |
| —                                | 31  | 31                |
| <u>5,632</u>                     | <u>24,814</u>                             | <u>49,796</u>     |
| —                                | —   | 4,389             |
| —                                | 201,501                                   | 201,501           |
| —                                | 442                                       | 1,383             |
| —                                | 90  | 90                |
| —                                | —   | 215,525           |
| <u>—</u>                         | <u>202,033</u>                            | <u>422,888</u>    |
| <u>5,632</u>                     | <u>226,847</u>                            | <u>472,684</u>    |
| —                                | 45  | 108               |
| <u>—</u>                         | <u>15</u>                                 | <u>15</u>         |
| <u>—</u>                         | <u>60</u>                                 | <u>123</u>        |
| 944                              | —   | 48,095            |
| —                                | —   | 11,414            |
| 25,018                           | —   | 25,018            |
| 12,620                           | 19,156                                    | 31,776            |
| 69,741                           | (559)                                     | 118,631           |
| <u>\$ 108,323</u>                | <u>\$ 18,597</u>                          | <u>\$ 234,934</u> |

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

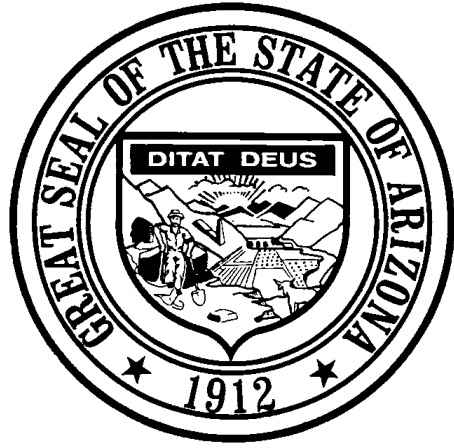
|  | PROGRAM REVENUES |                         |  |
|--|------------------|-------------------------|--|
|  | EXPENSES         | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS |
| <b><u>FUNCTIONS/PROGRAMS</u></b>         |                  |                         |  |
| Arizona Power Authority                  | \$ 22,226        | \$ 22,014               | \$ —                                     |
| Rio Nuevo                                | 17,499           | 3,286                   | —  |
| Arizona Public School Credit Enhancement | —                | 402                     | —  |
| Arizona Commerce Authority               | 32,086           | 2,102                   | 4,332                                    |
| Insurance Department Guaranty Funds      | 17,323           | 19,777                  | —  |
|  | <hr/>            | <hr/>                   | <hr/>                                    |
| Total                                    | \$ 89,134        | \$ 47,581               | \$ 4,332                                 |
|  | <hr/> <hr/>      | <hr/> <hr/>             | <hr/> <hr/>                              |

General Revenues:

Unrestricted investment earnings  
Unrestricted grants and contributions  
Payments from primary government  
Gain on forgiveness of debt  
Miscellaneous  
Change in Net Position  
Net Position - Beginning, as restated  
Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

| ARIZONA<br>POWER<br>AUTHORITY | RIO NUEVO        | ARIZONA PUBLIC<br>SCHOOL CREDIT<br>ENHANCEMENT | ARIZONA<br>COMMERCE<br>AUTHORITY | INSURANCE<br>DEPARTMENT<br>GUARANTY FUNDS | TOTAL             |
|-------------------------------|------------------|--|----------------------------------|---|-------------------|
| \$ (212)                      | \$ —             | \$ —   | \$ —                             | \$ —                                      | \$ (212)          |
| —                             | (14,213)         | —  | —                                | —   | (14,213)          |
| —                             | —                | 402  | —                                | —   | 402               |
| —                             | —                | —  | (25,652)                         | —   | (25,652)          |
| —                             | —                | —  | —                                | 2,454                                     | 2,454             |
| 274                           | 1,073            | 598  | 1,991                            | 8,140                                     | 12,076            |
| —                             | —                | —  | 215                              | —   | 215               |
| —                             | 13,441           | —  | 25,286                           | —   | 38,727            |
| —                             | 41,278           | —  | —                                | —   | 41,278            |
| —                             | 160              | —  | 4                                | —   | 164               |
| 62                            | 41,739           | 1,000  | 1,844                            | 10,594                                    | 55,239            |
| 5,628                         | 34,403           | 25,182   | 106,479                          | 8,003                                     | 179,695           |
| <u>\$ 5,690</u>               | <u>\$ 76,142</u> | <u>\$ 26,182</u>                               | <u>\$ 108,323</u>                | <u>\$ 18,597</u>                          | <u>\$ 234,934</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, 2020

(Expressed in Thousands)

|  | NORTHERN<br>ARIZONA<br>UNIVERSITY<br>FOUNDATION | SUN ANGEL<br>FOUNDATION | ARIZONA STATE<br>UNIVERSITY<br>RESEARCH<br>PARK, INC. | ARIZONA STATE<br>UNIVERSITY<br>ALUMNI<br>ASSOCIATION |
|--|---|-------------------------|---|--|
| <b>ASSETS</b>  |   |                         |   |  |
| Cash and cash equivalent investments                       | \$ 3,241  | \$ 6,513                | \$ 4,384  | \$ 530   |
| Receivables:   |   |                         |   |  |
| Pledges receivable   | 14,225  | 31,556                  | —   | —  |
| Notes receivable   | 13,542  | —                       | —   | —  |
| Other receivables  | 1,785   | 158                     | 43,468  | 120  |
| Total receivables  | <u>29,552</u>                                   | <u>31,714</u>           | <u>43,468</u>   | <u>120</u>   |
| Investments:   |   |                         |   |  |
| Investments in securities                                  | 186,620   | —                       | —   | 19,021   |
| Other investments  | 14,244  | —                       | —   | —  |
| Total investments  | <u>200,864</u>                                  | <u>—</u>                | <u>—</u>  | <u>19,021</u>  |
| Net direct financing leases                                | 4,129   | —                       | —   | —  |
| Property and equipment, net<br>of accumulated depreciation | —   | —                       | 5,314   | —  |
| Other assets   | 178   | 163                     | 2,066   | 33   |
| Total Assets   | <u>237,964</u>                                  | <u>38,390</u>           | <u>55,232</u>   | <u>19,704</u>  |
| <b>LIABILITIES</b>   |   |                         |   |  |
| Accounts payable and<br>accrued liabilities                | 256   | 109                     | 46  | 55   |
| Liability under endowment trust<br>agreements              | 35,074  | —                       | —   | —  |
| Long-term debt   | —   | —                       | 1,105   | —  |
| Deferred revenue   | 5,533   | —                       | 12,485  | 143  |
| Other liabilities  | 2,141   | —                       | 2,663   | 26   |
| Total Liabilities  | <u>43,004</u>                                   | <u>109</u>              | <u>16,299</u>   | <u>224</u>   |
| <b>NET ASSETS</b>  |   |                         |   |  |
| With donor restrictions                                    | 187,710   | 36,974                  | —   | 84   |
| Without donor restrictions                                 | 7,250   | 1,307                   | 38,933  | 19,396   |
| Total Net Assets   | <u>\$ 194,960</u>                               | <u>\$ 38,281</u>        | <u>\$ 38,933</u>                                      | <u>\$ 19,480</u>                                     |

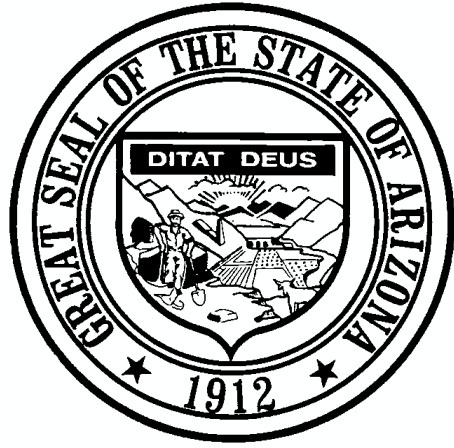
| ARIZONA STATE<br>UNIVERSITY<br>PREPARATORY<br>ACADEMY, INC. | UNIVERSITY<br>OF ARIZONA<br>LAW COLLEGE<br>ASSOCIATION | UNIVERSITY<br>OF ARIZONA<br>CAMPUS RESEARCH<br>CORPORATION | UNIVERSITY<br>OF ARIZONA<br>ALUMNI<br>ASSOCIATION | UNIVERSITY<br>OF ARIZONA<br>ELLER EXECUTIVE<br>EDUCATION | TOTAL             |
|---|--|--|---|--|-------------------|
| \$ 7,925  | \$ 665   | \$ 7,414   | \$ 773  | \$ 91  | \$ 31,536         |
| —   | 222  | —  | 10  | —  | 46,013            |
| —   | —  | —  | —   | —  | 13,542            |
| 3,443   | 1  | 1,765  | 1,850   | —  | 52,590            |
| <u>3,443</u>  | <u>223</u>   | <u>1,765</u>   | <u>1,860</u>                                      | <u>—</u>   | <u>112,145</u>    |
| —   | 12,112   | —  | 7,669   | —  | 225,422           |
| —   | 162  | —  | 27  | —  | 14,433            |
| —   | <u>12,274</u>  | —  | <u>7,696</u>                                      | —  | <u>239,855</u>    |
| —   | —  | —  | —   | —  | 4,129             |
| 10,281  | —  | 31,798   | 134   | —  | 47,527            |
| 235   | 7  | 6,782  | 20  | —  | 9,484             |
| <u>21,884</u>   | <u>13,169</u>  | <u>47,759</u>  | <u>10,483</u>                                     | <u>91</u>  | <u>444,676</u>    |
| 5,467   | 311  | 2,863  | 93  | 55   | 9,255             |
| —   | —  | —  | —   | —  | 35,074            |
| 5,105   | —  | 6,486  | 13  | 80   | 12,789            |
| 1,565   | —  | 1,677  | 3,051   | 92   | 24,546            |
| —   | —  | 80   | —   | —  | 4,910             |
| <u>12,137</u>   | <u>311</u>   | <u>11,106</u>  | <u>3,157</u>                                      | <u>227</u>   | <u>86,574</u>     |
| 473   | 10,824   | —  | 184   | —  | 236,249           |
| 9,274   | 2,034  | 36,653   | 7,142   | (136)  | 121,853           |
| <u>\$ 9,747</u>   | <u>\$ 12,858</u>                                       | <u>\$ 36,653</u>   | <u>\$ 7,326</u>                                   | <u>\$ (136)</u>  | <u>\$ 358,102</u> |

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

|  | NORTHERN<br>ARIZONA<br>UNIVERSITY<br>FOUNDATION | SUN ANGEL<br>FOUNDATION | ARIZONA STATE<br>UNIVERSITY<br>RESEARCH<br>PARK, INC. | ARIZONA STATE<br>UNIVERSITY<br>ALUMNI<br>ASSOCIATION |
|--|---|-------------------------|---|--|
| <b>REVENUES</b>                                |   |                         |   |  |
| Contributions                                  | \$ 19,557                                       | \$ 15,710               | \$ —  | \$ 1,185   |
| Rental revenue                                 | —   | —                       | 11,257  | —  |
| Sales and services                             | —   | 321                     | —   | 1,302  |
| Net investment income                          | 8,350   | 111                     | 16  | 580  |
| Grants and aid                                 | —   | —                       | —   | —  |
| Other revenues                                 | 2,965   | 213                     | 71  | —  |
| Total Revenues                                 | <u>30,872</u>                                   | <u>16,355</u>           | <u>11,344</u>   | <u>3,067</u>   |
| <b>EXPENSES</b>                                |   |                         |   |  |
| Program services:                              |   |                         |   |  |
| Payments to Universities                       | —   | 13,461                  | 3,663   | —  |
| Leasing related expenses                       | —   | —                       | —   | —  |
| Payments on behalf of Universities             | —   | —                       | —   | —  |
| Other program services                         | 10,512  | —                       | —   | —  |
| Management and general expenses                | 671   | 864                     | 1,134   | 3,149  |
| Fundraising expenses                           | 5,340   | —                       | —   | —  |
| Interest                                       | —   | —                       | 117   | —  |
| Depreciation and amortization                  | —   | —                       | 405   | —  |
| Other expenses                                 | —   | 1,204                   | 150   | 79   |
| Total Expenses                                 | <u>16,523</u>                                   | <u>15,529</u>           | <u>5,469</u>  | <u>3,228</u>   |
| Increase (decrease) in Net Assets, before loss | 14,349  | 826                     | 5,875   | (161)  |
| Loss on sale of capital assets                 | —   | —                       | —   | —  |
| Increase (decrease) in Net Assets              | 14,349  | 826                     | 5,875   | (161)  |
| Net Assets - Beginning                         | <u>180,611</u>                                  | <u>37,455</u>           | <u>33,058</u>   | <u>19,641</u>  |
| Net Assets - Ending                            | <u>\$ 194,960</u>                               | <u>\$ 38,281</u>        | <u>\$ 38,933</u>                                      | <u>\$ 19,480</u>                                     |

| ARIZONA STATE<br>UNIVERSITY<br>PREPARATORY<br>ACADEMY, INC. | UNIVERSITY<br>OF ARIZONA<br>LAW COLLEGE<br>ASSOCIATION | UNIVERSITY<br>OF ARIZONA<br>CAMPUS RESEARCH<br>CORPORATION | UNIVERSITY<br>OF ARIZONA<br>ALUMNI<br>ASSOCIATION | UNIVERSITY<br>OF ARIZONA<br>ELLER EXECUTIVE<br>EDUCATION | TOTAL      |
|---|--|--|---|--|------------|
| \$ 2,987  | \$ 1,500   | \$ —   | \$ 313  | \$ 10  | \$ 41,262  |
| —   | —  | 17,078   | —   | —  | 28,335     |
| 1,079   | —  | —  | 584   | 949  | 4,235      |
| —   | 108  | 116  | 566   | —  | 9,847      |
| 38,407  | —  | —  | —   | —  | 38,407     |
| 1,939   | 310  | 860  | 1,976   | —  | 8,334      |
| 44,412  | 1,918  | 18,054   | 3,439   | 959  | 130,420    |
| —   | —  | —  | —   | 8  | 17,132     |
| —   | —  | 12,396   | —   | —  | 12,396     |
| —   | 1,768  | —  | 2,926   | 634  | 5,328      |
| —   | —  | —  | —   | —  | 10,512     |
| 44,102  | 136  | 1,330  | 387   | 529  | 52,302     |
| —   | 56   | —  | 450   | —  | 5,846      |
| —   | —  | —  | —   | —  | 117        |
| —   | —  | —  | —   | —  | 405        |
| —   | —  | —  | —   | —  | 1,433      |
| 44,102  | 1,960  | 13,726   | 3,763   | 1,171  | 105,471    |
| 310   | (42)   | 4,328  | (324)   | (212)  | 24,949     |
| (182)   | —  | —  | —   | —  | (182)      |
| 128   | (42)   | 4,328  | (324)   | (212)  | 24,767     |
| 9,619   | 12,900   | 32,325   | 7,650   | 76   | 333,335    |
| \$ 9,747  | \$ 12,858  | \$ 36,653  | \$ 7,326  | \$ (136)   | \$ 358,102 |



# 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, 2020  
(Expressed in Thousands)

|  | Fiscal Year          |                      |                           |                      |                      |
|--|----------------------|----------------------|---------------------------|----------------------|----------------------|
|  | 2020                 | 2019, as<br>restated | 2018, as<br>restated (14) | 2017, as<br>restated | 2016, as<br>restated |
| <b>GOVERNMENTAL ACTIVITIES:</b>                    |                      |                      |                           |                      |                      |
| Net investment in capital assets (5,8)             | \$ 22,951,428        | \$ 22,109,991        | \$ 21,486,658             | \$ 20,583,563        | \$ 19,722,730        |
| Restricted (3,12)                                  | 8,903,600            | 8,136,654            | 7,552,460                 | 7,368,184            | 6,856,271            |
| Unrestricted (6,8,11,15,18)                        | (3,682,598)          | (4,017,629)          | (5,437,227)               | (5,848,655)          | (5,205,689)          |
| <b>Total Governmental Activities Net Position</b>  | <b>\$ 28,172,430</b> | <b>\$ 26,229,016</b> | <b>\$ 23,601,891</b>      | <b>\$ 22,103,092</b> | <b>\$ 21,373,312</b> |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                   |                      |                      |                           |                      |                      |
| Net investment in capital assets (4,8,9)           | \$ 2,291,691         | \$ 2,073,576         | \$ 1,994,555              | \$ 1,879,901         | \$ 1,761,694         |
| Restricted (7,13,16,17)                            | 823,013              | 1,792,982            | 1,669,917                 | 1,332,162            | 1,191,605            |
| Unrestricted (2,4,6,8,9,10,11,16)                  | (146,714)            | 131,878              | (17,239)                  | 27,301               | 288,164              |
| <b>Total Business-type Activities Net Position</b> | <b>\$ 2,967,990</b>  | <b>\$ 3,998,436</b>  | <b>\$ 3,647,233</b>       | <b>\$ 3,239,364</b>  | <b>\$ 3,241,463</b>  |
| <b>PRIMARY GOVERNMENT:</b>                         |                      |                      |                           |                      |                      |
| Net investment in capital assets (4,5,9)           | \$ 25,243,119        | \$ 24,183,567        | \$ 23,481,213             | \$ 22,463,464        | \$ 21,484,424        |
| Restricted (3,7,12,13,16,17)                       | 9,726,613            | 9,929,636            | 9,222,377                 | 8,700,346            | 8,047,876            |
| Unrestricted (2,4,6,8,9,10,11,15,16,18)            | (3,829,312)          | (3,885,751)          | (5,454,466)               | (5,821,354)          | (4,917,525)          |
| <b>Total Primary Government Net Position</b>       | <b>\$ 31,140,420</b> | <b>\$ 30,227,452</b> | <b>\$ 27,249,124</b>      | <b>\$ 25,342,456</b> | <b>\$ 24,614,775</b> |

- (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 (IDGF).
- (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 IDGF.
- (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 Fund.
- (16) Fiscal year 2019 restricted and unrestricted net position has been restated due to reclassification of the IDGF from a non-major enterprise fund to a non-major component unit.
- (17) Fiscal year 2019 restricted net position has been restated due to change in allocation of a joint escrow bank account from the Other non-major enterprise fund to the Industrial Commission Special Fund and the IDGF.
- (18) Fiscal year 2019 unrestricted net position has been restated due to change from amortizing ADOT's bond premiums on a straight-line basis to the effective interest method.

| Fiscal Year          |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2015, as<br>restated | 2014, as<br>restated | 2013, as<br>restated | 2012, as<br>restated | 2011                 |
| \$ 18,790,889        | \$ 18,053,540        | \$ 17,410,055        | \$ 16,940,512        | \$ 16,326,569        |
| 7,170,289            | 6,829,299            | 6,116,083            | 5,447,576            | 5,125,527            |
| (5,685,921)          | (5,841,106)          | (2,527,441)          | (3,351,315)          | (4,243,824)          |
| <u>\$ 20,275,257</u> | <u>\$ 19,041,733</u> | <u>\$ 20,998,697</u> | <u>\$ 19,036,773</u> | <u>\$ 17,208,272</u> |
| <br>                 |                      |                      |                      |                      |
| \$ 1,642,507         | \$ 1,581,436         | \$ 1,526,777         | \$ 1,483,416         | \$ 1,397,683         |
| 895,616              | 723,590              | 531,972              | 496,444              | 501,437              |
| 215,120              | (51,586)             | 1,049,391            | 810,810              | 695,862              |
| <u>\$ 2,753,243</u>  | <u>\$ 2,253,440</u>  | <u>\$ 3,108,140</u>  | <u>\$ 2,790,670</u>  | <u>\$ 2,594,982</u>  |
| <br>                 |                      |                      |                      |                      |
| \$ 20,433,396        | \$ 19,634,976        | \$ 18,936,832        | \$ 18,423,928        | \$ 17,724,252        |
| 8,065,905            | 7,552,889            | 6,648,055            | 5,944,020            | 5,626,964            |
| (5,470,801)          | (5,892,692)          | (1,478,050)          | (2,540,505)          | (3,547,962)          |
| <u>\$ 23,028,500</u> | <u>\$ 21,295,173</u> | <u>\$ 24,106,837</u> | <u>\$ 21,827,443</u> | <u>\$ 19,803,254</u> |

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET POSITION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | Fiscal Year            |                        |                          |                        |                        |
|---|------------------------|------------------------|--------------------------|------------------------|------------------------|
|   | 2020                   | 2019 (7)               | 2018, as<br>restated (8) | 2017 (7)               | 2016 (7)               |
| <b>EXPENSES</b>                         |                        |                        |                          |                        |                        |
| <b>Governmental Activities:</b>         |                        |                        |                          |                        |                        |
| General government                      | \$ 1,194,320           | \$ 793,504             | \$ 933,641               | \$ 862,738             | \$ 807,320             |
| Health and welfare (5)                  | 18,201,947             | 16,873,025             | 16,254,160               | 15,661,167             | 15,152,650             |
| Inspection and regulation               | 194,800                | 149,976                | 156,149                  | 163,416                | 168,719                |
| Education                               | 7,854,849              | 7,161,842              | 6,538,614                | 6,369,100              | 6,136,303              |
| Protection and safety                   | 1,853,972              | 1,601,975              | 1,954,842                | 1,662,550              | 1,585,620              |
| Transportation                          | 971,909                | 842,112                | 834,697                  | 799,882                | 858,958                |
| Natural resources                       | 238,873                | 235,835                | 230,505                  | 216,318                | 208,563                |
| Intergovernmental revenue sharing       | 3,874,998              | 3,708,063              | 3,480,014                | 3,349,498              | 3,176,183              |
| Interest on long-term debt              | 140,206                | 172,071                | 153,914                  | 193,099                | 210,326                |
| Total Governmental Activities Expenses  | <u>34,525,874</u>      | <u>31,538,403</u>      | <u>30,536,536</u>        | <u>29,277,768</u>      | <u>28,304,642</u>      |
| <b>Business-type Activities:</b>        |                        |                        |                          |                        |                        |
| Universities (4)                        | 5,882,039              | 5,476,780              | 5,166,157                | 4,893,271              | 4,637,567              |
| Unemployment Compensation (2)           | 5,889,387              | —                      | —                        | —                      | —                      |
| Industrial Commission Special Fund (6)  | —                      | —                      | —                        | —                      | —                      |
| Lottery (2)                             | —                      | —                      | —                        | —                      | —                      |
| Other                                   | 988,092                | 1,178,051              | 1,156,810                | 1,105,470              | 1,014,941              |
| Total Business-type Activities Expenses | <u>12,759,518</u>      | <u>6,654,831</u>       | <u>6,322,967</u>         | <u>5,998,741</u>       | <u>5,652,508</u>       |
| Total Primary Government Expenses (5)   | <u>\$ 47,285,392</u>   | <u>\$ 38,193,234</u>   | <u>\$ 36,859,503</u>     | <u>\$ 35,276,509</u>   | <u>\$ 33,957,150</u>   |
| <b>PROGRAM REVENUES</b>                 |                        |                        |                          |                        |                        |
| <b>Governmental Activities:</b>         |                        |                        |                          |                        |                        |
| Charges for services:                   |                        |                        |                          |                        |                        |
| General government                      | \$ 230,511             | \$ 279,469             | \$ 218,721               | \$ 195,805             | \$ 196,179             |
| Health and welfare                      | 563,157                | 508,029                | 490,929                  | 447,334                | 423,690                |
| Inspection and regulation               | 176,051                | 176,676                | 163,278                  | 170,043                | 166,075                |
| Transportation                          | 209,658                | 215,860                | 166,221                  | 149,297                | 143,697                |
| Other activities                        | 278,703                | 267,491                | 263,412                  | 267,315                | 261,428                |
| Operating grants and contributions (9)  | 17,169,249             | 15,659,663             | 15,042,818               | 14,732,701             | 13,532,247             |
| Capital grants and contributions        | 566,951                | 519,021                | 718,794                  | 716,455                | 870,644                |
| Total Governmental Activities           | <u>19,194,280</u>      | <u>17,626,209</u>      | <u>17,064,173</u>        | <u>16,678,950</u>      | <u>15,593,960</u>      |
| Program Revenues                        | <u>19,194,280</u>      | <u>17,626,209</u>      | <u>17,064,173</u>        | <u>16,678,950</u>      | <u>15,593,960</u>      |
| <b>Business-type Activities:</b>        |                        |                        |                          |                        |                        |
| Charges for services:                   |                        |                        |                          |                        |                        |
| Universities                            | 2,974,123              | 2,907,908              | 2,799,919                | 2,708,519              | 2,519,048              |
| Lottery (2)                             | —                      | —                      | —                        | —                      | —                      |
| Other activities                        | 1,591,127              | 1,628,240              | 1,598,155                | 1,461,686              | 1,468,139              |
| Operating grants and contributions      | 6,223,027              | 1,659,758              | 1,573,533                | 1,488,002              | 1,452,562              |
| Capital grants and contributions        | 106,734                | 27,255                 | 20,699                   | 27,368                 | 11,911                 |
| Total Business-type Activities          | <u>10,895,011</u>      | <u>6,223,161</u>       | <u>5,992,306</u>         | <u>5,685,575</u>       | <u>5,451,660</u>       |
| Program Revenues                        | <u>10,895,011</u>      | <u>6,223,161</u>       | <u>5,992,306</u>         | <u>5,685,575</u>       | <u>5,451,660</u>       |
| Total Primary Government                | <u>\$ 30,089,291</u>   | <u>\$ 23,849,370</u>   | <u>\$ 23,056,479</u>     | <u>\$ 22,364,525</u>   | <u>\$ 21,045,620</u>   |
| Program Revenues                        | <u>\$ 30,089,291</u>   | <u>\$ 23,849,370</u>   | <u>\$ 23,056,479</u>     | <u>\$ 22,364,525</u>   | <u>\$ 21,045,620</u>   |
| <b>NET (EXPENSE) REVENUE</b>            |                        |                        |                          |                        |                        |
| Governmental activities                 | \$ (15,331,594)        | \$ (13,912,194)        | \$ (13,472,363)          | \$ (12,598,818)        | \$ (12,710,682)        |
| Business-type activities                | (1,864,507)            | (431,670)              | (330,661)                | (313,166)              | (200,848)              |
| Total Primary Government Net (Expense)  | <u>\$ (17,196,101)</u> | <u>\$ (14,343,864)</u> | <u>\$ (13,803,024)</u>   | <u>\$ (12,911,984)</u> | <u>\$ (12,911,530)</u> |

| Fiscal Year            |                        |                        |                        |                        |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2015 (7)               | 2014 (7)               | 2013, as<br>restated   | 2012, as<br>restated   | 2011                   |
| \$ 923,659             | \$ 763,830             | \$ 836,431             | \$ 840,189             | \$ 929,107             |
| 14,296,714             | 12,768,332             | 12,168,426             | 11,992,408             | 12,558,119             |
| 159,874                | 160,797                | 161,480                | 151,937                | 149,649                |
| 5,859,267              | 5,573,656              | 5,372,267              | 5,331,848              | 5,467,543              |
| 1,568,732              | 1,408,049              | 1,400,413              | 1,380,999              | 1,299,205              |
| 786,028                | 791,006                | 754,510                | 808,967                | 857,194                |
| 204,939                | 200,868                | 204,179                | 213,339                | 196,210                |
| 2,966,400              | 2,778,299              | 2,685,378              | 2,473,881              | 2,462,178              |
| 230,871                | 279,525                | 355,975                | 350,483                | 341,801                |
| <u>26,996,484</u>      | <u>24,724,362</u>      | <u>23,939,059</u>      | <u>23,544,051</u>      | <u>24,261,006</u>      |
| 4,378,481              | 4,078,053              | 3,888,145              | 3,629,568              | 3,533,977              |
| —                      | —                      | —                      | 1,069,531              | 1,655,364              |
| —                      | 36,895                 | 38,614                 | 83,290                 | 27,196                 |
| —                      | —                      | —                      | 496,830                | 439,069                |
| 1,041,261              | 1,130,299              | 1,329,816              | 113,347                | 115,442                |
| <u>5,419,742</u>       | <u>5,245,247</u>       | <u>5,256,575</u>       | <u>5,392,566</u>       | <u>5,771,048</u>       |
| <u>\$ 32,416,226</u>   | <u>\$ 29,969,609</u>   | <u>\$ 29,195,634</u>   | <u>\$ 28,936,617</u>   | <u>\$ 30,032,054</u>   |
| \$ 188,356             | \$ 188,943             | \$ 188,462             | \$ 189,175             | \$ 191,738             |
| 411,914                | 222,173                | 138,605                | 135,345                | 124,113                |
| 157,624                | 157,149                | 156,164                | 150,557                | 149,890                |
| 113,163                | 113,267                | 119,862                | 108,877                | 114,453                |
| 252,989                | 255,391                | 247,776                | 263,548                | 257,520                |
| 13,200,146             | 12,172,836             | 11,588,834             | 11,357,470             | 12,580,013             |
| 706,089                | 546,680                | 651,999                | 778,572                | 745,559                |
| <u>15,030,281</u>      | <u>13,656,439</u>      | <u>13,091,702</u>      | <u>12,983,544</u>      | <u>14,163,286</u>      |
| 2,303,791              | 2,056,307              | 1,892,356              | 1,752,509              | 1,601,077              |
| —                      | —                      | —                      | 646,675                | 583,537                |
| 1,345,566              | 1,325,046              | 1,289,456              | 584,240                | 560,502                |
| 1,320,612              | 1,343,922              | 1,570,854              | 1,705,773              | 2,212,673              |
| 43,321                 | 41,250                 | 15,210                 | 53,571                 | 14,799                 |
| <u>5,013,290</u>       | <u>4,766,525</u>       | <u>4,767,876</u>       | <u>4,742,768</u>       | <u>4,972,588</u>       |
| <u>\$ 20,043,571</u>   | <u>\$ 18,422,964</u>   | <u>\$ 17,859,578</u>   | <u>\$ 17,726,312</u>   | <u>\$ 19,135,874</u>   |
| \$ (11,966,203)        | \$ (11,067,923)        | \$ (10,847,357)        | \$ (10,560,507)        | \$ (10,097,720)        |
| (406,452)              | (478,722)              | (488,699)              | (649,798)              | (798,460)              |
| <u>\$ (12,372,655)</u> | <u>\$ (11,546,645)</u> | <u>\$ (11,336,056)</u> | <u>\$ (11,210,305)</u> | <u>\$ (10,896,180)</u> |

(Continued)

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET POSITION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | Fiscal Year          |                      |                          |                      |                      |
|---|----------------------|----------------------|--------------------------|----------------------|----------------------|
|   | 2020                 | 2019 (7)             | 2018, as<br>restated (8) | 2017 (7)             | 2016 (7)             |
| <b>GENERAL REVENUES AND OTHER<br/>CHANGES IN NET POSITION</b> |                      |                      |                          |                      |                      |
| <b>Governmental Activities:</b>                               |                      |                      |                          |                      |                      |
| Taxes:  |                      |                      |                          |                      |                      |
| Sales   | \$ 8,193,712         | \$ 7,673,015         | \$ 7,194,123             | \$ 6,775,704         | \$ 6,455,837         |
| Income  | 5,852,309            | 5,579,102            | 4,946,644                | 4,500,902            | 4,511,674            |
| Tobacco   | 295,163              | 287,875              | 298,369                  | 316,073              | 318,902              |
| Property  | 42,601               | 42,208               | 55,112                   | 46,798               | 51,735               |
| Motor vehicle and fuel  | 2,256,884            | 2,202,693            | 1,950,380                | 1,875,392            | 1,823,998            |
| Other   | 684,256              | 701,912              | 638,988                  | 655,363              | 616,580              |
| Unrestricted investment earnings                              | 145,654              | 165,228              | 42,463                   | 50,009               | 58,250               |
| Unrestricted grants and contributions                         | 28,539               | 29,964               | 35,324                   | 35,032               | 115,097              |
| Gain (loss) on sale of trust land                             | 13,595               | 201,327              | 161,953                  | 47,503               | 75,042               |
| Miscellaneous general revenues (3)                            | 339,967              | 245,486              | 178,298                  | 117,933              | 247,462              |
| Transfers   | (577,672)            | (495,502)            | (530,492)                | (529,455)            | (465,840)            |
| <b>Total Governmental Activities</b>                          | <b>17,275,008</b>    | <b>16,633,308</b>    | <b>14,971,162</b>        | <b>13,891,254</b>    | <b>13,808,737</b>    |
| <b>Business-type Activities:</b>                              |                      |                      |                          |                      |                      |
| Sales taxes   | 81,701               | 81,418               | 75,642                   | 72,696               | 69,927               |
| Unrestricted investment earnings                              | 92,528               | 136,913              | 50,825                   | 81,363               | 68,795               |
| Unrestricted grants and contributions                         | 10                   | —                    | —                        | —                    | 548                  |
| Miscellaneous general revenues                                | 79,277               | 77,764               | 79,617                   | 79,726               | 65,143               |
| Contributions to permanent endowments                         | 2,873                | 6,838                | 5,702                    | 3,276                | 5,472                |
| Extraordinary items   | —                    | —                    | —                        | —                    | —                    |
| Transfers   | 577,672              | 495,502              | 530,492                  | 529,455              | 465,840              |
| <b>Total Business-type Activities</b>                         | <b>834,061</b>       | <b>798,435</b>       | <b>742,278</b>           | <b>766,516</b>       | <b>675,725</b>       |
| <b>Total Primary Government</b>                               | <b>\$ 18,109,069</b> | <b>\$ 17,431,743</b> | <b>\$ 15,713,440</b>     | <b>\$ 14,657,770</b> | <b>\$ 14,484,462</b> |
| <b>CHANGE IN NET POSITION</b>                                 |                      |                      |                          |                      |                      |
| Governmental activities                                       | \$ 1,943,414         | \$ 2,721,114         | \$ 1,498,799             | \$ 1,292,436         | \$ 1,098,055         |
| Business-type activities                                      | (1,030,446)          | 366,765              | 411,617                  | 453,350              | 474,877              |
| <b>Total Primary Government</b>                               | <b>\$ 912,968</b>    | <b>\$ 3,087,879</b>  | <b>\$ 1,910,416</b>      | <b>\$ 1,745,786</b>  | <b>\$ 1,572,932</b>  |

- (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.  
In fiscal year 2020, the Unemployment Compensation became a major fund again.
- (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) and (16) - (18) 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 operating grants and contributions has been restated due to correction of error for the Land Endowments Fund.

| Fiscal Year          |                      |                      |                      |                      |  |
|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 2015 (7)             | 2014 (7)             | 2013, as<br>restated | 2012, as<br>restated | 2011                 |  |
| \$ 6,290,950         | \$ 5,948,055         | \$ 6,518,480         | \$ 6,296,151         | \$ 5,942,250         |  |
| 4,430,602            | 3,963,197            | 3,974,998            | 3,706,698            | 3,366,783            |  |
| 314,522              | 314,313              | 316,050              | 317,369              | 320,657              |  |
| 52,241               | 41,215               | 27,429               | 30,656               | 32,038               |  |
| 1,694,779            | 1,650,579            | 1,592,911            | 1,581,909            | 1,565,525            |  |
| 560,920              | 547,481              | 531,186              | 522,510              | 550,430              |  |
| 87,115               | 79,215               | 18,705               | 79,190               | 29,183               |  |
| 39,847               | 37,926               | 45,746               | 40,678               | 16,468               |  |
| 97,231               | 83,695               | 174,095              | 125,479              | (154,359)            |  |
| 232,658              | 176,035              | 144,403              | 265,214              | 140,854              |  |
| (601,539)            | (578,361)            | (534,722)            | (576,846)            | (734,892)            |  |
| <u>13,199,326</u>    | <u>12,263,350</u>    | <u>12,809,281</u>    | <u>12,389,008</u>    | <u>11,074,937</u>    |  |
| 64,757               | 63,669               | 57,490               | 55,309               | 52,913               |  |
| 37,839               | 108,296              | 62,017               | 49,501               | 68,401               |  |
| —                    | 107                  | 5                    | 3,468                | —                    |  |
| 138,931              | 78,837               | 148,743              | 155,757              | 50,510               |  |
| 5,740                | 6,561                | 3,192                | 3,270                | 3,656                |  |
| —                    | 3,900                | —                    | —                    | 3,884                |  |
| 601,539              | 578,361              | 534,722              | 576,846              | 734,892              |  |
| <u>848,806</u>       | <u>839,731</u>       | <u>806,169</u>       | <u>844,151</u>       | <u>914,256</u>       |  |
| <u>\$ 14,048,132</u> | <u>\$ 13,103,081</u> | <u>\$ 13,615,450</u> | <u>\$ 13,233,159</u> | <u>\$ 11,989,193</u> |  |
| \$ 1,233,123         | \$ 1,195,427         | \$ 1,961,924         | \$ 1,828,501         | \$ 977,217           |  |
| 442,354              | 361,009              | 317,470              | 194,353              | 115,796              |  |
| <u>\$ 1,675,477</u>  | <u>\$ 1,556,436</u>  | <u>\$ 2,279,394</u>  | <u>\$ 2,022,854</u>  | <u>\$ 1,093,013</u>  |  |

STATE OF ARIZONA  
SCHEDULE 3  
**FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|                                      | Fiscal Year         |                     |                      |                      |                     |
|--------------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|
|                                      | 2020                | 2019                | 2018, as<br>restated | 2017, as<br>restated | 2016                |
| <b>GENERAL FUND:</b>                 |                     |                     |                      |                      |                     |
| Nondisposable                        | \$ 15,710           | \$ 6,617            | \$ 11,632            | \$ 9,990             | \$ 9,669            |
| Restricted (5)                       | 1,691,058           | 339,116             | 44,401               | 133,472              | 91,833              |
| Committed                            | 257,556             | 150,050             | 113,204              | 93,343               | 126,484             |
| Unassigned (3,6)                     | 89,766              | 685,583             | —                    | (258,262)            | (78,903)            |
| Total General Fund                   | <u>\$ 2,054,090</u> | <u>\$ 1,181,366</u> | <u>\$ 169,237</u>    | <u>\$ (21,457)</u>   | <u>\$ 149,083</u>   |
| <b>ALL OTHER GOVERNMENTAL FUNDS:</b> |                     |                     |                      |                      |                     |
| Nondisposable (7)                    | \$ 5,853,677        | \$ 6,062,682        | \$ 5,934,995         | \$ 5,603,620         | \$ 5,124,432        |
| Restricted (2)                       | 1,418,680           | 1,659,621           | 1,482,258            | 1,479,706            | 1,488,010           |
| Committed                            | 1,428,352           | 1,225,528           | 1,060,444            | 964,570              | 937,949             |
| Unassigned (4)                       | (13,712)            | —                   | (14,491)             | (18,752)             | (21,325)            |
| Total All Other Governmental Funds   | <u>\$ 8,686,997</u> | <u>\$ 8,947,831</u> | <u>\$ 8,463,206</u>  | <u>\$ 8,029,144</u>  | <u>\$ 7,529,066</u> |

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Fiscal year 2012 restricted fund balance was restated as a result of an agency fund being reclassified to a special revenue fund.
- (3) Fiscal year 2015 unassigned fund balance was restated as a result of funds being reclassified from the General Fund to Other Internal Service Funds.
- (4) Fiscal year 2015 unassigned fund balance was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (5) Fiscal year 2017 restricted fund balance was restated due to correction of error of intergovernment revenue for the General Fund.
- (6) Beginning in fiscal year 2018, negative unassigned fund balance for the General Fund is being reduced against restricted and committed fund balance.
- (7) Fiscal year 2018 nondisposable fund balance has been restated due to correction of error of investment earnings for the Land Endowments Fund.



| Fiscal Year          |                     |                     |                      |                     |
|----------------------|---------------------|---------------------|----------------------|---------------------|
| 2015, as<br>restated | 2014                | 2013                | 2012, as<br>restated | 2011                |
| \$ 9,168             | \$ 9,600            | \$ 844              | \$ 891               | \$ 716              |
| 241,919              | 124,390             | 192,187             | 246,977              | 317,471             |
| 99,145               | 79,837              | 73,237              | 109,469              | 141,183             |
| (325,380)            | (189,238)           | 156,935             | (437,035)            | (1,162,531)         |
| <u>\$ 24,852</u>     | <u>\$ 24,589</u>    | <u>\$ 423,203</u>   | <u>\$ (79,698)</u>   | <u>\$ (703,161)</u> |
| <br>                 |                     |                     |                      |                     |
| \$ 5,181,556         | \$ 4,878,682        | \$ 4,160,485        | \$ 3,472,005         | \$ 3,244,080        |
| 1,573,453            | 1,741,674           | 1,860,872           | 1,762,356            | 1,531,992           |
| 825,740              | 734,446             | 661,110             | 514,085              | 452,447             |
| (27,562)             | (29,744)            | (26,266)            | (33,861)             | (39,009)            |
| <u>\$ 7,553,187</u>  | <u>\$ 7,325,058</u> | <u>\$ 6,656,201</u> | <u>\$ 5,714,585</u>  | <u>\$ 5,189,510</u> |

STATE OF ARIZONA  
SCHEDULE 4  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|  | Fiscal Year       |                   |                      |                      |                   |
|--|-------------------|-------------------|----------------------|----------------------|-------------------|
|  | 2020              | 2019              | 2018, as<br>restated | 2017, as<br>restated | 2016              |
| <b>REVENUES</b>                                      |                   |                   |                      |                      |                   |
| Taxes:   |                   |                   |                      |                      |                   |
| Sales  | \$ 8,125,114      | \$ 7,655,588      | \$ 7,173,126         | \$ 6,732,684         | \$ 6,450,967      |
| Income   | 5,771,734         | 5,498,061         | 4,892,382            | 4,473,790            | 4,513,219         |
| Tobacco  | 295,163           | 287,875           | 298,369              | 316,073              | 318,902           |
| Property   | 42,601            | 42,208            | 55,112               | 46,798               | 51,735            |
| Motor vehicle and fuel                               | 2,256,884         | 2,202,693         | 1,950,380            | 1,875,392            | 1,823,998         |
| Other  | 684,256           | 701,912           | 638,988              | 655,363              | 616,580           |
| Intergovernmental (4)                                | 17,711,033        | 15,602,794        | 15,040,118           | 14,731,475           | 14,166,387        |
| Licenses, fees, and permits                          | 687,754           | 650,484           | 582,918              | 573,867              | 542,064           |
| Hospital and nursing facility assessments            | 360,157           | 316,040           | 318,199              | 292,049              | 299,608           |
| Earnings (loss) on investments (5)                   | 172,496           | 489,398           | 559,956              | 639,717              | 175,444           |
| Sales and charges for services                       | 245,191           | 261,538           | 243,820              | 229,099              | 188,667           |
| Fines, forfeitures, and penalties                    | 164,995           | 220,513           | 156,666              | 136,161              | 159,647           |
| Gaming   | 112,448           | 99,679            | 95,367               | 89,310               | 91,748            |
| Tobacco settlement                                   | 94,283            | 98,938            | 101,761              | 101,522              | 98,907            |
| Proceeds from sale of trust land                     | 126,416           | 141,616           | 119,122              | 179,028              | 91,022            |
| Other (2)  | 370,818           | 285,136           | 213,776              | 167,229              | 264,474           |
| Total Revenues                                       | <u>37,221,343</u> | <u>34,554,473</u> | <u>32,440,060</u>    | <u>31,239,557</u>    | <u>29,853,369</u> |
| <b>EXPENDITURES</b>                                  |                   |                   |                      |                      |                   |
| Current:   |                   |                   |                      |                      |                   |
| General government                                   | 1,239,781         | 871,251           | 814,922              | 787,284              | 714,313           |
| Health and welfare                                   | 18,293,758        | 16,783,865        | 16,182,335           | 15,813,515           | 15,074,454        |
| Inspection and regulation                            | 194,784           | 160,878           | 160,254              | 160,362              | 165,009           |
| Education  | 7,853,935         | 7,169,071         | 6,541,180            | 6,364,016            | 6,132,751         |
| Protection and safety                                | 1,704,608         | 1,594,892         | 1,521,638            | 1,487,181            | 1,456,651         |
| Transportation                                       | 925,703           | 852,491           | 752,575              | 732,029              | 815,811           |
| Natural resources                                    | 223,537           | 225,242           | 216,169              | 198,567              | 189,614           |
| Intergovernmental revenue sharing                    | 3,874,998         | 3,708,063         | 3,480,014            | 3,349,498            | 3,176,183         |
| Debt service:  |                   |                   |                      |                      |                   |
| Principal  | 703,731           | 489,522           | 561,195              | 639,779              | 517,389           |
| Interest and other fiscal charges                    | 177,427           | 208,954           | 213,992              | 229,932              | 249,704           |
| Capital outlay                                       | 850,937           | 867,114           | 933,204              | 894,210              | 814,002           |
| Total Expenditures                                   | <u>36,043,199</u> | <u>32,931,343</u> | <u>31,377,478</u>    | <u>30,656,373</u>    | <u>29,305,881</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>1,178,144</u>  | <u>1,623,130</u>  | <u>1,062,582</u>     | <u>583,184</u>       | <u>547,488</u>    |

| Fiscal Year       |                   |                   |                      |                   |
|-------------------|-------------------|-------------------|----------------------|-------------------|
| 2015 (3)          | 2014              | 2013              | 2012, as<br>restated | 2011              |
| \$ 6,281,286      | \$ 5,933,824      | \$ 6,530,609      | \$ 6,312,870         | \$ 5,971,141      |
| 4,398,928         | 4,012,603         | 4,034,631         | 3,715,082            | 3,398,972         |
| 314,522           | 314,313           | 316,050           | 317,369              | 320,657           |
| 52,241            | 41,215            | 27,429            | 30,656               | 32,038            |
| 1,694,779         | 1,650,579         | 1,592,911         | 1,581,909            | 1,565,525         |
| 560,920           | 547,481           | 531,186           | 522,510              | 550,430           |
| 13,606,650        | 11,752,711        | 11,592,676        | 11,843,908           | 13,019,744        |
| 486,331           | 475,833           | 476,972           | 477,344              | 452,629           |
| 291,324           | 91,578            | —                 | —                    | —                 |
| 295,125           | 739,859           | 499,919           | 190,055              | 438,068           |
| 193,553           | 185,682           | 182,075           | 188,806              | 186,325           |
| 152,728           | 171,161           | 181,216           | 168,240              | 184,950           |
| 89,512            | 86,326            | 86,507            | 85,535               | 80,455            |
| 99,975            | 100,765           | 149,125           | 101,067              | 99,130            |
| 123,483           | 86,319            | 225,659           | 137,405              | 95,500            |
| 254,522           | 208,858           | 169,119           | 297,065              | 164,658           |
| <u>28,895,879</u> | <u>26,399,107</u> | <u>26,596,084</u> | <u>25,969,821</u>    | <u>26,560,222</u> |
| 843,159           | 750,163           | 812,770           | 838,776              | 933,313           |
| 14,388,149        | 12,643,455        | 12,216,622        | 12,029,530           | 12,818,468        |
| 158,495           | 161,318           | 160,636           | 153,947              | 153,718           |
| 5,857,390         | 5,572,414         | 5,369,538         | 5,332,141            | 5,467,695         |
| 1,402,225         | 1,360,387         | 1,349,146         | 1,351,251            | 1,288,577         |
| 700,080           | 687,798           | 683,607           | 745,306              | 820,417           |
| 189,302           | 193,043           | 194,714           | 202,677              | 191,429           |
| 2,966,400         | 2,778,299         | 2,685,168         | 2,473,535            | 2,459,934         |
| 560,497           | 493,592           | 412,617           | 386,027              | 383,591           |
| 270,872           | 312,024           | 329,773           | 344,903              | 357,754           |
| 783,926           | 829,630           | 765,339           | 769,716              | 824,417           |
| <u>28,120,495</u> | <u>25,782,123</u> | <u>24,979,930</u> | <u>24,627,809</u>    | <u>25,699,313</u> |
| <u>775,384</u>    | <u>616,984</u>    | <u>1,616,154</u>  | <u>1,342,012</u>     | <u>860,909</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, 2020  
(Expressed in Thousands)

|  | Fiscal Year       |                     |                      |                      |                   |
|--|-------------------|---------------------|----------------------|----------------------|-------------------|
|  | 2020              | 2019                | 2018, as<br>restated | 2017, as<br>restated | 2016              |
| <b>OTHER FINANCING SOURCES (USES)</b>                          |                   |                     |                      |                      |                   |
| Transfers in   | \$ 921,711        | \$ 993,164          | \$ 858,631           | \$ 866,241           | \$ 914,817        |
| Transfers out  | (1,496,902)       | (1,486,841)         | (1,375,640)          | (1,303,531)          | (1,367,979)       |
| Proceeds from sale of capital assets                           | 1,591             | 343                 | 3,524                | 1,294                | 1,203             |
| Capital lease and installment purchase contracts               | —                 | 1,034               | —                    | 43,248               | 3,579             |
| Proceeds from notes and loans                                  | —                 | —                   | —                    | —                    | —                 |
| Bonds issued   | —                 | 262,010             | —                    | —                    | —                 |
| Certificates of participation issued                           | —                 | —                   | —                    | 119,880              | —                 |
| Grant anticipation notes issued                                | —                 | 62,465              | 62,595               | —                    | —                 |
| Refunding bonds issued   | 756,630           | —                   | —                    | 312,900              | —                 |
| Refunding certificates of participation issued                 | 425,005           | —                   | 31,570               | —                    | 427,540           |
| Refunding grant anticipation notes issued                      | —                 | —                   | —                    | 90,410               | —                 |
| Payment to refunded bond escrow agent                          | (782,272)         | —                   | —                    | (389,350)            | (62,630)          |
| Payment to refunded certificates of participation escrow agent | (480,097)         | —                   | (31,345)             | —                    | (422,841)         |
| Payment to refunded grant anticipation notes escrow agent      | —                 | —                   | —                    | (112,128)            | —                 |
| Premium on debt issued   | 88,080            | 41,449              | 12,839               | 117,390              | 58,933            |
| Total Other Financing Sources (Uses)                           | <u>(566,254)</u>  | <u>(126,376)</u>    | <u>(437,826)</u>     | <u>(253,646)</u>     | <u>(447,378)</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                             | <u>\$ 611,890</u> | <u>\$ 1,496,754</u> | <u>\$ 624,756</u>    | <u>\$ 329,538</u>    | <u>\$ 100,110</u> |
| <b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b> | 2.50%             | 2.20%               | 2.50%                | 2.90%                | 2.70%             |

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Fiscal year 2012 other revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
- (3) Historical data has not been restated for footnote items (4) - (5) in Schedule 3.
- (4) Fiscal year 2017 intergovernmental revenue was restated due to correction of error for the General Fund.
- (5) Fiscal year 2018 earnings on investments has been restated due to correction of error for the Land Endowments Fund.

Fiscal Year

| 2015 (3)          | 2014              | 2013                | 2012, as<br>restated | 2011              |
|-------------------|-------------------|---------------------|----------------------|-------------------|
| \$ 856,446        | \$ 904,261        | \$ 782,420          | \$ 821,072           | \$ 862,040        |
| (1,392,301)       | (1,397,332)       | (1,256,408)         | (1,323,778)          | (1,574,406)       |
| 259               | 900               | 1,636               | 1,815                | 3,712             |
| 1,025             | 113,914           | 15,158              | 8,166                | 4,583             |
| 783               | 29,130            | 51,550              | 9,541                | 11,113            |
| —                 | —                 | 194,295             | 259,460              | 180,000           |
| —                 | —                 | —                   | —                    | 150,110           |
| —                 | —                 | —                   | —                    | 158,585           |
| 754,285           | —                 | 837,340             | 455,900              | —                 |
| —                 | 305,675           | 62,630              | —                    | —                 |
| —                 | —                 | —                   | 43,825               | —                 |
| (900,813)         | —                 | (954,372)           | (560,228)            | —                 |
| —                 | (310,059)         | (42,096)            | —                    | —                 |
| —                 | —                 | —                   | —                    | —                 |
| 149,554           | 6,770             | 136,210             | 90,753               | 42,291            |
| (530,762)         | (346,741)         | (171,637)           | (193,474)            | (161,972)         |
| <u>\$ 244,622</u> | <u>\$ 270,243</u> | <u>\$ 1,444,517</u> | <u>\$ 1,148,538</u>  | <u>\$ 698,937</u> |
| 3.00%             | 3.20%             | 3.10%               | 3.10%                | 3.00%             |

STATE OF ARIZONA  
SCHEDULE 5  
**NET TAXABLE SALES BY CLASSIFICATION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands)

|   | Fiscal Year           |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2020                  | 2019                  | 2018                  | 2017                  | 2016                  | 2015                  |
| <b>CLASSIFICATION (5)</b>                 |                       |                       |                       |                       |                       |                       |
| Transporting (2)                          | \$ 34,563             | \$ 31,542             | \$ 31,022             | \$ 39,944             | \$ 56,139             | \$ 57,588             |
| Mining, oil and gas                       | 187,408               | 164,066               | 154,510               | 140,648               | 154,947               | 111,808               |
| Mining severance                          | 508,177               | 690,060               | 982,475               | 735,086               | 607,840               | 994,478               |
| Utilities                                 | 9,814,962             | 10,315,450            | 10,337,793            | 9,920,286             | 10,031,989            | 9,856,234             |
| Communications                            | 1,771,025             | 1,917,973             | 2,067,005             | 2,000,877             | 2,306,786             | 2,565,400             |
| Private car and pipelines                 | 32,944                | 33,457                | 30,131                | 22,117                | 2,577                 | 6,498                 |
| Publishing                                | 35,343                | 56,071                | 84,595                | 87,179                | 105,270               | 106,357               |
| Job printing                              | 164,660               | 241,963               | 219,210               | 237,887               | 236,324               | 259,672               |
| Restaurants and bars                      | 14,471,700            | 15,232,888            | 14,347,556            | 13,571,567            | 12,715,254            | 12,053,486            |
| Amusements                                | 1,303,261             | 1,482,455             | 1,445,107             | 1,323,661             | 1,342,700             | 1,252,514             |
| Commercial lease (3)                      | —                     | —                     | (4)                   | 50                    | 2                     | 6                     |
| Personal property rentals                 | 4,893,667             | 4,762,330             | 4,276,040             | 3,947,160             | 3,689,976             | 3,453,882             |
| Contracting                               | 15,817,234            | 13,610,523            | 11,801,258            | 10,252,613            | 9,601,228             | 10,653,405            |
| Retail                                    | 74,712,427            | 71,664,595            | 67,429,685            | 63,922,406            | 61,614,309            | 58,463,542            |
| Remote seller/marketplace facilitator (8) | 3,485,993             | —                     | —                     | —                     | —                     | —                     |
| MRRA amount (7)                           | 218,938               | 177,361               | 167,434               | 155,624               | 160,125               | 26,816                |
| Hotel/motel                               | 2,805,265             | 3,646,904             | 3,342,980             | 3,058,663             | 2,819,143             | 2,675,510             |
| Online lodging marketplace (9)            | 355,669               | —                     | —                     | —                     | —                     | —                     |
| Rental occupancy tax (6)                  | —                     | (1)                   | —                     | —                     | (503)                 | —                     |
| Use tax                                   | 7,744,065             | 7,316,160             | 6,590,501             | 6,069,074             | 5,703,365             | 5,659,094             |
| Use tax-utilities                         | 1,642                 | 945                   | 2,512                 | 34,764                | 38,945                | 48,070                |
| Membership camping (6)                    | —                     | —                     | —                     | —                     | —                     | —                     |
| <b>Total</b>                              | <b>\$ 138,358,943</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> |
| 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 6.6% for fiscal years 2011 through 2013 and 5.6% for fiscal years 2014 through 2020. For fiscal years 2011 through 2020, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2011 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 6.5% for fiscal years 2011 through 2013 and 5.5% for fiscal years 2014 through 2020. 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.
- (8) Remote seller/marketplace facilitator tax was effective October 1, 2019.
- (9) Prior to fiscal year 2020, this category was combined with Hotel/motel.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2020 and prior.

Fiscal Year

|    | 2014        | 2013          | 2012          | 2011          |
|----|-------------|---------------|---------------|---------------|
| \$ | 54,981      | \$ 41,324     | \$ 52,137     | \$ 41,555     |
|    | 116,678     | 115,775       | 105,614       | 96,514        |
|    | 1,047,580   | 1,193,176     | 1,623,111     | 1,609,451     |
|    | 9,923,490   | 9,900,238     | 9,474,521     | 9,394,361     |
|    | 2,965,233   | 3,061,730     | 3,190,962     | 2,853,538     |
|    | 5,616       | 6,250         | 1,186         | 1,908         |
|    | 101,751     | 84,673        | 92,505        | 98,343        |
|    | 321,225     | 235,349       | 252,603       | 266,564       |
|    | 11,085,652  | 10,544,419    | 9,996,825     | 9,311,826     |
|    | 1,096,945   | 1,051,581     | 1,037,059     | 994,092       |
|    | 2           | 2             | 1             | 2             |
|    | 3,355,048   | 3,254,822     | 3,257,588     | 3,056,386     |
|    | 11,269,503  | 10,092,876    | 9,543,335     | 8,983,261     |
|    | 55,257,510  | 51,276,108    | 48,178,714    | 45,898,838    |
|    | —           | —             | —             | —             |
|    | —           | —             | —             | —             |
|    | 2,334,373   | 2,221,059     | 2,156,864     | 2,039,283     |
|    | —           | —             | —             | —             |
|    | —           | —             | (3)           | 43            |
|    | 4,749,508   | 5,186,464     | 5,302,844     | 4,610,921     |
|    | 62,511      | 10,283        | 10,022        | 10,040        |
|    | —           | —             | —             | 1             |
| \$ | 103,747,606 | \$ 98,276,129 | \$ 94,275,888 | \$ 89,266,927 |
|    | 5.60%       | 6.60%         | 6.60%         | 6.60%         |

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STATE OF ARIZONA  
SCHEDULE 6  
**SALES TAX REVENUE PAYERS BY CLASSIFICATION**  
CURRENT YEAR AND NINE YEARS AGO  
(Expressed in Thousands)

| <b><u>CLASSIFICATION</u></b>              | Fiscal Year 2020    |                     | Fiscal Year 2011    |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Tax Collections     | Percentage of Total | Tax Collections     | Percentage of Total |
| Transporting                              | \$ 1,728            | 0.02%               | \$ 2,078            | 0.04%               |
| Non-metal mining, oil and gas             | 5,857               | 0.08                | 3,016               | 0.06                |
| Mining severance                          | 12,704              | 0.16                | 40,236              | 0.81                |
| Timbering severance – Ponderosa (1)       | —                   | —                   | 1                   | —                   |
| Utilities                                 | 490,748             | 6.35                | 469,718             | 9.48                |
| Communications                            | 88,551              | 1.15                | 142,631             | 2.88                |
| Private car and pipelines                 | 1,647               | 0.02                | 95                  | —                   |
| Publishing                                | 1,767               | 0.02                | 4,917               | 0.10                |
| Job Printing                              | 8,233               | 0.11                | 13,328              | 0.27                |
| Restaurants and bars                      | 723,585             | 9.37                | 465,596             | 9.40                |
| Amusements                                | 65,163              | 0.84                | 49,705              | 1.00                |
| Personal property rentals                 | 244,683             | 3.17                | 152,828             | 3.08                |
| Contracting                               | 790,862             | 10.24               | 449,166             | 9.06                |
| Retail                                    | 3,735,621           | 48.34               | 2,295,067           | 46.31               |
| Remote seller/marketplace facilitator (5) | 174,300             | 2.26                | —                   | —                   |
| MRRA amount (3)                           | 10,947              | 0.14                | —                   | —                   |
| Hotel/motel                               | 154,290             | 2.00                | 112,161             | 2.26                |
| Online lodging marketplace                | 19,562              | 0.25                | —                   | —                   |
| Rental occupancy tax (1)                  | —                   | —                   | 1                   | —                   |
| Use tax utilities                         | 82                  | —                   | 502                 | 0.01                |
| Use tax                                   | 384,264             | 4.97                | 229,251             | 4.63                |
| License fees                              | 467                 | 0.01                | 5,797               | 0.12                |
| Jet fuel tax (4)                          | —                   | —                   | 5,176               | 0.10                |
| Jet fuel use tax (4)                      | —                   | —                   | 320                 | 0.01                |
| Non sufficient funds                      | 425                 | 0.01                | —                   | —                   |
| Telecommunications service assistance     | —                   | —                   | (175)               | —                   |
| Mandatory EFT fees                        | 2,243               | 0.03                | —                   | —                   |
| Education tax (2)                         | 808,452             | 10.46               | 514,346             | 10.38               |
| <b>Total</b>                              | <b>\$ 7,726,181</b> | <b>100.00%</b>      | <b>\$ 4,955,761</b> | <b>100.00%</b>      |

(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) MRRA - 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.

(5) The remote seller/marketplace facilitator revenue is for a partial year, with the tax beginning on October 1, 2019.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2020 and 2011.

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 |                       |                       |                       |                       |                       |
|--|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2019                            | 2018                  | 2017                  | 2016                  | 2015                  | 2014                  |
| Farm earnings                                | \$ 1,529,196                    | \$ 1,481,185          | \$ 1,416,127          | \$ 1,509,289          | \$ 1,413,111          | \$ 1,060,100          |
| Forestry and fishing                         | 547,537                         | 545,498               | 540,210               | 529,522               | 506,621               | 450,122               |
| Mining                                       | 2,020,965                       | 2,018,774             | 1,614,526             | 1,381,503             | 1,464,407             | 1,567,360             |
| Utilities                                    | 2,060,487                       | 2,005,316             | 1,883,855             | 1,819,826             | 1,667,979             | 1,659,154             |
| Construction                                 | 15,135,306                      | 13,748,351            | 12,228,316            | 10,710,781            | 9,882,558             | 9,419,581             |
| Manufacturing                                | 17,595,014                      | 16,341,355            | 15,181,966            | 14,603,929            | 14,305,185            | 13,808,974            |
| Wholesale trade                              | 10,422,984                      | 10,174,648            | 9,672,278             | 9,152,443             | 8,896,260             | 8,547,894             |
| Retail trade                                 | 15,283,175                      | 14,702,259            | 14,251,712            | 13,690,300            | 13,485,864            | 13,146,907            |
| Transportation and warehousing               | 8,095,692                       | 7,496,273             | 6,718,929             | 6,380,321             | 6,026,083             | 5,559,475             |
| Information                                  | 5,732,623                       | 5,423,202             | 4,677,611             | 4,611,385             | 4,351,625             | 4,132,456             |
| Finance and insurance                        | 18,479,782                      | 17,171,277            | 15,959,912            | 14,421,379            | 13,195,100            | 12,133,895            |
| Real estate, rental, and leasing             | 6,540,083                       | 6,171,663             | 5,563,489             | 5,761,582             | 5,198,817             | 4,487,239             |
| Professional and technical services          | 18,339,102                      | 17,314,274            | 16,008,552            | 15,085,697            | 14,530,837            | 13,841,425            |
| Managing companies/enterprises               | 3,574,073                       | 3,227,365             | 3,549,935             | 3,306,844             | 3,232,425             | 3,187,130             |
| Administrative and waste services            | 14,149,676                      | 13,542,586            | 12,741,778            | 11,877,770            | 11,547,195            | 10,978,476            |
| Educational services                         | 3,499,901                       | 3,393,576             | 3,356,003             | 3,301,966             | 3,203,401             | 3,115,225             |
| Health care and social assistance            | 28,433,116                      | 26,938,501            | 25,335,169            | 23,890,834            | 22,552,364            | 21,447,106            |
| Arts, entertainment, and recreation          | 3,021,539                       | 2,894,834             | 2,816,552             | 2,618,164             | 2,376,549             | 2,400,656             |
| Accommodation and food services              | 9,415,514                       | 9,055,243             | 8,350,894             | 7,623,452             | 7,178,313             | 6,560,676             |
| Other services, except public administration | 7,966,062                       | 7,566,799             | 7,213,987             | 6,975,538             | 6,763,970             | 6,570,188             |
| Government and government enterprises        | 35,297,625                      | 33,930,709            | 32,666,654            | 31,459,503            | 30,876,106            | 29,853,609            |
| Other (1)                                    | 108,103,652                     | 104,082,645           | 98,258,997            | 92,487,236            | 88,603,228            | 83,482,799            |
| <b>Total</b>                                 | <b>\$ 335,243,104</b>           | <b>\$ 319,226,333</b> | <b>\$ 300,007,452</b> | <b>\$ 283,199,264</b> | <b>\$ 271,257,998</b> | <b>\$ 257,410,447</b> |
| Average effective rate (2)                   | 1.35%                           | 1.57%                 | 1.52%                 | 1.46%                 | 1.46%                 | 1.46%                 |

(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 2013 through 2018 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

|    | 2013               | 2012                  | 2011                  | 2010                  |
|----|--------------------|-----------------------|-----------------------|-----------------------|
| \$ | 1,287,943          | \$ 879,963            | \$ 1,164,879          | \$ 669,030            |
|    | 410,413            | 413,431               | 402,679               | 396,628               |
|    | 1,535,771          | 1,502,892             | 1,280,116             | 1,078,519             |
|    | 1,575,092          | 1,529,337             | 1,573,611             | 1,511,977             |
|    | 8,936,081          | 8,118,792             | 8,108,091             | 8,016,693             |
|    | 13,491,102         | 13,380,267            | 12,460,753            | 12,068,384            |
|    | 8,379,655          | 8,559,568             | 7,991,859             | 7,659,150             |
|    | 12,141,782         | 12,146,323            | 11,656,655            | 11,072,563            |
|    | 5,144,768          | 5,131,165             | 4,878,063             | 4,571,147             |
|    | 3,618,183          | 3,127,135             | 2,942,316             | 2,947,558             |
|    | 11,729,712         | 10,810,316            | 9,956,813             | 9,602,994             |
|    | 3,978,669          | 2,554,638             | 1,983,914             | 1,613,131             |
|    | 13,297,525         | 12,960,670            | 12,551,489            | 11,780,747            |
|    | 2,936,240          | 2,609,040             | 2,338,045             | 2,256,188             |
|    | 10,355,952         | 9,563,967             | 9,145,822             | 8,835,016             |
|    | 2,949,383          | 2,998,261             | 2,775,797             | 2,617,427             |
|    | 20,769,650         | 20,196,102            | 19,644,652            | 18,869,260            |
|    | 2,112,394          | 1,878,111             | 1,491,117             | 1,418,812             |
|    | 6,521,538          | 6,217,391             | 5,749,296             | 5,451,478             |
|    | 6,080,178          | 6,005,102             | 5,503,582             | 5,240,526             |
|    | 29,595,243         | 28,887,169            | 28,692,183            | 28,598,016            |
|    | 76,008,753         | 77,376,454            | 74,073,570            | 69,248,397            |
| \$ | <u>242,856,027</u> | <u>\$ 236,846,094</u> | <u>\$ 226,365,302</u> | <u>\$ 215,523,641</u> |
|    | 1.43%              | 1.44%                 | 1.37%                 | 1.33%                 |

STATE OF ARIZONA  
SCHEDULE 8  
**PERSONAL INCOME TAX RATES**  
FOR THE LAST TEN CALENDAR YEARS  
(Expressed in Thousands)

Calendar Year Ended December 31

|  | 2019         | 2018         | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b><u>AVERAGE EFFECTIVE RATE (3)</u></b>                               |              |              |              |              |              |
| Personal Income Tax Revenue (1)  | \$ 4,531,546 | \$ 5,010,333 | \$ 4,545,242 | \$ 4,131,621 | \$ 3,968,883 |
| Personal Income (2)  | 335,243,104  | 319,226,333  | 300,007,452  | 283,199,264  | 271,257,998  |
| Average Effective Rate (3)   | 1.35%        | 1.57%        | 1.52%        | 1.46%        | 1.46%        |
| <b><u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u></b> |              |              |              |              |              |
| \$0 - \$26.5   | 2.59%        | 2.59-2.88%   | 2.59-2.88%   | 2.59-2.88%   | 2.59-2.88%   |
| \$26.5 - \$53  | 3.34%        | 3.36%        | 3.36%        | 3.36%        | 3.36%        |
| \$53 - \$159   | 4.17%        | 4.24%        | 4.24%        | 4.24%        | 4.24%        |
| \$159 and over   | 4.50%        | 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 2010 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. Taxable income ranges fluctuate annually; the amounts listed are for the latest calendar year.

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 2017 AND 2010 (1)  
(Expressed in Thousands, Except Number of Filers)

Taxable Year Ended December 31, 2017

|   | Number of Filers | Percentage of Total | Liability (2) | Percentage of Total |
|---|------------------|---------------------|---------------|---------------------|
| <b><u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u></b> |                  |                     |               |                     |
| \$50 and under  | 1,970,444        | 63.71%              | \$ 517,072    | 11.36%              |
| \$50 - \$100  | 647,800          | 20.94%              | 848,611       | 18.65%              |
| \$100 - \$500   | 452,386          | 14.63%              | 1,935,061     | 42.52%              |
| \$500 and over  | 22,326           | 0.72%               | 1,250,404     | 27.47%              |
| Total   | 3,092,956        | 100.00%             | \$ 4,551,148  | 100.00%             |

- (1) The taxable year 2017 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 2017, filed from January 2018 forward (or 2010, filed from January 2011 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

|    | 2014        |    | 2013        |    | 2012        |    | 2011        |    | 2010        |
|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| \$ | 3,761,764   | \$ | 3,463,266   | \$ | 3,398,902   | \$ | 3,099,177   | \$ | 2,870,565   |
|    | 257,410,447 |    | 242,856,027 |    | 236,846,094 |    | 226,365,302 |    | 215,523,641 |
|    | 1.46%       |    | 1.43%       |    | 1.44%       |    | 1.37%       |    | 1.33%       |
|    | 2.59-2.88%  |    | 2.59-2.88%  |    | 2.59-2.88%  |    | 2.59-2.88%  |    | 2.59-2.88%  |
|    | 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, 2010

| Number of Filers | Percentage of Total | Liability (2) | Percentage of Total |
|------------------|---------------------|---------------|---------------------|
| 1,788,020        | 68.48%              | \$ 415,673    | 15.01%              |
| 533,078          | 20.42%              | 666,956       | 24.09%              |
| 278,846          | 10.68%              | 1,091,740     | 39.44%              |
| 10,957           | 0.42%               | 594,208       | 21.46%              |
| 2,610,901        | 100.00%             | \$ 2,768,577  | 100.00%             |

STATE OF ARIZONA  
SCHEDULE 10  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(Expressed in Thousands, Except Amount of Debt per Capita)

|                                   | Fiscal Year         |                     |                     |                     |                     |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                   | 2020                | 2019                | 2018                | 2017                | 2016                |
| <b>GOVERNMENTAL ACTIVITIES:</b>   |                     |                     |                     |                     |                     |
| Revenue bonds                     | \$ 2,100,710        | \$ 2,366,595        | \$ 2,371,765        | \$ 2,640,330        | \$ 2,899,875        |
| Grant anticipation notes          | 204,220             | 223,885             | 177,420             | 129,475             | 147,320             |
| Certificates of participation     | 958,270             | 1,393,865           | 1,585,995           | 1,804,395           | 1,891,460           |
| Capital leases (3)                | 136,745             | 152,153             | 189,581             | 215,084             | 334,909             |
| Direct placement                  | 4,010               | —                   | —                   | —                   | —                   |
| Installment purchase contracts    | —                   | —                   | —                   | —                   | 176                 |
| Notes payable                     | —                   | —                   | —                   | 22,179              | 22,179              |
| Premiums and discounts on debt    | 452,932             | 444,111             | 453,713             | 516,456             | 492,349             |
| Deferred amount on refundings (2) | —                   | —                   | —                   | —                   | —                   |
| Total Governmental Activities     | <u>3,856,887</u>    | <u>4,580,609</u>    | <u>4,778,474</u>    | <u>5,327,919</u>    | <u>5,788,268</u>    |
| <b>BUSINESS-TYPE ACTIVITIES:</b>  |                     |                     |                     |                     |                     |
| Revenue bonds                     | 3,243,430           | 3,296,480           | 3,109,245           | 3,010,525           | 2,701,665           |
| Certificates of participation     | 307,510             | 451,831             | 502,636             | 557,506             | 600,556             |
| Capital leases                    | 117,336             | 124,952             | 131,134             | 134,399             | 141,117             |
| Direct placement                  | 239,605             | —                   | —                   | —                   | —                   |
| Installment purchase contracts    | 42                  | 62                  | 769                 | 1,460               | 2,114               |
| Notes payable                     | 13,542              | 13,999              | —                   | —                   | —                   |
| Premiums and discounts on debt    | 410,283             | 361,083             | 342,647             | 325,412             | 268,474             |
| Deferred amount on refundings (2) | —                   | —                   | —                   | —                   | —                   |
| Total Business-type Activities    | <u>4,331,748</u>    | <u>4,248,407</u>    | <u>4,086,431</u>    | <u>4,029,302</u>    | <u>3,713,926</u>    |
| Total Primary Government          | <u>\$ 8,188,635</u> | <u>\$ 8,829,016</u> | <u>\$ 8,864,905</u> | <u>\$ 9,357,221</u> | <u>\$ 9,502,194</u> |
| Debt as a Percentage of           |                     |                     |                     |                     |                     |
| Personal Income (1)               | 2.4%                | 2.8%                | 3.0%                | 3.3%                | 3.5%                |
| Amount of Debt per Capita (1)     | \$ 1,125            | \$ 1,233            | \$ 1,259            | \$ 1,348            | \$ 1,391            |

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 2020 contains data for the calendar year ending December 31, 2019.  
(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          |                      |                      |                      |                      |  |
|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 2015                 | 2014, as<br>restated | 2013                 | 2012                 | 2011                 |  |
| \$ 3,141,190         | \$ 3,406,195         | \$ 3,606,720         | \$ 3,593,420         | \$ 3,529,115         |  |
| 194,670              | 247,710              | 296,240              | 335,230              | 392,495              |  |
| 2,030,805            | 2,200,675            | 2,360,595            | 2,495,825            | 2,611,255            |  |
| 408,784              | 423,513              | 360,316              | 391,184              | 400,540              |  |
| —                    | —                    | —                    | —                    | —                    |  |
| 349                  | —                    | —                    | 177                  | 245                  |  |
| 22,179               | 89,865               | 105,817              | 55,666               | 59,891               |  |
| 492,048              | 427,865              | 474,747              | 396,465              | 342,602              |  |
| —                    | —                    | (19,945)             | (813)                | (1,221)              |  |
| <u>6,290,025</u>     | <u>6,795,823</u>     | <u>7,184,490</u>     | <u>7,267,154</u>     | <u>7,334,922</u>     |  |
| 2,675,430            | 2,302,035            | 2,237,710            | 1,942,755            | 1,742,125            |  |
| 637,986              | 676,345              | 714,735              | 756,980              | 812,706              |  |
| 168,960              | 132,957              | 135,519              | 163,637              | 167,841              |  |
| —                    | —                    | —                    | —                    | —                    |  |
| 2,805                | 4,098                | 5,758                | 8,397                | 10,511               |  |
| —                    | —                    | —                    | 12,643               | 292                  |  |
| 231,178              | 130,315              | 123,051              | 87,993               | 41,393               |  |
| —                    | —                    | (46,096)             | (33,391)             | (20,875)             |  |
| <u>3,716,359</u>     | <u>3,245,750</u>     | <u>3,170,677</u>     | <u>2,939,014</u>     | <u>2,753,993</u>     |  |
| <u>\$ 10,006,384</u> | <u>\$ 10,041,573</u> | <u>\$ 10,355,167</u> | <u>\$ 10,206,168</u> | <u>\$ 10,088,915</u> |  |
| 3.9%                 | 4.1%                 | 4.4%                 | 4.5%                 | 4.7%                 |  |
| \$ 1,487             | \$ 1,514             | \$ 1,580             | \$ 1,577             | \$ 1,575             |  |

STATE OF ARIZONA  
SCHEDULE 11  
**LEGAL DEBT MARGIN INFORMATION**  
**ARIZONA STATE UNIVERSITY**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020  
(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 |
|-----------------|------------------------------|---|--|-------------------|--|
| 2020            | \$ 2,967,391                 | \$ 237,391  | \$ 136,500   | \$ 100,891        | 4.60%  |
| 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   |

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 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, 2020  
(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 |
|-----------------|------------------------------|---|--|-------------------|--|
| 2020            | \$ 2,273,469                 | \$ 181,878  | \$ 111,400   | \$ 70,478         | 4.90%  |
| 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   |

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 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, 2020  
(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 |
|-----------------|------------------------------|---|--|-------------------|--|
| 2020            | \$ 619,565                   | \$ 49,565   | \$ 28,500  | \$ 21,065         | 4.60%  |
| 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   |

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 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, 2020  
(Expressed in Thousands)

| Fiscal Year | (1) (2) Pledged Revenue | Debt Service |           |            | Coverage |
|-------------|-------------------------|--------------|-----------|------------|----------|
|             |                         | Principal    | Interest  | Total      |          |
| 2020        | \$ 682,308              | \$ 87,150    | \$ 55,529 | \$ 142,679 | 4.78     |
| 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     |

- (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 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, 2020

(Expressed in Thousands)

| Fiscal Year | (1)<br>Pledged Revenue | Debt Service |           |            | Coverage |
|-------------|------------------------|--------------|-----------|------------|----------|
|             |                        | Principal    | Interest  | Total      |          |
| 2020        | \$ 326,546             | \$ 107,950   | \$ 35,763 | \$ 143,713 | 2.27     |
| 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     |

(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, 2020

(Expressed in Thousands)

| Fiscal Year | (1)<br>Pledged Revenue | (2)<br>Debt Service |          |           | Coverage |
|-------------|------------------------|---------------------|----------|-----------|----------|
|             |                        | Principal           | Interest | Total     |          |
| 2020        | \$ 808,452             | \$ 62,865           | \$ 1,260 | \$ 64,125 | 12.61    |
| 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     |

(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, 2020

(Expressed in Thousands)

| Fiscal Year | (1)<br>Pledged Revenue | Debt Service |          |        | Coverage |
|-------------|------------------------|--------------|----------|--------|----------|
|             |                        | Principal    | Interest | Total  |          |
| 2020        | \$ —                   | \$ —         | \$ —     | \$ —   | —        |
| 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     |

(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 TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

| Fiscal Year | (1)<br>Pledged Revenue | Debt Service |           |           | Coverage |
|-------------|------------------------|--------------|-----------|-----------|----------|
|             |                        | Principal    | Interest  | Total     |          |
| 2020        | \$ 217,237             | \$ 24,210    | \$ 10,302 | \$ 34,512 | 6.29     |
| 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) 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, 2020  
(Expressed in Thousands)

| Fiscal Year | (1)<br>Pledged Revenue | Debt Service |           |  |            | Coverage |
|-------------|------------------------|--------------|-----------|--|------------|----------|
|             |                        | Principal    | Interest  | Net Payments (Receipts) On Swap Agreements | Total      |          |
| 2020        | \$ 1,899,631           | \$ 47,815    | \$ 72,081 | \$ 2,735                                   | \$ 122,631 | 15.49    |
| 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    |

(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, 2020  
(Expressed in Thousands)

| Fiscal Year | (1), (2)<br>Gross Revenues | (1)<br>Direct Operating Expenses | Net Revenue Available for Debt Service | Debt Service |           |           | Coverage |
|-------------|----------------------------|----------------------------------|--|--------------|-----------|-----------|----------|
|             |                            |                                  |  | Principal    | Interest  | Total     |          |
| 2020        | \$ 1,875,602               | \$ 1,745,107                     | \$ 130,495                             | \$ 39,360    | \$ 57,227 | \$ 96,587 | 1.35     |
| 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     |

(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, 2020  
(Expressed in Thousands)

| Fiscal Year | (1), (2), (3)<br>Gross<br>Revenues | Debt Service |           |           | Coverage |
|-------------|------------------------------------|--------------|-----------|-----------|----------|
|             |                                    | Principal    | Interest  | Total     |          |
| 2020        | \$ 354,613                         | \$ 15,685    | \$ 17,811 | \$ 33,496 | 10.59    |
| 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     |

- (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<br>Year Ended<br>December 31 | Population (1,3) | Personal<br>Income (3)<br>(in thousands) | Per Capita<br>Personal (2)<br>Income | Unemployment<br>Rate |
|---------------------------------------|------------------|--|--------------------------------------|----------------------|
| 2019                                  | 7,278,717        | \$ 335,243,104                           | \$ 46,058                            | 4.2                  |
| 2018                                  | 7,158,024        | 319,226,333                              | 44,597                               | 4.7                  |
| 2017                                  | 7,044,008        | 300,007,452                              | 42,590                               | 4.5                  |
| 2016                                  | 6,941,072        | 283,199,264                              | 40,801                               | 4.8                  |
| 2015                                  | 6,829,676        | 271,257,998                              | 39,718                               | 5.4                  |
| 2014                                  | 6,730,413        | 257,410,447                              | 38,246                               | 6.1                  |
| 2013                                  | 6,632,764        | 242,856,027                              | 36,615                               | 7.0                  |
| 2012                                  | 6,554,978        | 236,846,094                              | 36,132                               | 7.7                  |
| 2011                                  | 6,472,643        | 226,365,302                              | 34,973                               | 8.5                  |
| 2010                                  | 6,407,172        | 215,523,641                              | 33,638                               | 9.6                  |

- (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, 2019 (1) |      |                                      | Calendar Year Ended December 31, 2010 |      |                                      |
|--------------------------|---|------|--------------------------------------|---------------------------------------|------|--------------------------------------|
|                          | Full-Time Count of Employees              | Rank | Percentage of Total State Employment | Full-Time Equivalent Employees        | Rank | Percentage of Total State Employment |
| Banner Health            | 45,894                                    | 1    | 1.29%                                | 28,220                                | 1    | 0.89%                                |
| State of Arizona         | 37,040                                    | 2    | 1.04                                 | 49,282                                | 3    | 1.55                                 |
| Wal-Mart Stores, Inc.    | 33,619                                    | 3    | 0.95                                 | 30,608                                | 2    | 0.96                                 |
| Fry's Food Stores        | 20,165                                    | 4    | 0.57                                 | —                                     | 5    | —                                    |
| Wells Fargo & Co.        | 16,700                                    | 5    | 0.47                                 | 13,100                                | 4    | 0.41                                 |
| University of Arizona    | 15,967                                    | 6    | 0.45                                 | —                                     | 8    | —                                    |
| Amazon.com Inc.          | 15,000                                    | 7    | 0.42                                 | —                                     | 9    | —                                    |
| Arizona State University | 14,889                                    | 8    | 0.42                                 | 12,221                                | —    | 0.38                                 |
| City of Phoenix          | 14,821                                    | 9    | 0.42                                 | 15,544                                | —    | 0.49                                 |
| Maricopa County          | 13,595                                    | 10   | 0.38                                 | 12,458                                | —    | 0.39                                 |
| Bank of America          | —   | —    | —                                    | 12,000                                | 7    | 0.38                                 |
| Raytheon Missile Systems | —   | —    | —                                    | 12,000                                | 10   | 0.38                                 |
| Apollo Group Inc.        | —   | —    | —                                    | 13,000                                | 6    | 0.41                                 |
| <b>Total</b>             | <b>227,690</b>                            |      | <b>6.41%</b>                         | <b>198,433</b>                        |      | <b>6.24%</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: Arizona State University Comprehensive Annual Financial Report 2020.

STATE OF ARIZONA  
SCHEDULE 24  
**STATE EMPLOYEES BY FUNCTION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020

|   | Fiscal Year     |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            |
| <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                     | 240.9           | 245.9           | 250.9           | 250.9           | 250.9           | 246.9           |
| Department of Revenue                               | 880.8           | 880.8           | 880.8           | 880.8           | 880.8           | 880.8           |
| All other   | 2,452.4         | 2,325.4         | 2,321.4         | 2,280.4         | 2,331.6         | 2,308.6         |
| Health and welfare:                                 |                 |                 |                 |                 |                 |                 |
| Department of Economic Security (2)                 | 4,377.8         | 4,323.8         | 4,289.4         | 4,218.0         | 4,147.7         | 3,882.6         |
| Department of Child Safety (2)                      | 3,193.1         | 3,193.1         | 3,193.1         | 3,057.1         | 3,057.1         | 3,045.1         |
| Arizona Health Care Cost Containment System         | 2,339.3         | 2,339.3         | 2,326.3         | 2,326.3         | 2,214.3         | 2,208.3         |
| Department of Health Services                       | 1,130.5         | 1,100.0         | 1,065.5         | 1,036.5         | 1,176.7         | 1,176.7         |
| All other   | 948.6           | 947.6           | 959.6           | 961.6           | 961.6           | 949.6           |
| Inspection and regulation                           | 1,548.7         | 1,534.2         | 1,563.7         | 1,651.4         | 1,656.4         | 1,650.4         |
| Education:  |                 |                 |                 |                 |                 |                 |
| Universities  | 17,538.6        | 17,680.4        | 17,239.3        | 16,721.0        | 15,635.7        | 15,635.7        |
| All other   | 894.9           | 889.9           | 844.9           | 843.9           | 843.9           | 840.9           |
| Protection and safety:                              |                 |                 |                 |                 |                 |                 |
| Department of Corrections, Rehabilitation & Reentry | 9,566           | 9,556.0         | 9,541.0         | 9,540.0         | 9,534.0         | 9,534.0         |
| Department of Juvenile Corrections                  | 738.5           | 738.5           | 738.5           | 738.5           | 738.5           | 738.5           |
| Department of Public Safety                         | 2,014.7         | 1,966.7         | 1,945.7         | 1,908.7         | 1,907.7         | 1,907.7         |
| All other   | 101.1           | 99.1            | 98.6            | 98.6            | 98.6            | 97.6            |
| Department of Transportation                        | 4,554.0         | 4,552.0         | 4,552.0         | 4,552.0         | 4,548.0         | 4,548.0         |
| Natural resources                                   | 801.2           | 795.2           | 795.2           | 733.5           | 733.5           | 730.5           |
| <b>Total</b>  | <b>53,419.9</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> |

(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

| 2014     | 2013     | 2012     | 2011     |
|----------|----------|----------|----------|
| 98.8     | 97.8     | 104.0    | 104.0    |
| 246.9    | 233.9    | 236.0    | 236.0    |
| 861.8    | 860.3    | 935.0    | 935.0    |
| 2,229.6  | 2,214.4  | 2,427.6  | 2,646.5  |
| 5,654.1  | 5,453.5  | 3,726.0  | 3,726.0  |
| —        | —        | —        | —        |
| 2,217.3  | 2,217.3  | 1,407.3  | 1,423.0  |
| 1,176.7  | 1,176.7  | 1,513.3  | 1,513.3  |
| 946.6    | 946.6    | 1,098.5  | 954.5    |
| 1,643.9  | 1,649.8  | 1,801.2  | 1,807.7  |
| 15,607.7 | 15,478.7 | 16,964.2 | 15,754.2 |
| 838.9    | 834.4    | 886.5    | 896.0    |
| 9,384.0  | 10,118.2 | 10,015.2 | 10,015.2 |
| 738.5    | 738.5    | 1,001.7  | 1,001.7  |
| 1,904.7  | 1,903.7  | 2,139.8  | 2,081.8  |
| 95.6     | 90.1     | 112.6    | 117.9    |
| 4,548.0  | 4,548.0  | 4,548.0  | 4,548.0  |
| 716.5    | 716.5    | 930.2    | 937.2    |
| 48,909.6 | 49,278.4 | 49,847.1 | 48,698.0 |

STATE OF ARIZONA  
SCHEDULE 25  
**OPERATING INDICATORS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2020

|   | Fiscal Year |            |            |            |            |            |            |
|---|-------------|------------|------------|------------|------------|------------|------------|
|   | 2020        | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       |
| <b><u>FUNCTIONS/PROGRAMS</u></b>  |             |            |            |            |            |            |            |
| General government:   |             |            |            |            |            |            |            |
| Number of tax returns received (in millions)                                    | 6.1         | 6.4        | 6.4        | 6.0        | 5.9        | 5.7        | 5.7        |
| Health and welfare:   |             |            |            |            |            |            |            |
| Arizona Health Care Cost Containment System membership (2)                      | 1,994,632   | 1,872,169  | 1,849,093  | 1,922,724  | 1,849,578  | 1,709,550  | 1,508,690  |
| Average monthly number of recipients of temporary assistance for needy families | 14,430      | 14,154     | 16,195     | 18,762     | 22,171     | 27,272     | 32,888     |
| Average monthly number of persons receiving food stamp benefits                 | 831,903     | 824,197    | 875,241    | 946,184    | 980,536    | 1,027,845  | 1,070,674  |
| Inspection and regulation:  |             |            |            |            |            |            |            |
| Nonfatal occupational injuries and illnesses:                                   |             |            |            |            |            |            |            |
| Total recordable cases (in thousands) (3)                                       | 74.7        | 69.6       | 67.2       | 64.4       | 65.0       | 65.4       | 70.6       |
| Incident rate per 100 full-time workers (3)                                     | 3.2         | 3.1        | 3.0        | 3.1        | 3.1        | 3.2        | 3.5        |
| Education:  |             |            |            |            |            |            |            |
| Public school enrollment, grades K-12 (4)                                       | 1,128,939   | 1,120,146  | 1,093,867  | 1,110,425  | 1,105,592  | 1,098,701  | 1,084,276  |
| Protection and safety:  |             |            |            |            |            |            |            |
| Number of miles patrolled by the Highway Patrol                                 | 19,076,187  | 20,262,923 | 19,976,488 | 18,771,511 | 19,843,962 | 19,280,016 | 19,222,811 |
| State prison adult inmate population  | 40,151      | 42,312     | 42,113     | 42,200     | 42,902     | 42,611     | 41,773     |
| Transportation:   |             |            |            |            |            |            |            |
| Number of registered vehicles (5)   | 7,828,255   | 8,821,690  | 8,518,715  | 8,247,514  | 7,970,946  | 7,694,309  | 7,453,046  |
| Number of driver licenses issued (6)  | 5,678,867   | 5,369,964  | 5,285,723  | 5,165,719  | 5,083,085  | 4,979,520  | 1,188,903  |
| Natural resources:  |             |            |            |            |            |            |            |
| Game and Fish Department's license and tag sales (7)                            | 670,781     | 552,770    | 530,500    | 519,555    | 524,781    | 726,285    | 822,923    |
| Universities:   |             |            |            |            |            |            |            |
| University full-time equivalent students (8)                                    | 184,561     | 176,594    | 170,861    | 165,536    | 158,681    | 148,819    | 141,264    |
| Unemployment compensation:  |             |            |            |            |            |            |            |
| Number of initial unemployment claims filed (9)                                 | 873,422     | 197,855    | 214,590    | 223,084    | 223,141    | 229,770    | 257,951    |

- (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 ceased operations on December 31, 2013.
- (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 2020 contains data for the calendar year ending December 31, 2019. 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 2020 contains data from the October 1, 2019 enrollment figures.
- (5) Count represents the total number of vehicles registered as of the end of the fiscal year. In fiscal year 2020, ADOT implemented a new system which improved reporting and lowered the count over the prior year. Reporting in prior years included an unassigned category for unregistered vehicles such as disability placards for tracking purposes.
- (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 2020 contains data for the calendar year ending December 31, 2019. 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 2020 contains data for the fall 2019 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) The number of unemployment claims increased significantly in fiscal year 2020 as a direct result of the COVID-19 pandemic effect on the economy and employment.

Sources: The State Departments of Transportation, Public Safety, Corrections, Rehabilitation & Reentry, Education, Game and Fish, Economic Security, Revenue, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

| Fiscal Year |            |            |
|-------------|------------|------------|
| 2013        | 2012       | 2011       |
| 5.5         | 5.4        | 5.4        |
| 1,318,650   | 1,314,210  | 1,392,810  |
| 39,050      | 39,194     | 44,842     |
| 1,116,068   | 1,123,068  | 1,049,522  |
| 66.5        | 67.9       | 66.4       |
| 3.4         | 3.5        | 3.5        |
| 1,077,703   | 1,066,740  | 1,062,200  |
| 18,914,572  | 19,465,944 | 19,953,766 |
| 40,273      | 39,877     | 40,181     |
| 7,180,797   | 6,823,906  | 6,839,659  |
| 1,159,695   | 1,184,630  | 1,196,675  |
| 848,617     | 815,488    | 826,385    |
| 136,884     | 134,051    | 129,653    |
| 261,418     | 288,097    | 311,472    |

STATE OF ARIZONA  
SCHEDULE 26  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2020

| <b><u>FUNCTIONS/PROGRAMS</u></b>            | Fiscal Year |           |           |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 2020        | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      |
| 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       | 6,822     | 6,775     | 6,780     | 6,822     | 6,800     | 6,800     |
| Number of bridges (1)                       | 4,900       | 4,860     | 4,855     | 4,810     | 4,858     | 4,798     | 4,787     |
| Natural resources:                          |             |           |           |           |           |           |           |
| State Trust acres                           | 9,207,861   | 9,207,430 | 9,215,392 | 9,215,795 | 9,216,213 | 9,217,704 | 9,223,617 |
| Universities:                               |             |           |           |           |           |           |           |
| Number of facilities (3)                    | 1,242       | 1,238     | 1,251     | 1,267     | 1,268     | 1,258     | 1,212     |
| Gross square feet (in thousands) (3)        | 49,247      | 48,693    | 48,248    | 47,437    | 44,665    | 46,054    | 44,658    |

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, Rehabilitation & Reentry 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, Rehabilitation & Reentry, and the Universities.

| Fiscal Year |           |           |
|-------------|-----------|-----------|
| 2013        | 2012      | 2011      |
| 10          | 10        | 10        |
| 6,751       | 6,751     | 6,722     |
| 4,754       | 4,754     | 4,741     |
| 9,223,873   | 9,302,256 | 9,252,495 |
| 1,705       | 1,711     | 1,740     |
| 41,141      | 39,933    | 37,967    |

## ACKNOWLEDGMENTS

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|                                      |                           |
|--------------------------------------|---------------------------|
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