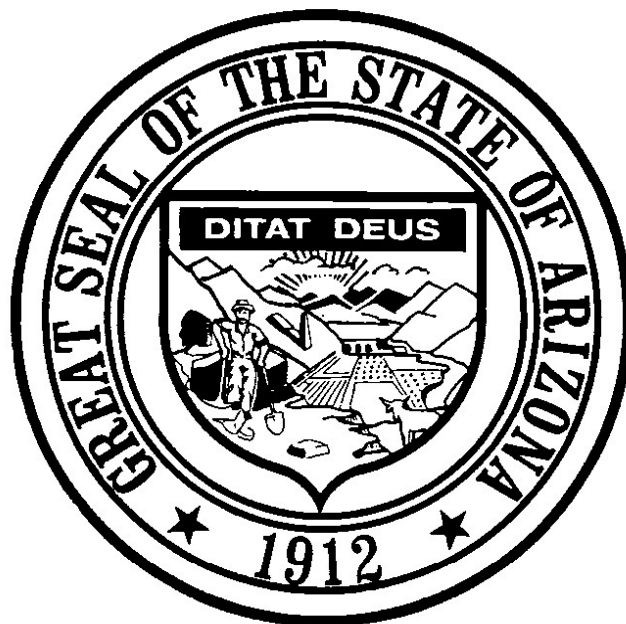


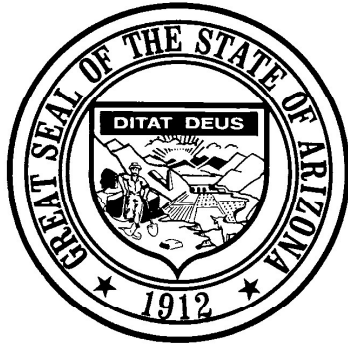
STATE OF ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021



Douglas A. Ducey
GOVERNOR



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



STATE OF ARIZONA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION



Douglas A. Ducey
Governor

Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007
(602) 542-1500

October 31, 2022

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 Annual Comprehensive Financial Report (ACFR) of the State of Arizona for the fiscal year ended June 30, 2021. 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 ACFR 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 48th 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.

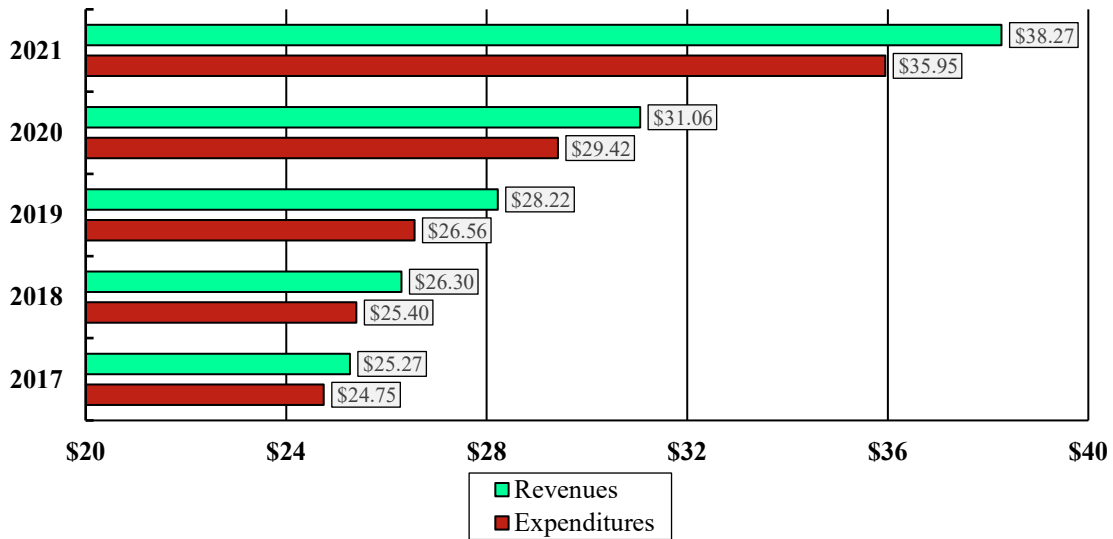
BUDGETARY CONTROLS

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.

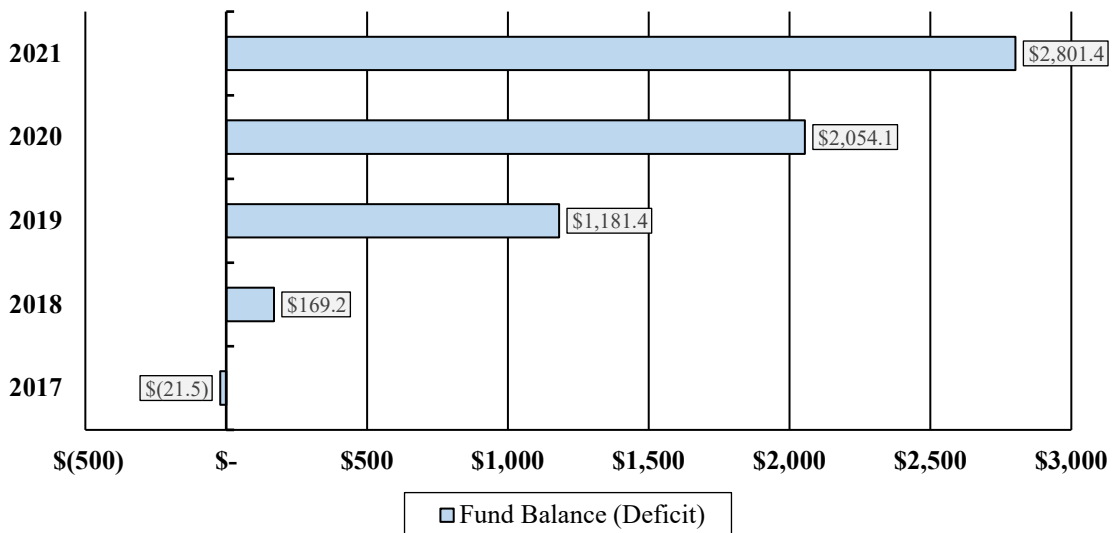
Graph 1
General Fund Revenues and Expenditures for the last 5 fiscal years
(Dollars in billions)



The General Fund ended the June 30, 2021 fiscal year with a total fund balance of \$2.8 billion. This compares to the previous year's total fund balance of \$2.1 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 24, 2022, by the Office of Economic Opportunity.

The employment projections estimation methodology is described below:

- The short-term projections process estimate employment eight quarters (two years) from the base period
 - Historic Quarter 2 2021 employment data are used as the base year of the forecast
 - This is the most current data published by the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW) program
 - Employment was projected through Quarter 2 2023
- Projected employment estimates are created using historical employment trends
- Estimates are refined by a review of current U.S. and Arizona economic trends
- The principal data source used to create the employment projections is the QCEW data program
- The QCEW industry classification structure differs slightly from the Center for Economic Studies (CES) industry classification structure
 - QCEW: Employment for federal, state and local government establishments is categorized in the industry that best describes the business activity
 - CES: Employment for federal, state and local government establishments is categorized in the government industry sector, regardless of business activity

Industry projection methodology included and excluded data as follows:

- Industry Projections Estimates **Include**:
 - Nonfarm employment
 - Self-employed workers
 - Private household 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
 - This includes disruptions caused by COVID-19-related outbreaks
- Government agencies will operate within their budgets
- Population distribution will not differ significantly
- The U.S. economy framework will not differ significantly from its current state
- 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 266,325 jobs or 4.2% annually, from 3,109,190 in Quarter 2 2021 to 3,375,515 jobs in Quarter 2 2023
- All eleven industry sectors are projected to add jobs
- Education and Health Services is projected to add the largest number of jobs (52,422 jobs, or 4.1% annualized growth)
- Leisure and Hospitality is projected to record the largest percentage gain, growing 6.7% annually (44,296 jobs)

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

Arizona Supersector Employment (2021 to 2023)

Employment Supersectors	Numeric Change	Percentage Change
Education and Health Services	52,422	4.1%
Leisure and Hospitality	44,296	6.7%
Trade Transportation and Utilities	39,495	3.3%
Professional and Business Services	33,036	3.7%
Construction	20,776	5.6%
Financial Activities	17,914	3.8%
Manufacturing	15,421	4.2%
Other Services	4,684	2.3%
Information	3,286	3.4%
Government	1,790	0.6%
Natural Resources and Mining	421	0.4%

Impact of COVID-19 on economic activity:

- Favorable developments
 - The Arizona Department of Health Services announced that 12.3 million COVID-19 vaccination doses have been administered in Arizona and that 4.5 million people were fully vaccinated as of July 27, 2022
 - ADHS expanded eligibility for COVID-19 boosters to include ages 12 and up
 - New positive cases of COVID-19 declined in February 2022 after reaching peaks in January because of the Omicron variant

MAJOR INITIATIVES

The Major Initiatives for the year ended June 30, 2021, were as follows:

- The fiscal year 2021 budget appropriated \$8.6 million for the Border Strike Task Force (BSTF), a more than \$700,000 increase from fiscal year 2020. The BSTF is a multi-agency law enforcement task force that targets drug and human trafficking organizations and activities along the Arizona-Mexico border. The appropriation required a portion of those dollars to fund 75% of the costs for eight local law enforcement officers, while local law enforcement agencies were responsible for the remaining costs.
- The budget included a \$2.1 million General Fund appropriation for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). Monies deposited in the GIITEM Fund can be used for employer sanctions, smuggling, gang, and immigration enforcement.
- The fiscal year 2021 budget included a nearly \$400 million increase to the Arizona Department of Education’s budget which helped fulfill a \$1 billion promise to K-12 education ahead of schedule. Roughly \$125 million was used to fund an additional 5% increase in the statewide average teacher salary.

- The fiscal year 2021 budget continued School Facilities Board funding support with a \$59 million appropriation to finish 10 new schools that began construction in fiscal year 2020 and to begin 2 new schools.
- The Arizona Health Care Cost Containment System saw a \$145 million increase to their budget in fiscal year 2021. This included \$3 million for graduate medical education funding in health professional shortage areas and \$8 million for behavioral health services in schools for low-income children.
- The Department of Economic Security received a \$59 million increase, primarily for the Division of Developmental Disabilities (DDD). As of November 2019, the DDD has served nearly 43,000 clients at various levels of assistance. Approximately 86.1% of clients are currently at home, and 13.5% receive services in a community-based residential setting, such as a group home or developmental home.
- \$3.3 million was appropriated to the Arizona Department of Veterans' Services' State Home for Veterans' Trust Fund in FY 2021. These funds were appropriated to cover initial operating costs for new veterans' homes in Flagstaff and Yuma.
- Nearly \$2.5 million appropriation increase in fiscal year 2021 for Department of Child Safety caseworker positions and other field staff. Of the 1,406 caseworkers appropriated, the department had only filled 1,366 of those positions. These additional funds were used to target the caseworker and field staff shortfall.
- More than \$1 million was appropriated in fiscal year 2021 for the maintenance of new lane miles for the South Mountain Loop 202 freeway. The developer is responsible for routine maintenance of the freeway. The Arizona Department of Transportation is responsible for intelligent traffic system maintenance, emergency response expenses, and electrical utilities.
- Nearly \$2.9 million to equip the Department of Public Safety officers. The Public Safety Equipment line item monies can be used to purchase vehicles, protective armor, electronic stun devices and other safety equipment for DPS officers.
- The fiscal year 2021 budget continued funding for the Department of Forestry and Fire Management, with \$3.2 million in General Fund for fire suppression and \$3 million in General Fund for hazardous vegetation removal.

AWARDS AND ACKNOWLEDGMENTS

The State of Arizona will not submit its ACFR to the Government Finance Officers Association (GFOA) of the United States and Canada for the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2021, as it did not complete the ACFR within the 12 months after fiscal year end, due to late receipt of audited financial statements and other required financial information from state agencies.

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.

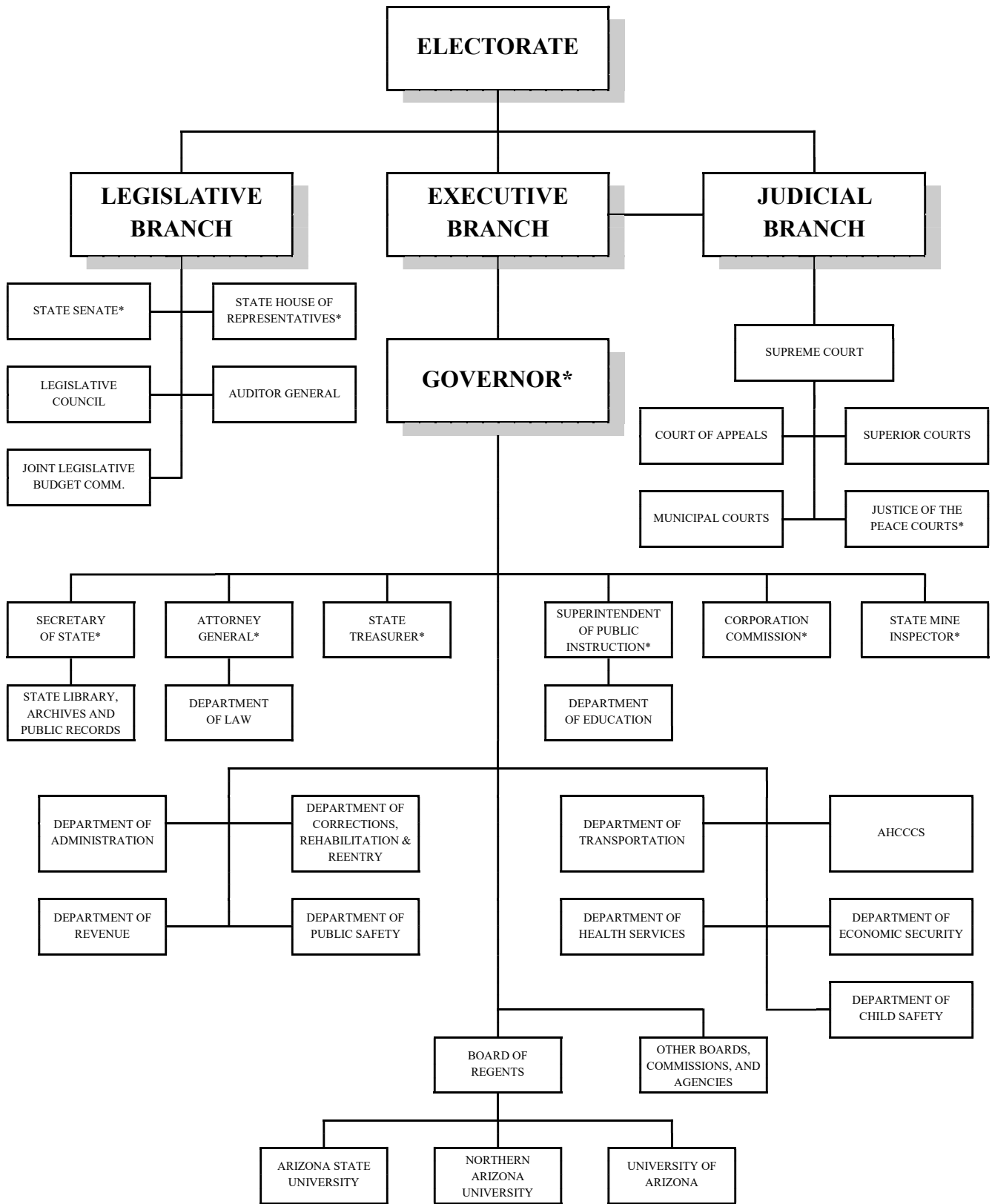


Andy Tobin
Director



Ashley D. Ruiz
State Comptroller

ARIZONA STATE GOVERNMENT ORGANIZATION



*ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2021

ELECTED OFFICIALS

Douglas A. Ducey, Governor	Lea Márquez Peterson, Chairwoman – Corporation Commission
Senator Karen Fann, President of the Senate	Justin Olson, Commissioner – Corporation Commission
Representative Russell Bowers, Speaker of the House	Sandra Kennedy, Commissioner – Corporation Commission
Katie Hobbs, Secretary of State	Jim O’Connor, Commissioner – Corporation Commission
Mark Brnovich, Attorney General	Anna Tovar, Commissioner – Corporation Commission
Joe Hart, State Mine Inspector – through October, 2021	
Paul Marsh, State Mine Inspector – current	
Kimberly Yee, State Treasurer	
Kathy Hoffman, Superintendent of Public Instruction	

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

Rob Woods, Director – Department of Revenue

Colonel Heston Silbert, Director – Department of Public Safety

Dr. Cara M. Christ, Director – Department of Health Services – through August, 2021

Don Herrington, Interim Director – Department of Health Services – current

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 A. Perry, CPA, CFE, Auditor General – Arizona Auditor General

University Officials

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

Dr. José Luis Cruz Rivera, President – Northern Arizona University

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

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, 2021, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, the State's retirement systems and plans, and certain discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion units affected	Assets and deferred outflows of resources	Revenues, additions, and other financing sources
Government-wide statements		
Governmental activities		
Arizona Department of Transportation	49.16%	8.61%
Arizona Health Care Cost Containment System	6.18%	33.57%
Early Childhood Development and Health Board	0.63%	0.27%
Business-type activities		
Arizona Correctional Industries	0.24%	0.22%
Arizona Department of Transportation	0.01%	0.00%
Arizona State Lottery	1.60%	8.89%
Aggregate discretely presented component units		
Arizona Commerce Authority	1.77%	2.58%
Arizona Department of Insurance and Financial Institutions Guaranty Funds	6.24%	1.55%
Arizona Power Authority	0.63%	2.95%
Greater Arizona Development Authority	0.22%	0.01%
Rio Nuevo Multipurpose Facilities District	3.46%	0.85%
Universities—Affiliated Component Units	67.22%	79.22%
Water Infrastructure Finance Authority	18.24%	6.98%
Fund statements		
Major fund—General Fund		
Arizona Health Care Cost Containment System	20.35%	37.89%
Major fund—Transportation and Aviation Planning, Highway Maintenance and Safety Fund		
Arizona Department of Transportation	100.00%	100.00%
Aggregate remaining fund information		
Arizona Correctional Industries	0.04%	0.12%
Arizona Department of Transportation	0.10%	1.19%
Arizona Health Care Cost Containment System	0.27%	2.94%
Arizona Smart Save	2.32%	1.45%
Arizona State Lottery	0.25%	4.86%
Arizona State Retirement System	62.96%	44.82%
Corrections Officer Retirement Plan	4.29%	4.68%
Early Childhood Development and Health Board	0.42%	0.42%
Elected Officials' Retirement Plan	0.48%	0.46%
Family College Savings Program	1.63%	1.34%
Public Safety Personnel Retirement System	15.23%	15.19%

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. The other auditors did not audit, in accordance with *Government Auditing Standards*, the financial statements of the Arizona Power Authority, Arizona Smart Save, Family College Savings Program, and the Universities—Affiliated Component Units, except for those of the Arizona State University Preparatory Academy, Inc.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matters

As discussed in Note 1.A., Note 1.Q., and Note 8 to the financial statements, for the year ended June 30, 2021, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, that also resulted in a change to the State's financial reporting entity. Our opinions are not modified with respect to these matters.

As discussed in Note 15.L. to the financial statements, the State restated beginning net position of its aggregate discretely presented component units financial statements for the year ended June 30, 2021, to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Other matters

Required supplementary information

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

Required supplementary information	Pages
Management's discussion and analysis	19 - 31
Budgetary comparison schedules	157 - 173
Infrastructure assets	174 - 177
Schedules of the State's proportionate share of the net pension liability—cost-sharing pension plans	178 - 181
Schedules of changes in the State's net pension liability and related ratios—agent pension plans	182 - 185
Schedules of State pension contributions	186 - 191
Notes to required supplementary information—pension plan schedules	192 - 193
Schedule of changes in the State's total OPEB liability and related ratios	194

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

Lindsey A. Perry, CPA, CFE
Auditor General

October 31, 2022

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, 2021. 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 \$37.8 billion (reported as net position). Of this amount, a deficit of \$290.2 million exists for unrestricted net position, \$12.2 billion is restricted for specific purposes (restricted net position), and \$26.0 billion is net investment in capital assets.
- Beginning net position has been restated (increased) by \$24.6 million due to the State's implementation of GASB Statement No. 84, *Fiduciary Activities*, during the current fiscal year. After adjustments, the State's total net position increased in fiscal year 2021 by \$6.7 billion. Net position of governmental activities increased by \$6.2 billion, while net position of the business-type activities increased by \$525.6 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$14.7 billion, an increase of \$3.9 billion from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$7.7 billion, \$2.9 billion, and \$2.2 billion, respectively, the State's unassigned fund balance had a surplus of \$1.9 billion, or 13.1% of combined fund balances.
- The Land Endowments Fund reported fund balance at fiscal year-end of \$7.7 billion, an increase of \$1.8 billion 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 \$3.4 billion, an increase of \$518.1 million during the year.

Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to \$8.1 billion, a decrease of \$47.2 million or (0.6%). Changes during the year included the addition of revenue bonds of \$664.6 million and COPs of \$101.5 million. Also, the State retired \$519.7 million of revenue bonds, \$237.9 million of COPs, \$19.8 million of GANs and \$23.5 million in capital leases. Included within the change of long-term primary government debt are increases and decreases in net issuance premiums of \$102.5 million and \$109.6 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 35**.

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 35-37) 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 39) 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 40-42) 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, the Department of Insurance and Financial Institutions 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 39**) and a statement of activities (**page 42**). See **pages 67-72 and 140-154** for more information on discretely presented component units.

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

The fund financial statements begin on **page 44** 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 46 and 50-51**) 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 44-45 and 48-49 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 53-54**.

Proprietary fund financial statements can be found on pages 52-57 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 58**. These funds are reported using accrual accounting and include pension and other employee benefit trust funds, private-purpose trust funds, and custodial 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 58 and 59 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 67 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, 2021 and 2020 (expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 15,333,269	\$ 10,781,636	\$ 2,492,768	\$ 2,676,852	\$ 17,826,037	\$ 13,458,488
Capital assets	26,135,499	25,748,133	6,534,961	6,258,833	32,670,460	32,006,966
Other non-current assets	9,733,008	7,162,211	3,073,177	2,460,128	12,806,185	9,622,339
Total Assets	51,201,776	43,691,980	12,100,906	11,395,813	63,302,682	55,087,793
Deferred outflows of resources	2,245,736	844,334	614,912	484,335	2,860,648	1,328,669
Current liabilities	9,653,889	7,016,643	1,687,524	2,071,475	11,341,413	9,088,118
Non-current liabilities	9,164,145	8,829,116	7,164,285	6,445,331	16,328,430	15,274,447
Total Liabilities	18,818,034	15,845,759	8,851,809	8,516,806	27,669,843	24,362,565
Deferred inflows of resources	274,275	518,125	370,469	395,352	644,744	913,477
Net position:						
Net investment in capital assets	23,656,057	22,951,428	2,314,765	2,291,691	25,970,822	25,243,119
Restricted	11,135,752	8,903,600	1,032,376	823,013	12,168,128	9,726,613
Unrestricted	(436,606)	(3,682,598)	146,399	(146,714)	(290,207)	(3,829,312)
Total Net Position	\$ 34,355,203	\$ 28,172,430	\$ 3,493,540	\$ 2,967,990	\$ 37,848,743	\$ 31,140,420

For the year ended June 30, 2021, the State's combined net position totaled \$37.8 billion reflecting an increase of \$6.7 billion during the current fiscal year.

The largest portion of the State's net position (68.6%) represents net investment in capital assets of \$26.0 billion. Additions to land, roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$704.6 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 \$12.2 billion (32.1%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of \$2.2 billion is largely a result of a \$2.3 billion increase in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund and an increase of \$766.8 million restricted for debt service that is mostly due to the State appropriation in fiscal year 2021 to defease two certificates of participation (COPs) and a revenue bond after fiscal year end. The business-type activities increase in restricted net position of \$209.4 million is primarily due to an increase of \$96.8 million in the amount restricted for the Unemployment Compensation Fund as the fund received an increase in intergovernmental revenue and due to an increase of \$82.4 million in the Universities' restricted expendable funds as a result of a rise in the fair value of endowments.

After accounting for the above net position restrictions, the State has a remaining deficit of \$290.2 million (0.8%) reported as unrestricted net position.

More detailed information regarding beginning net position restatements is on page 133.

State of Arizona-Primary Government
Changes in Net Position for Fiscal Years June 30, 2021 and 2020
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,665,058	\$ 1,458,080	\$ 4,951,764	\$ 4,565,250	\$ 6,616,822	\$ 6,023,330
Operating grants and contributions	23,952,916	17,169,249	10,325,015	6,223,027	34,277,931	23,392,276
Capital grants and contributions	690,050	566,951	41,836	106,734	731,886	673,685
General revenues:						
Sales taxes	9,523,611	8,193,712	85,891	81,701	9,609,502	8,275,413
Income taxes	6,672,112	5,852,309	—	—	6,672,112	5,852,309
Tobacco taxes	299,821	295,163	—	—	299,821	295,163
Property taxes	42,583	42,601	—	—	42,583	42,601
Motor vehicle and fuel taxes	2,502,442	2,256,884	—	—	2,502,442	2,256,884
Other taxes	769,964	684,256	—	—	769,964	684,256
Unrestricted investment earnings	35,056	145,654	117,450	92,528	152,506	238,182
Unrestricted grants and contributions	33,083	28,539	—	10	33,083	28,549
Gain on sale of trust land	806,188	13,595	—	—	806,188	13,595
Miscellaneous revenue	300,749	339,967	173,400	79,277	474,149	419,244
Total Revenues	47,293,633	37,046,960	15,695,356	11,148,527	62,988,989	48,195,487
Expenses:						
General government	1,779,607	1,194,320	—	—	1,779,607	1,194,320
Health and welfare	22,636,105	18,201,947	—	—	22,636,105	18,201,947
Inspection and regulation	192,692	194,800	—	—	192,692	194,800
Education	8,257,299	7,854,849	—	—	8,257,299	7,854,849
Protection and safety	1,891,198	1,853,972	—	—	1,891,198	1,853,972
Transportation	1,094,831	971,909	—	—	1,094,831	971,909
Natural resources	279,965	238,873	—	—	279,965	238,873
Intergovernmental revenue sharing	4,418,998	3,874,998	—	—	4,418,998	3,874,998
Interest on long-term debt	95,967	140,206	—	—	95,967	140,206
Universities	—	—	5,904,889	5,882,039	5,904,889	5,882,039
Unemployment compensation	—	—	8,513,331	5,889,387	8,513,331	5,889,387
Other business-type activities	—	—	1,245,997	988,092	1,245,997	988,092
Total Expenses	40,646,662	34,525,874	15,664,217	12,759,518	56,310,879	47,285,392
Excess (deficiency) before contributions and transfers	6,646,971	2,521,086	31,139	(1,610,991)	6,678,110	910,095
Contributions to permanent endowments	—	—	5,590	2,873	5,590	2,873
Transfers	(488,821)	(577,672)	488,821	577,672	—	—
Change in Net Position	6,158,150	1,943,414	525,550	(1,030,446)	6,683,700	912,968
Net Position - Beginning, as restated	28,197,053	26,229,016	2,967,990	3,998,436	31,165,043	30,227,452
Net Position - Ending	\$ 34,355,203	\$ 28,172,430	\$ 3,493,540	\$ 2,967,990	\$ 37,848,743	\$ 31,140,420

For additional information on the difference between fiscal year 2020 ending net position and fiscal year 2021 beginning net position, see Note 8.

Change in Net Position

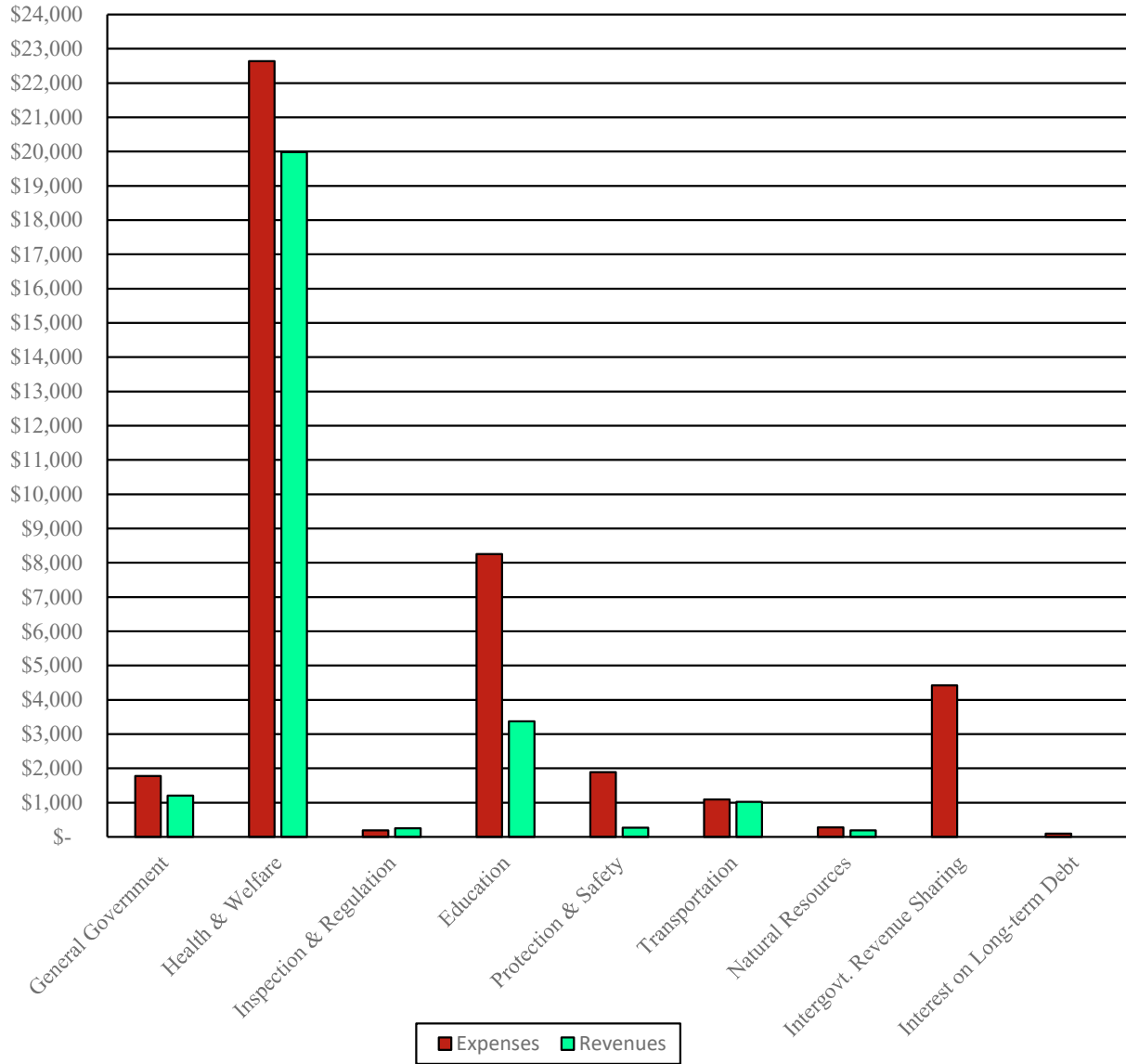
Governmental Activities - Net Position increased by \$6.2 billion representing a 22% increase from fiscal year 2020. Reported sales and income tax revenues grew by \$1.3 billion, or 16% and \$819.8 million, or 14%, from fiscal year 2020, respectively. The increase in tax collections generally reflects improved economic activity in the State during fiscal year 2021. Net taxable sales rose by 16% from fiscal year 2020, resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2021 were in retail, remote seller/marketplace facilitator, and contracting. The increase in income tax revenue for the State during fiscal year 2021 reflects increased withholding, individual, and corporate tax collections. The gain on sale of trust land increased by \$792.6 million as the State experienced the highest fiscal year total value of land sale auctions on record. The Permanent Fund investment portfolio also experienced an increase of \$1.8 billion in the fair value of investments. Furthermore, operating grants and contributions increased by \$6.8 billion (40%) compared to fiscal year 2020. This increase is mostly attributable to the rise in federal and local government grants received by 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. The increase in health and welfare expenses of \$4.4 billion (24%) is mostly due to AHCCCS utilization, capitation rate increases, the COVID-19 behavioral health grants, the Hospital Enhanced Access Leading to Health Improvements Initiative, and enrollment growth. The increase in general government expenses of \$585.3 million (49%) was primarily due to increased distributions of \$364.8 million by the Governor's office for COVID-19 relief to local governments and other organizations. Intergovernmental revenue sharing also increased by \$544.0 million (14%) mostly as a result of increased tax revenue disbursements due to increased tax collections for the fiscal year. Additionally, the Governor's office received \$2.2 billion in Coronavirus State and Local Fiscal Recovery Fund monies from the federal government all of which was unearned at June 30, 2021.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2020 and 2021. 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	
	2021	2020	2021	2020
Functions/Programs:				
General government	\$ 1,779,607	\$ 1,194,320	\$ 575,533	\$ (67,307)
Health and welfare	22,636,105	18,201,947	2,650,952	2,869,155
Inspection and regulation	192,692	194,800	(62,258)	(27,083)
Education	8,257,299	7,854,849	4,878,854	6,824,301
Protection and safety	1,891,198	1,853,972	1,621,256	1,592,141
Transportation	1,094,831	971,909	71,459	56,012
Natural resources	279,965	238,873	87,877	69,171
Intergovernmental revenue sharing	4,418,998	3,874,998	4,418,998	3,874,998
Interest on long-term debt	95,967	140,206	95,967	140,206
Total Governmental Activities	\$ 40,646,662	\$ 34,525,874	\$ 14,338,638	\$ 15,331,594

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2021
(in millions of dollars)



Business-type Activities - Net Position increased by \$525.6 million from fiscal year 2020, or 18%. This increase is primarily due to increases in net position for the Universities and the Unemployment Compensation Fund of \$360.0 million and \$96.8 million, respectively. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of \$1.8 billion. The Universities' non-operating revenues increased by \$586.0 million over fiscal year 2020 mostly due to an increase in intergovernmental revenue from federal and State responses to the COVID-19 pandemic and increases in investment income due to realized and unrealized gains in the fair value of endowments. Also, the Unemployment Compensation Fund's operating revenue increased by \$3.7 billion due to a rise in intergovernmental revenue. This was offset by increased operating expenses of \$2.6 billion as the fund continued to experience higher than normal activity due to the COVID-19 pandemic.

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 2020 and 2021. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

	Business-type Activities (expressed in thousands)			
	Total Cost of Services		Net Cost (Income) of Services	
	2021	2020	2021	2020
Functions/Programs:				
Universities	\$ 5,904,889	\$ 5,882,039	\$ 634,593	\$ 1,123,169
Unemployment compensation	8,513,331	5,889,387	(29,760)	964,922
Other	1,245,997	988,092	(259,231)	(223,584)
Total Business-type Activities	<u>\$ 15,664,217</u>	<u>\$ 12,759,518</u>	<u>\$ 345,602</u>	<u>\$ 1,864,507</u>

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, 2021, the non-spendable, restricted and committed fund balances were: \$14.5 million, \$582.4 million, and \$284.8 million, respectively.

The fund balance of the State's General Fund increased \$736.3 million during the fiscal year. Revenues exceeded expenditures by \$2.3 billion, before other financing sources and uses. However, other financing sources and uses offset this excess by \$1.6 billion, which consisted primarily of transfers to debt service funds to fund the fiscal year 2022 defeasance of two COPs and a revenue bond in the amount \$799.4 million and transfers to the Universities in support of higher education in the amount of \$729.1 million, offset by legislative transfers from other funds to the General Fund. Overall revenues increased by \$7.2 billion (23%) and expenditures increased by \$6.5 billion (22%) from fiscal year 2020. 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, general government and intergovernmental revenue sharing. The significant increases and decreases were discussed in the government-wide financial analysis beginning on **page 23**.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased by \$272.3 million during fiscal year 2021. Although revenues exceeded expenditures by \$581.1 million, transfers to non-major governmental funds of \$313.2 million, to pay debt service, largely offset this excess. Overall, revenue increased by \$429.9 million (13%) and expenditures increased by \$38.6 million (1%), 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 2021, the Land Endowments Fund total fund balance increased by \$1.8 billion. Endowment investments increased by \$1.8 billion at fiscal year end, mainly due to a net increase in the fair

value of investments of \$1.7 billion, realized gains of \$138.5 million, and increased land sales of \$210.1 million. This was partially offset by increased distributions resulting from Proposition 123.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 23**.

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 \$6.5 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- \$510.0 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$2.9 billion increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for traditional Medicaid services, Proposition 204 services, and for the ACA Adult Expansion Services program.
- The \$1.3 billion increase to the Department of Education's original budget is primarily due to the basic state aid deferred payment from fiscal year 2020, which was appropriated as a supplemental appropriation in the fiscal year 2021 budget, as well as teacher salary increases and additional funding for school districts and charter schools..
- The \$995.0 million increase to the Arizona Department of Administration's (ADOA) original budget is primarily due to supplemental appropriations for the defeasance of two COPs with the Department of Administration, a COP with the School Facilities Board, and the State Lottery revenue bond.
- The \$308.8 million increase to the General Accounting Office's original budget is primarily due to the General Fund transfers for the Drought Mitigation Fund to develop sustainable water supplies and conservation projects for many regions in the State; for the Water Supply Development Revolving Fund to assist water providers in the State to construct water supply projects and obtain additional water supplies; for the State Aviation Fund to plan, construct, develop and improve county, city and town airports; for the Universities for the Capital Infrastructure Fund; for the Children's Behavioral Health Services Fund; for the Elected Officials' Retirement Plan Fund to supplement the normal cost plus an amount to amortize the unfunded accrued liability; and a one-time deposit for the new School Facilities Fund.
- The \$209.3 million increase to the Department of Economic Security's original budget is primarily due to supplemental appropriations to the Child Care Development Fund Block Grant for child care services; for physical and behavioral health services; and for funding reimbursement grants from the Budget Stabilization Fund.

The actual expenditures were less than the final budget by \$3.4 billion. Of this amount, \$234.2 million will continue as legislative multiple fiscal year spending authority for fiscal years 2022 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$3.2 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, 2021 totaled \$32.7 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 2%, with a 2% increase in capital assets used for governmental activities and a 4% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$532.3 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 \$767.3 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, 2021 and 2020 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,701,497	\$ 3,654,586	\$ 298,815	\$ 295,034	\$ 4,000,312	\$ 3,949,620
Buildings	2,521,043	2,497,082	8,026,283	7,753,845	10,547,326	10,250,927
Improvements other than buildings	222,447	213,009	16,278	16,233	238,725	229,242
Equipment	1,005,481	950,911	1,836,621	1,739,250	2,842,102	2,690,161
Software and other intangibles	605,050	523,640	163,075	161,510	768,125	685,150
Collections (non-depreciable)	—	—	28,155	28,006	28,155	28,006
Infrastructure	16,699,954	16,590,211	733,839	681,996	17,433,793	17,272,207
Construction in progress	3,799,196	3,553,636	620,142	445,445	4,419,338	3,999,081
Development in progress	6,358	53,228	77,100	77,546	83,458	130,774
Total Capital Assets	28,561,026	28,036,303	11,800,308	11,198,865	40,361,334	39,235,168
Less: accumulated depreciation	(2,425,527)	(2,288,170)	(5,265,347)	(4,940,032)	(7,690,874)	(7,228,202)
Total Capital Assets, Net	\$ 26,135,499	\$ 25,748,133	\$ 6,534,961	\$ 6,258,833	\$ 32,670,460	\$ 32,006,966

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 9,449 center lane miles of roads (21,532 travel lane miles) and 4,920 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 3.5 was achieved for fiscal year 2021.

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 0.6% of the bridges were so classified for fiscal year 2021.

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 retired \$205.8 million in revenue bonds.
- The ADOA retired \$22.2 million in revenue refunding bonds and \$69.1 million on COPs and refunding COPs.
- The SFA retired \$49.4 million in refunding COPs.
- The Universities issued revenue bonds and revenue refunding bonds for \$664.6 million primarily to fund the purchase, construction and renovation of capital facilities and to refund existing debt. The Universities also retired \$291.7 million in revenue bonds and revenue refunding bonds.

State of Arizona-Primary Government Outstanding Major Long-Term Debt as of June 30, 2021 and 2020 (expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ 1,872,630	\$ 2,100,710	\$ 3,616,395	\$ 3,243,430	\$ 5,489,025	\$ 5,344,140
Grant anticipation notes	184,460	204,220	—	—	184,460	204,220
Certificates of participation	839,825	958,270	289,610	307,510	1,129,435	1,265,780
Direct Placements	4,005	4,010	247,785	239,605	251,790	243,615
Total	\$ 2,900,920	\$ 3,267,210	\$ 4,153,790	\$ 3,790,545	\$ 7,054,710	\$ 7,057,755

More detailed information regarding long-term debt can be found on pages 117-131

ECONOMIC CONDITION AND OUTLOOK

The Office of Economic Opportunity within the ADOA is forecasting the State to gain a projected 266,325 jobs, representing an annual growth rate of 4.2% over the two-year projected employment period of 2021 (quarter 2) to 2023 (quarter 2).

The following budgetary information is based on the State of Arizona's Fiscal Year 2022 Appropriations Report.

The State's fiscal year 2022 General Fund budget is based on \$13.0 billion in revenue and \$12.8 billion in spending. The budget includes increased spending for the Department of Education, Department of Public Safety, and for the Department of Corrections, Rehabilitation and Reentry. The General Fund fiscal year 2022 cash balance is projected to be \$202.0 million. The ending cash balance estimate does not reflect the Budget Stabilization Fund reserve amount that is expected to have a balance of \$982.0 million at the end of fiscal year 2022.

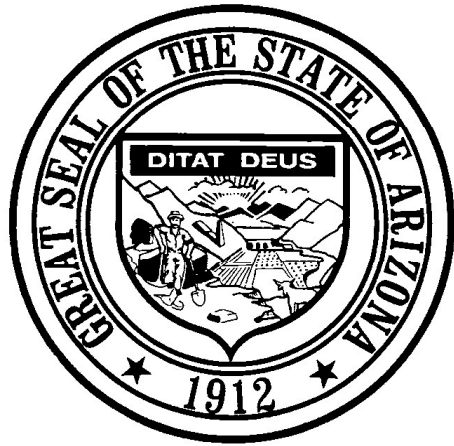
The enacted budget's 3-year spending plan provides estimates of fiscal year 2023 and fiscal year 2024 spending.

The State's fiscal year 2023 revenues are projected to be \$12.9 billion compared to spending of \$12.8 billion with an ending cash balance of \$40.0 million. The State's fiscal year 2024 revenues are projected to be \$13.5 billion compared to spending of \$13.1 billion with an ending cash balance of \$417.0 million.

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 68**.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2021
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
ASSETS				
Current Assets:				
Cash	\$ 6,965	\$ 645,248	\$ 652,213	\$ 44,377
Cash with U.S. Treasury	—	337,921	337,921	—
Cash and pooled investments with State Treasurer	10,529,343	376,934	10,906,277	472,428
Restricted cash and pooled investments with State Treasurer	325,532	—	325,532	—
Cash held by trustee	—	—	—	41,481
Collateral investment pool	88,822	—	88,822	—
Short-term investments	—	330,415	330,415	175,314
Restricted investments held by trustee	—	—	—	1,170
Receivables, net of allowances:				
Taxes	1,170,268	94,486	1,264,754	—
Interest	29,178	2,070	31,248	3,773
Loans and notes	11,207	2,692	13,899	60,217
Other	1,014,329	462,968	1,477,297	16,303
Internal balances	62,961	(62,961)	—	—
Due from U.S. Government	1,456,359	258,644	1,715,003	—
Due from local governments	107,310	—	107,310	—
Due from others	378,416	—	378,416	—
Due from primary government	—	—	—	2,226
Custodial securities in safekeeping	114,643	—	114,643	6,000
Inventories, at cost	17,976	17,729	35,705	—
Other current assets	19,960	26,622	46,582	698
Total Current Assets	15,333,269	2,492,768	17,826,037	823,987
Noncurrent Assets:				
Restricted assets:				
Cash	47	35,057	35,104	—
Cash and pooled investments with State Treasurer	1,335,044	—	1,335,044	11,965
Cash held by trustee	57,167	273,596	330,763	52,315
Investments	4,023	—	4,023	—
Investments held by trustee	—	524,571	524,571	1,805
Receivables, net of allowances:				
Loans and notes	600,238	28,469	628,707	682,206
Securities held in escheat	83,363	—	83,363	—
Equity interest in joint venture	—	6,913	6,913	—
Investments	—	1,448,935	1,448,935	68,507
Endowment investments	7,615,936	745,420	8,361,356	—
Net OPEB asset	37,190	138	37,328	—
Other receivables, net of allowances	—	—	—	131,264
Other noncurrent assets	—	10,078	10,078	22,163
Capital assets:				
Infrastructure, land, and other non-depreciable	24,184,649	1,024,212	25,208,861	46,939
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,950,850	5,510,749	7,461,599	77,297
Total Noncurrent Assets	35,868,507	9,608,138	45,476,645	1,094,461
Total Assets	51,201,776	12,100,906	63,302,682	1,918,448

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2021
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 1,922,873	\$ 317,040	\$ 2,239,913	\$ 346
Related to OPEB	245,456	215,606	461,062	45
Loss on debt refundings	77,407	67,208	144,615	29,800
Interest rate swap	—	15,058	15,058	—
Total Deferred Outflows of Resources	2,245,736	614,912	2,860,648	30,191
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	749,925	320,273	1,070,198	16,160
Payable for securities purchased	—	2,992	2,992	—
Accrued liabilities	1,608,143	207,565	1,815,708	4,653
Obligations under securities loan agreements	88,822	—	88,822	—
Tax refunds payable	5,593	—	5,593	—
Due to U.S. Government	862,137	172,836	1,034,973	—
Due to local governments	2,085,197	—	2,085,197	—
Due to others	642,287	190,056	832,343	6,000
Due to component units	2,226	—	2,226	—
Unearned revenue	2,818,610	473,379	3,291,989	2,079
Current portion of accrued insurance losses	146,529	10,923	157,452	18,294
Current portion of long-term debt and other lease obligations	446,135	285,338	731,473	49,874
Current portion of other long-term liabilities	198,285	24,162	222,447	85
Total Current Liabilities	9,653,889	1,687,524	11,341,413	97,145
Noncurrent Liabilities:				
Unearned revenue	78,065	—	78,065	9,564
Accrued insurance losses	370,544	214,617	585,161	233,839
Funds held for others	—	21,312	21,312	—
Net pension liability	4,566,864	1,696,019	6,262,883	2,766
Net OPEB liability	940,575	645,230	1,585,805	207
Long-term debt and other lease obligations	2,974,181	4,435,763	7,409,944	471,584
Derivative instrument - interest rate swap	—	15,058	15,058	—
Other long-term liabilities	233,916	136,286	370,202	—
Total Noncurrent Liabilities	9,164,145	7,164,285	16,328,430	717,960
Total Liabilities	18,818,034	8,851,809	27,669,843	815,105
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	91,369	28,974	120,343	212
Related to OPEB	114,996	98,347	213,343	29
Resources received before time requirements met	—	239,792	239,792	—
Gain on debt refundings	67,910	3,356	71,266	—
Total Deferred Inflows of Resources	274,275	370,469	644,744	241

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2021
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
NET POSITION				
Net investment in capital assets	\$ 23,656,057	\$ 2,314,765	\$ 25,970,822	\$ 52,216
Restricted for:				
General government	59,612	—	59,612	—
Health and welfare	539,198	—	539,198	—
Inspection and regulation	13,045	—	13,045	—
Education	571,452	—	571,452	—
Protection and safety	29,231	—	29,231	—
Natural resources	18,837	—	18,837	—
Unemployment Compensation	—	249,908	249,908	—
Capital projects	864,139	28,330	892,469	—
Debt service	766,812	34,947	801,759	77,777
Permanent funds and University funds:				
Expendable	20,869	419,754	440,623	—
Nonexpendable	8,238,717	299,437	8,538,154	—
Loans and other financial assistance:				
Expendable	13,840	—	13,840	750,004
Other	—	—	—	136,918
Unrestricted (deficit)	(436,606)	146,399	(290,207)	116,378
Total Net Position	\$ 34,355,203	\$ 3,493,540	\$ 37,848,743	\$ 1,133,293

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, 2021
(Expressed in Thousands)

ASSETS

Cash and cash equivalent investments	\$ 183,458
Receivables:	
Pledges receivable	241,140
Other receivables	76,577
Total receivables	<u>317,717</u>
Investments:	
Investments in securities	3,113,945
Other investments	95,083
Total investments	<u>3,209,028</u>
Net direct financing leases	51,536
Property and equipment, net of accumulated depreciation	183,238
Other assets	<u>50,581</u>
Total Assets	<u>3,995,558</u>

LIABILITIES

Accounts payable and accrued liabilities	58,096
Liability under endowment trust agreements	671,267
Long-term debt	303,495
Deferred revenue	26,185
Other liabilities	<u>51,725</u>
Total Liabilities	<u>1,110,768</u>

NET ASSETS

With donor restrictions	2,608,535
Without donor restrictions	<u>276,255</u>
Total Net Assets	<u>\$ 2,884,790</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, 2021
 (Expressed in Thousands)

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,779,607	\$ 261,066	\$ 943,008	\$ —
Health and welfare	22,636,105	712,588	19,249,200	23,365
Inspection and regulation	192,692	207,081	47,869	—
Education	8,257,299	59,772	3,318,673	—
Protection and safety	1,891,198	105,435	164,507	—
Transportation	1,094,831	213,971	143,722	665,679
Natural resources	279,965	105,145	85,937	1,006
Intergovernmental revenue sharing	4,418,998	—	—	—
Interest on long-term debt	95,967	—	—	—
Total Governmental Activities	<u>40,646,662</u>	<u>1,665,058</u>	<u>23,952,916</u>	<u>690,050</u>
Business-type Activities:				
Universities	5,904,889	2,891,038	2,337,422	41,836
Unemployment Compensation	8,513,331	555,498	7,987,593	—
Other	1,245,997	1,505,228	—	—
Total Business-type Activities	<u>15,664,217</u>	<u>4,951,764</u>	<u>10,325,015</u>	<u>41,836</u>
Total Primary Government	<u>\$ 56,310,879</u>	<u>\$ 6,616,822</u>	<u>\$ 34,277,931</u>	<u>\$ 731,886</u>
COMPONENT UNITS:				
Arizona Finance Authority	\$ 87,587	\$ 86,389	\$ 66,892	\$ —
Other Component Units	103,552	76,476	11,974	—
Total Component Units	<u>\$ 191,139</u>	<u>\$ 162,865</u>	<u>\$ 78,866</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 in-substance defeasance
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 net position restatement detail, see Note 8 and 15.L.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
\$	(575,533)			\$ (575,533)	
	(2,650,952)			(2,650,952)	
	62,258			62,258	
	(4,878,854)			(4,878,854)	
	(1,621,256)			(1,621,256)	
	(71,459)			(71,459)	
	(87,877)			(87,877)	
	(4,418,998)			(4,418,998)	
	(95,967)			(95,967)	
	<u>(14,338,638)</u>			<u>(14,338,638)</u>	
		\$ (634,593)		(634,593)	
		29,760		29,760	
		<u>259,231</u>		<u>259,231</u>	
		<u>(345,602)</u>		<u>(345,602)</u>	
	<u>(14,338,638)</u>	<u>(345,602)</u>		<u>(14,684,240)</u>	
					\$ 65,694
					<u>(15,102)</u>
					<u>50,592</u>
	9,523,611	85,891		9,609,502	—
	6,672,112	—		6,672,112	—
	299,821	—		299,821	—
	42,583	—		42,583	—
	2,502,442	—		2,502,442	—
	769,964	—		769,964	—
	35,056	117,450		152,506	5,935
	33,083	—		33,083	335
	806,188	—		806,188	—
	—	—		—	28,998
	—	—		—	595
	300,749	173,400		474,149	408
	—	5,590		5,590	—
	<u>(488,821)</u>	<u>488,821</u>		<u>—</u>	<u>—</u>
	<u>20,496,788</u>	<u>871,152</u>		<u>21,367,940</u>	<u>36,271</u>
	6,158,150	525,550		6,683,700	86,863
	28,197,053	2,967,990		31,165,043	1,046,430
\$	<u>34,355,203</u>	<u>\$ 3,493,540</u>		<u>\$ 37,848,743</u>	<u>\$ 1,133,293</u>

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES			
Contributions	\$ 21,495	\$ 304,273	\$ 325,768
Rental revenue	39,706	—	39,706
Sales and services	56,850	—	56,850
Net investment income	43,377	432,218	475,595
Grants and aid	62,100	1,522	63,622
Other revenues	95,735	2,841	98,576
Net assets released from restrictions	246,228	(246,228)	—
Total Revenues	<u>565,491</u>	<u>494,626</u>	<u>1,060,117</u>
EXPENSES			
Program services:			
Payments to Universities	213,239	—	213,239
Leasing related expenses	14,394	—	14,394
Payments on behalf of Universities	13,803	—	13,803
Other program services	18,970	—	18,970
Management and general expenses	139,276	—	139,276
Fundraising expenses	11,338	—	11,338
Interest	9,236	—	9,236
Depreciation and amortization	12,095	—	12,095
Other expenses	49,363	—	49,363
Total Expenses	<u>481,714</u>	<u>—</u>	<u>481,714</u>
Increase in Net Assets, before losses	83,777	494,626	578,403
Loss of uncollectible pledges	—	(4,840)	(4,840)
Loss on sale of capital assets	(587)	—	(587)
Increase in Net Assets	83,190	489,786	572,976
Net Assets - Beginning	194,318	2,117,496	2,311,814
Transfers	(1,253)	1,253	—
Net Assets - Ending	<u>\$ 276,255</u>	<u>\$ 2,608,535</u>	<u>\$ 2,884,790</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, 2021
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
ASSETS			
Cash	\$ 169	\$ —	\$ 28
Cash and pooled investments with State Treasurer	8,046,888	563,609	160,266
Collateral investment pool	33,450	—	43,808
Receivables, net of allowances:			
Taxes	978,660	75,883	—
Interest	330	—	28,848
Loans and notes	39,034	398	572,013
Other	278,584	8,618	2,131
Due from U.S. Government	1,317,600	105,186	—
Due from local governments	107,310	—	—
Due from others	378,416	—	—
Due from other funds	116,653	712	360
Custodial securities in safekeeping	—	—	—
Inventories, at cost	14,473	270	—
Restricted assets:			
Cash	47	—	—
Cash and pooled investments with State Treasurer	197,242	1,128,358	—
Cash held by trustee	175	1,967	—
Investments	4,023	—	—
Securities held in escheat	83,363	—	—
Endowment investments	—	—	7,615,936
Other	—	—	12
Total Assets	<u>\$ 11,596,417</u>	<u>\$ 1,885,001</u>	<u>\$ 8,423,402</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 570,387	\$ 120,472	\$ 7,641
Accrued liabilities	1,134,781	4,107	760
Obligations under securities loan agreements	33,450	—	43,808
Tax refunds payable	—	5,593	—
Due to U.S. Government	322,724	—	—
Due to local governments	1,506,984	189,888	—
Due to component units	2,226	—	—
Due to others	514,577	—	—
Due to other funds	1,066,767	17,208	10,115
Unearned revenue	2,779,941	9,353	101,266
Total Liabilities	<u>7,931,837</u>	<u>346,621</u>	<u>163,590</u>
Deferred Inflows of Resources:			
Unavailable revenue	863,173	4,327	589,373
Fund Balances:			
Nonspendable	14,473	271	7,670,213
Restricted	582,364	876,906	—
Committed	284,818	656,876	—
Unassigned	1,919,752	—	226
Total Fund Balances	<u>2,801,407</u>	<u>1,534,053</u>	<u>7,670,439</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,596,417</u>	<u>\$ 1,885,001</u>	<u>\$ 8,423,402</u>

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	6,768	\$ 6,965
	1,535,198	10,305,961
	11,564	88,822
	115,725	1,170,268
	—	29,178
	—	611,445
	45,352	334,685
	33,573	1,456,359
	—	107,310
	—	378,416
	1,110,969	1,228,694
	114,643	114,643
	720	15,463
	—	47
	334,976	1,660,576
	55,025	57,167
	—	4,023
	—	83,363
	—	7,615,936
	8	20
<u>\$</u>	<u>3,364,521</u>	<u>\$ 25,269,341</u>

\$	42,523	\$ 741,023
	68,600	1,208,248
	11,564	88,822
	—	5,593
	14,598	337,322
	388,325	2,085,197
	—	2,226
	127,710	642,287
	23,282	1,117,372
	6,115	2,896,675
<u>\$</u>	<u>682,717</u>	<u>9,124,765</u>
	405	1,457,278
	720	7,685,677
	1,470,105	2,929,375
	1,210,574	2,152,268
	—	1,919,978
<u>\$</u>	<u>2,681,399</u>	<u>14,687,298</u>
<u>\$</u>	<u>3,364,521</u>	<u>\$ 25,269,341</u>

STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 JUNE 30, 2021
 (Expressed in Thousands)

Total fund balances - governmental funds \$ 14,687,298

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. 26,055,737

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. 1,457,278

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. (389,122)

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. (50,136)

Accrued receivable for AHCCCS programmatic costs' reimbursements are not available in the current period and, therefore, are not reported in the governmental funds. 637,843

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. 37,035

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	77,407	
Related to pensions	1,913,666	
Related to OPEB	241,644	2,232,717

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	(4,516,199)	
Net OPEB	(926,893)	
Revenue bonds	(1,872,630)	
Grant anticipation notes	(184,460)	
Certificates of participation	(839,825)	
Direct placement	(4,005)	
Accrued interest on certificates of participation	(11,825)	
Capital leases	(123,489)	
Premium on debt	(395,907)	
Compensated absences	(177,846)	
Pollution remediation obligations	(63,884)	
Other	(15,487)	(9,132,450)

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. (910,274)

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	(67,910)	
Related to pensions	(90,039)	
Related to OPEB	(112,774)	(270,723)

Net position of governmental activities \$ 34,355,203

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, 2021
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
REVENUES			
Taxes:			
Sales	\$ 8,292,609	\$ 376,901	\$ —
Income	6,699,521	—	—
Tobacco	61,663	—	—
Property	25,272	17,311	—
Motor vehicle and fuel	27,314	2,256,730	—
Other	658,382	—	—
Intergovernmental	21,798,883	816,928	—
Licenses, fees, and permits	146,194	173,962	24,550
Hospital and nursing facility assessments	—	—	—
Earnings on investments	24,866	3,129	1,748,073
Sales and charges for services	115,026	39,998	41,784
Fines, forfeitures, and penalties	20,662	—	—
Gaming	8,880	—	—
Tobacco settlement	105,683	—	—
Proceeds from sale of trust land	—	—	336,536
Other	280,449	20,180	8,506
Total Revenues	<u>38,265,404</u>	<u>3,705,139</u>	<u>2,159,449</u>
EXPENDITURES			
Current:			
General government	2,607,207	—	627
Health and welfare	22,018,184	—	7,219
Inspection and regulation	36,701	—	—
Education	6,843,738	—	300,828
Protection and safety	1,391,670	—	9,360
Transportation	—	1,056,519	—
Natural resources	86,680	—	6,429
Intergovernmental revenue sharing	2,742,407	1,666,878	—
Debt service:			
Principal	61,811	—	—
Interest and other fiscal charges	15,291	—	—
Capital outlay	142,108	400,686	2,399
Total Expenditures	<u>35,945,797</u>	<u>3,124,083</u>	<u>326,862</u>
Excess (Deficiency) before Expenditures	<u>2,319,607</u>	<u>581,056</u>	<u>1,832,587</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	338,826	4,372	102
Transfers out	(1,922,160)	(313,209)	(1,141)
Proceeds from sale of capital assets	—	52	—
Total Other Financing Sources (Uses)	<u>(1,583,334)</u>	<u>(308,785)</u>	<u>(1,039)</u>
Net Change in Fund Balances	736,273	272,271	1,831,548
Fund Balances - Beginning, as restated	2,065,134	1,261,782	5,838,891
Fund Balances - Ending	<u>\$ 2,801,407</u>	<u>\$ 1,534,053</u>	<u>\$ 7,670,439</u>

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	860,503	\$ 9,530,013
	—	6,699,521
	238,158	299,821
	—	42,583
	218,398	2,502,442
	111,582	769,964
	288,742	22,904,553
	377,232	721,938
	537,236	537,236
	100,869	1,876,937
	46,677	243,485
	142,732	163,394
	139,176	148,056
	—	105,683
	—	336,536
	38,304	347,439
	<u>3,099,609</u>	<u>47,229,601</u>
	159,461	2,767,295
	1,012,841	23,038,244
	156,408	193,109
	1,108,372	8,252,938
	326,957	1,727,987
	2,763	1,059,282
	166,963	260,072
	9,713	4,418,998
	317,735	379,546
	132,606	147,897
	32,443	577,636
	<u>3,426,262</u>	<u>42,823,004</u>
	<u>(326,653)</u>	<u>4,406,597</u>
	1,584,154	1,927,454
	(174,551)	(2,411,061)
	—	52
	<u>1,409,603</u>	<u>(483,555)</u>
	1,082,950	3,923,042
	1,598,449	10,764,256
\$	<u>2,681,399</u>	\$ <u>14,687,298</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, 2021
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 3,923,042

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	577,636	
Infrastructure adjustment	(20,625)	
Depreciation expense	<u>(161,692)</u>	395,319

The adjusted change in net position of the internal service funds allocable to governmental activities is included in the Statement of Activities. 13,160

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	(6,402)	
Income taxes	(27,409)	
Operating grants	(376,318)	
Capital grants	(5,691)	
Other revenue	<u>(1,209)</u>	(417,029)

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 2021, gains resulting from current year land sales exceeded mortgage payments received. In addition, accrued interest on land sales contracts is reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.

Excess of gains on sale of land over mortgage receipts	469,652	
Accrued interest on land sales' contracts	<u>11,452</u>	481,104

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 2021	1,377,688	
Pension expense and pension-related grant expense	<u>(409,516)</u>	968,172
OPEB contributions during fiscal year 2021	23,178	
OPEB expense	<u>(98,917)</u>	(75,739)

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	457,516	
ADOT accrued programmatic costs	(4,397)	
Compensated absences	(10,638)	
Pollution remediation obligation	(3,834)	
Interest on long-term obligations	1,737	
Other expenses	<u>(2)</u>	440,382

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, 2021
(Expressed in Thousands)

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	379,546	
Debt premium/discount amortization	57,025	
Amortization of deferred gains/losses on refundings	<u>(6,832)</u>	<u>429,739</u>

Change in net position of governmental activities		<u><u>\$ 6,158,150</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2021
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current Assets:					
Cash	\$ 524,845	\$ 92,393	\$ 28,010	\$ 645,248	\$ —
Cash with U.S. Treasury	—	337,921	—	337,921	—
Cash and pooled investments with State Treasurer	206,204	—	170,730	376,934	223,382
Short-term investments	330,415	—	—	330,415	—
Receivables, net of allowances:					
Taxes	—	94,486	—	94,486	—
Interest	1,059	—	1,011	2,070	—
Loans and notes	2,692	—	—	2,692	—
Other	268,156	172,496	22,316	462,968	41,800
Due from U.S. Government	258,644	—	—	258,644	—
Due from other funds	—	—	—	—	2,487
Inventories, at cost	4,501	—	13,228	17,729	2,513
Other current assets	26,417	—	205	26,622	19,940
Total Current Assets	1,622,933	697,296	235,500	2,555,729	290,122
Noncurrent Assets:					
Restricted assets:					
Cash	35,057	—	—	35,057	—
Cash held by trustee	273,596	—	—	273,596	—
Investments held by trustee	524,571	—	—	524,571	—
Receivables, net of allowances:					
Loans and notes	28,469	—	—	28,469	—
Equity interest in joint venture	6,913	—	—	6,913	—
Investments	1,079,685	—	369,250	1,448,935	—
Endowment investments	745,420	—	—	745,420	—
Net OPEB asset	—	—	138	138	155
Other noncurrent assets	216	—	9,862	10,078	—
Capital assets:					
Land and other non-depreciable	1,014,757	—	9,455	1,024,212	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	5,463,483	—	47,266	5,510,749	79,762
Total Noncurrent Assets	9,172,167	—	435,971	9,608,138	79,917
Total Assets	10,795,100	697,296	671,471	12,163,867	370,039
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	309,533	—	7,507	317,040	9,207
Related to OPEB	211,476	—	4,130	215,606	3,812
Loss on debt refundings	67,208	—	—	67,208	—
Interest rate swap	15,058	—	—	15,058	—
Total Deferred Outflows of Resources	603,275	—	11,637	614,912	13,019

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, 2021
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS	
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 310,775	\$ 5	\$ 9,493	\$ 320,273	\$ 8,885
Payable for securities purchased	—	—	2,992	2,992	—
Accrued liabilities	119,108	87,501	956	207,565	533
Due to U.S. Government	—	172,836	—	172,836	2,094
Due to others	20,972	98,761	70,323	190,056	—
Due to other funds	24,456	1,150	87,491	113,097	712
Unearned revenue	386,071	87,135	173	473,379	—
Current portion of accrued insurance losses	—	—	10,923	10,923	146,529
Current portion of long-term debt and other lease obligations	285,338	—	—	285,338	—
Current portion of other long-term liabilities	22,200	—	1,962	24,162	13,682
Total Current Liabilities	<u>1,168,920</u>	<u>447,388</u>	<u>184,313</u>	<u>1,800,621</u>	<u>172,435</u>
Noncurrent Liabilities:					
Accrued insurance losses	—	—	214,617	214,617	370,544
Funds held for others	21,312	—	—	21,312	—
Net pension liability	1,656,378	—	39,641	1,696,019	50,665
Net OPEB liability	631,143	—	14,087	645,230	13,682
Long-term debt and other lease obligations	4,435,763	—	—	4,435,763	—
Derivative instrument - interest rate swap	15,058	—	—	15,058	—
Other long-term liabilities	136,263	—	23	136,286	161,302
Total Noncurrent Liabilities	<u>6,895,917</u>	<u>—</u>	<u>268,368</u>	<u>7,164,285</u>	<u>596,193</u>
Total Liabilities	<u>8,064,837</u>	<u>447,388</u>	<u>452,681</u>	<u>8,964,906</u>	<u>768,628</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	28,213	—	761	28,974	1,330
Related to OPEB	96,788	—	1,559	98,347	2,222
Resources received before time requirements met	239,792	—	—	239,792	—
Gain on debt refundings	3,356	—	—	3,356	—
Total Deferred Inflows of Resources	<u>368,149</u>	<u>—</u>	<u>2,320</u>	<u>370,469</u>	<u>3,552</u>
NET POSITION					
Net investment in capital assets	2,258,044	—	56,721	2,314,765	79,762
Restricted for:					
Unemployment compensation	—	249,908	—	249,908	—
Capital projects	28,330	—	—	28,330	—
Debt service	34,947	—	—	34,947	—
Universities fund:					
Expendable	419,754	—	—	419,754	—
Nonexpendable	299,437	—	—	299,437	—
Other	—	—	—	—	—
Unrestricted (deficit)	(75,123)	—	171,386	96,263	(468,884)
Total Net Position	<u>\$ 2,965,389</u>	<u>\$ 249,908</u>	<u>\$ 228,107</u>	<u>\$ 3,443,404</u>	<u>\$ (389,122)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				50,136	
Net position of business-type activities				<u>\$ 3,493,540</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, 2021
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER		
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of \$984,572	\$ 2,450,724	\$ —	\$ —	\$ 2,450,724	\$ —
Auxiliary enterprises, net of scholarship allowances of \$29,252	287,663	—	—	287,663	—
Educational department	152,651	—	—	152,651	—
Other	—	—	1,505,228	1,505,228	1,125,176
Assessments	—	553,435	—	553,435	—
Intergovernmental	702,606	7,982,053	—	8,684,659	—
Nongovernmental grants and contracts	276,971	—	—	276,971	—
Fines, forfeitures, and penalties	—	2,063	—	2,063	—
Other	66,998	72,321	293	139,612	4,757
Total Operating Revenues	<u>3,937,613</u>	<u>8,609,872</u>	<u>1,505,521</u>	<u>14,053,006</u>	<u>1,129,933</u>
OPERATING EXPENSES					
Cost of sales and benefits	1,563,293	8,513,303	1,144,168	11,220,764	891,322
Scholarships and fellowships	446,503	—	—	446,503	—
Personal services	3,400,431	—	35,019	3,435,450	82,683
Contractual services	—	—	22,247	22,247	48,275
Depreciation and amortization	344,633	—	7,354	351,987	18,619
Insurance	—	—	508	508	58,974
Other	—	—	16,826	16,826	19,917
Total Operating Expenses	<u>5,754,860</u>	<u>8,513,303</u>	<u>1,226,122</u>	<u>15,494,285</u>	<u>1,119,790</u>
Operating Income (Loss)	<u>(1,817,247)</u>	<u>96,569</u>	<u>279,399</u>	<u>(1,441,279)</u>	<u>10,143</u>
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	85,891	—	—	85,891	—
Intergovernmental	913,221	—	—	913,221	—
Gifts and donations	315,819	—	—	315,819	—
Gain on sale of capital assets	20,131	—	5	20,136	396
Investment income	45,396	5,540	72,054	122,990	20
Endowment earnings on investments	128,805	—	—	128,805	—
Other non-operating revenue	11,047	—	2,605	13,652	496
Distributions	—	—	(14,977)	(14,977)	—
Interest expense	(140,951)	—	—	(140,951)	—
Other non-operating expense	(16,573)	(28)	(4,898)	(21,499)	(738)
Total Non-Operating Revenues (Expenses)	<u>1,362,786</u>	<u>5,512</u>	<u>54,789</u>	<u>1,423,087</u>	<u>174</u>
Income (Loss) Before Contributions and Transfers	<u>(454,461)</u>	<u>102,081</u>	<u>334,188</u>	<u>(18,192)</u>	<u>10,317</u>
Capital grants and contributions	41,836	—	—	41,836	15,552
Contributions to permanent endowments	5,590	—	—	5,590	—
Transfers in	767,010	—	1,013	768,023	935
Transfers out	—	(5,299)	(273,903)	(279,202)	(6,149)
Change in Net Position	<u>359,975</u>	<u>96,782</u>	<u>61,298</u>	<u>518,055</u>	<u>20,655</u>
Total Net Position - Beginning, as restated	<u>2,605,414</u>	<u>153,126</u>	<u>166,809</u>	<u>2,925,349</u>	<u>(409,777)</u>
Total Net Position - Ending	<u>\$ 2,965,389</u>	<u>\$ 249,908</u>	<u>\$ 228,107</u>	<u>\$ 3,443,404</u>	<u>\$ (389,122)</u>
Change in net position of enterprise funds				\$ 518,055	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				7,495	
Change in net position of business-type activities				<u>\$ 525,550</u>	

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

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STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ —	\$ —	\$ 614,369	\$ 614,369	\$ —
Receipts from assessments	—	551,835	—	551,835	—
Receipts from student tuition and fees	2,407,091	—	—	2,407,091	—
Receipts from sales and services of auxiliary enterprises	295,660	—	—	295,660	—
Receipts from sales and services of educational departments	149,757	—	—	149,757	—
Receipts from interfund services / premiums	—	—	—	—	1,105,100
Receipts from grants and contracts	970,442	8,018,147	—	8,988,589	—
Receipts from student loans collected	26,543	—	—	26,543	—
Receipts from custodial funds	272,266	—	—	272,266	—
Payments to suppliers, prize winners, claimants, or insurance companies	(1,547,017)	(9,213,918)	(270,939)	(11,031,874)	(1,009,614)
Payments to employees	(3,169,428)	—	(49,247)	(3,218,675)	(86,044)
Payments to retirees	—	—	—	—	(15,033)
Payments for scholarships and fellowships	(437,009)	—	—	(437,009)	—
Payments for student loans issued	(29,831)	—	—	(29,831)	—
Custodial funds disbursed	(232,835)	—	—	(232,835)	—
Other receipts	66,066	75,598	6,370	148,034	5,244
Other payments	—	—	—	—	(738)
Net Cash Provided (Used) by Operating Activities	(1,228,295)	(568,338)	300,553	(1,496,080)	(1,085)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from share of State sales tax	85,891	—	—	85,891	—
Receipts from grants and contributions	2,194,411	—	—	2,194,411	—
Transfers from other funds	673,158	—	1,013	674,171	727
Grants and contributions disbursed	(1,062,276)	—	—	(1,062,276)	—
Distributions	—	—	(14,977)	(14,977)	—
Transfers to other funds	—	(5,675)	(212,174)	(217,849)	(6,149)
Net Cash Provided (Used) by Non-capital Financing Activities	1,891,184	(5,675)	(226,138)	1,659,371	(5,422)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	28,289	—	5	28,294	1,452
Proceeds from capital debt, installment purchase contracts, and capital leases	773,964	—	—	773,964	—
Receipts from federal subsidy	3,407	—	—	3,407	—
Receipts from capital grants and contributions	56,203	—	—	56,203	—
Transfers from other funds	84,726	—	—	84,726	208
Acquisition and construction of capital assets	(627,518)	—	(15,074)	(642,592)	(2,225)
Interest paid on capital debt, installment purchase contracts, and capital leases	(164,639)	—	—	(164,639)	—
Principal paid on capital debt, installment purchase contracts, and capital leases	(348,044)	—	—	(348,044)	—
Net Cash (Used) by Capital and Related Financing Activities	(193,612)	—	(15,069)	(208,681)	(565)

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, 2021
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	1,024,027	—	134,848	1,158,875	—
Interest and dividends from investments	37,954	5,540	6,325	49,819	20
Purchase of investments	(1,356,614)	—	(141,569)	(1,498,183)	—
Net Cash Provided (Used) by Investing Activities	(294,633)	5,540	(396)	(289,489)	20
Net Increase (Decrease) in Cash and Cash Equivalents	174,644	(568,473)	58,950	(334,879)	(7,052)
Cash and Cash Equivalents - Beginning, as restated	865,058	998,787	139,790	2,003,635	230,434
Cash and Cash Equivalents - Ending	\$ 1,039,702	\$ 430,314	\$ 198,740	\$ 1,668,756	\$ 223,382
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,817,247)	\$ 96,569	\$ 279,399	\$ (1,441,279)	\$ 10,143
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	344,633	—	7,354	351,987	18,619
Provision for uncollectible accounts	—	—	106	106	—
Miscellaneous income (expense)	(10,616)	—	3,153	(7,463)	(242)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in receivables, net of allowances	(43,875)	(164,700)	11,652	(196,923)	(21,215)
Decrease in due from other funds	—	—	—	—	1,226
(Increase) decrease in inventories, at cost	2,721	—	(3,626)	(905)	(533)
(Increase) decrease in other assets	324	—	728	1,052	(2,937)
(Increase) in net OPEB asset	—	—	(83)	(83)	(91)
Decrease in equity interest in joint venture	1,921	—	—	1,921	—
(Increase) in deferred pension outflows of resources	(94,584)	—	(2,621)	(97,205)	(4,343)
(Increase) in deferred OPEB outflows of resources	(46,984)	—	(870)	(47,854)	(1,135)
Increase (decrease) in accounts payable	69,993	—	(1,166)	68,827	(19,392)
Increase (decrease) in accrued liabilities	44,836	18,804	9,920	73,560	(1,513)
Increase (decrease) in due to U.S. Government	—	135,441	—	135,441	(2,739)
Increase (decrease) in due to others	5,245	(547,465)	—	(542,220)	—
Increase (decrease) in unearned revenue	54,876	(106,987)	173	(51,938)	—
Increase (decrease) in accrued insurance losses	—	—	(7,790)	(7,790)	6,646
Increase in net pension liability	214,099	—	5,136	219,235	5,572
Increase in net OPEB liability	119,018	—	1,520	120,538	2,519
Increase (decrease) in other liabilities	—	—	(59)	(59)	12,977
(Decrease) in deferred pension inflows of resources	(57,480)	—	(1,950)	(59,430)	(4,304)
(Decrease) in deferred OPEB inflows of resources	(15,175)	—	(423)	(15,598)	(343)
Net Cash Provided (Used) by Operating Activities	\$ (1,228,295)	\$ (568,338)	\$ 300,553	\$ (1,496,080)	\$ (1,085)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other funds	\$ —	\$ —	\$ 13,007	\$ 13,007	\$ 15,552
Gifts and conveyances of capital assets	7,350	—	—	7,350	—
Gain on disposal of capital assets, net	5,250	—	—	5,250	—
Increase in fair value of investments	111,855	—	64,555	176,410	—
Increase in fair value of investments held by trustee	67,462	—	—	67,462	—
Amortization of bond premium	31,214	—	—	31,214	—
Refinancing long-term debt	115,733	—	—	115,733	—
CARES Act receivable	6,648	—	—	6,648	—
Higher Education Emergency Relief Fund receivable	64,096	—	—	64,096	—
Total Noncash Investing, Capital and Non-capital Financing Activities	\$ 409,608	\$ —	\$ 77,562	\$ 487,170	\$ 15,552

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, 2021
 (Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ASSETS			
Cash	\$ 1,914,935	\$ 4,168	\$ 36,234
Cash and pooled investments with State Treasurer	—	1,572	45,372
Receivables, net of allowances:			
Accrued interest and dividends	46,128	599	3,000
Securities sold	44,072	9,908	—
Capital shares sold	—	418	—
Futures contracts	4,102	—	—
Contributions	143,438	—	—
Due from other funds	4,381	—	—
Distributions	—	448	—
Loans	17,763	—	—
Other	30,958	88	—
Total receivables	<u>290,842</u>	<u>11,461</u>	<u>3,000</u>
Investments, at fair value:			
Short-term investments	1,003,677	150,618	—
Fixed income securities	13,976,883	—	5,144,638
Fixed earnings investments	429,726	—	—
Gold bullion	—	2,021	—
Equity	36,783,613	—	—
Core bonds	621,988	—	—
Private credit	1,595,814	—	—
Real estate	7,898,102	—	—
Diversifying strategies	1,629,183	—	—
Collateral investment pool	335,223	—	15,548
Mutual funds	1,398,901	1,609,396	—
Registered investment companies	—	39,525	—
Other investments	607,693	—	—
Total investments	<u>66,280,803</u>	<u>1,801,560</u>	<u>5,160,186</u>
Due from others	—	—	71,505
Custodial securities in safekeeping	—	—	312,557
Policyholder account value of Universal			
Life Insurance contracts	3,040	—	—
Other assets	—	16	—
Property and equipment, net of accumulated depreciation	3,211	—	—
Total Assets	<u>68,492,831</u>	<u>1,818,777</u>	<u>5,628,854</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,035	—	—
LIABILITIES			
Accounts payable and other current liabilities	14,108	88	—
Securities purchased payable	13,299	10,296	1,802
Management fee payable	—	381	198
Capital shares redeemed payable	—	854	—
Cash collateral on securities loaned	—	589	—
Written options	—	48	—
Swap agreements	—	62	—
Obligation under securities loan agreements	335,223	—	15,548
Futures contracts payable	3,233	—	—
Due to others	—	1,262	7,537
Due to other funds	4,381	—	—
Net pension liability	8,561	—	—
Other liabilities	—	5	—
Total Liabilities	<u>378,805</u>	<u>13,585</u>	<u>25,085</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	374	—	—
NET POSITION			
Restricted for:			
Pension benefits	63,324,098	—	—
Other post-employment benefits	4,790,589	—	—
Pool participants	—	—	5,150,959
Individuals, organizations, and other governments	—	1,805,192	452,810
Total Net Position	<u>\$ 68,114,687</u>	<u>\$ 1,805,192</u>	<u>\$ 5,603,769</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, 2021
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS:			
Member contributions	\$ 1,578,688	\$ —	\$ —
Employer contributions	3,074,214	—	—
Health insurance contributions	6,006	—	—
Non-employer entity contributions	1,005,000	—	—
Contributions from other plans	12,749	—	—
Other contributions	—	16,484	—
Member purchase of service credit	24,169	—	—
Court fees	9,472	—	—
Investment income:			
Net increase (decrease) in fair value of investments	13,648,817	337,173	(10,218)
Interest, dividends, and other	634,048	25,813	18,598
Securities lending income	4,883	—	116
Total investment income	<u>14,287,748</u>	<u>362,986</u>	<u>8,496</u>
Less investment expenses:			
Investment activity expenses	271,586	7,134	2,461
Securities lending expenses	416	—	33
Net investment income	<u>14,015,746</u>	<u>355,852</u>	<u>6,002</u>
Capital share and individual account transactions:			
Shares sold	—	594,181	6,266,539
Reinvested distributions	—	31,011	15,664
Shares redeemed	—	(542,113)	(5,520,614)
Net capital share and individual account transactions	<u>—</u>	<u>83,079</u>	<u>761,589</u>
Other additions:			
Collections for restitutions	—	—	5,122
Collections for inmates	—	—	108,477
Collections for child support	—	—	790,631
Deposits from applicants	—	—	357,120
Collections from condemnation proceedings	—	—	2,146
Other revenues	18,844	—	463
Total Additions	<u>19,744,888</u>	<u>455,415</u>	<u>2,031,550</u>
DEDUCTIONS:			
Retirement, disability, and survivor benefits	4,646,567	—	—
Health insurance subsidy	146,720	—	—
Refunds to withdrawing members, including interest	263,882	—	—
Distributions to participants	97,514	—	—
Life insurance premiums	88	—	—
Administrative expense	44,310	—	—
Distributions to shareholders	—	31,653	—
Dividends to investors	—	—	5,926
Other deductions	1,837	14,621	43
Distributions to individuals, organizations, and other governments	—	—	1,285,486
Total Deductions	<u>5,200,918</u>	<u>46,274</u>	<u>1,291,455</u>
Net increase in Fiduciary Net Position	14,543,970	409,141	740,095
Net Position - Beginning, as restated	<u>53,570,717</u>	<u>1,396,051</u>	<u>4,863,674</u>
Net Position - Ending	<u>\$ 68,114,687</u>	<u>\$ 1,805,192</u>	<u>\$ 5,603,769</u>

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

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2021
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 2,710	\$ 41,667	\$ 44,377
Cash and pooled investments with State Treasurer	265,766	206,662	472,428
Cash held by trustee	41,481	—	41,481
Short-term investments	—	175,314	175,314
Restricted investments held by trustee	—	1,170	1,170
Receivables, net of allowances:			
Interest	3,773	—	3,773
Loans and notes	60,026	191	60,217
Other	4,838	11,465	16,303
Due from primary government	414	1,812	2,226
Custodial securities in safekeeping	6,000	—	6,000
Other current assets	—	698	698
Total Current Assets	<u>385,008</u>	<u>438,979</u>	<u>823,987</u>
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	11,965	—	11,965
Cash held by trustee	—	52,315	52,315
Investments held by trustee	—	1,805	1,805
Loans and notes receivable, net of allowances	663,962	18,244	682,206
Investments	18,714	49,793	68,507
Other receivables, net of allowances	—	131,264	131,264
Other noncurrent assets	—	22,163	22,163
Capital assets:			
Land and other non-depreciable	—	46,939	46,939
Buildings, equipment, and other depreciable, net of accumulated depreciation	5	77,292	77,297
Total Noncurrent Assets	<u>694,646</u>	<u>399,815</u>	<u>1,094,461</u>
Total Assets	<u>1,079,654</u>	<u>838,794</u>	<u>1,918,448</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	215	131	346
Related to OPEB	—	45	45
Loss on debt refundings	26,413	3,387	29,800
Total Deferred Outflows of Resources	<u>26,628</u>	<u>3,563</u>	<u>30,191</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, 2021
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 754	\$ 15,406	\$ 16,160
Accrued liabilities	3,209	1,444	4,653
Due to others	6,000	—	6,000
Unearned revenue	—	2,079	2,079
Current portion of accrued insurance losses	—	18,294	18,294
Current portion of long-term debt	43,105	6,769	49,874
Current portion of other long-term liabilities	85	—	85
Total Current Liabilities	<u>53,153</u>	<u>43,992</u>	<u>97,145</u>
Noncurrent Liabilities:			
Unearned revenue	1,857	7,707	9,564
Accrued insurance losses	—	233,839	233,839
Net pension liability	1,305	1,461	2,766
Net OPEB liability	—	207	207
Long-term debt	261,828	209,756	471,584
Total Noncurrent Liabilities	<u>264,990</u>	<u>452,970</u>	<u>717,960</u>
Total Liabilities	<u>318,143</u>	<u>496,962</u>	<u>815,105</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	107	105	212
Related to OPEB	—	29	29
Total Deferred Inflows of Resources	<u>107</u>	<u>134</u>	<u>241</u>
NET POSITION			
Net investment in capital assets	5	52,211	52,216
Restricted for:			
Debt service	66,764	11,013	77,777
Loans and other financial assistance	717,398	32,606	750,004
Other	—	136,918	136,918
Unrestricted	3,865	112,513	116,378
Total Net Position	<u>\$ 788,032</u>	<u>\$ 345,261</u>	<u>\$ 1,133,293</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, 2021
 (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	\$ 87,587	\$ 86,389	\$ 66,892
Other Component Units	103,552	76,476	11,974
Total	<u>\$ 191,139</u>	<u>\$ 162,865</u>	<u>\$ 78,866</u>

General Revenues:
 Unrestricted investment earnings
 Unrestricted grants and contributions
 Payments from primary government
 Gain on in-substance defeasance
 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 net position restatement detail, see Note 15.L.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
\$ 65,694 —	\$ — (15,102)	\$ 65,694 (15,102)
1,672 — — 595 —	4,263 335 28,998 — 408	5,935 335 28,998 595 408
67,961	18,902	86,863
720,071	326,359	1,046,430
\$ 788,032	\$ 345,261	\$ 1,133,293

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2021
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
ASSETS					
Cash and cash equivalent investments	\$ 31,300	\$ 99,367	\$ 2,756	\$ 50,035	\$ 183,458
Receivables:					
Pledges receivable, net of allowances	144,041	59,161	—	37,938	241,140
Other receivables	17,488	—	233	58,856	76,577
Total receivables	<u>161,529</u>	<u>59,161</u>	<u>233</u>	<u>96,794</u>	<u>317,717</u>
Investments:					
Investments in securities	1,516,466	1,268,354	16,804	312,321	3,113,945
Other investments	79,370	—	—	15,713	95,083
Total investments	<u>1,595,836</u>	<u>1,268,354</u>	<u>16,804</u>	<u>328,034</u>	<u>3,209,028</u>
Net direct financing leases	17,990	—	33,546	—	51,536
Property and equipment, net of accumulated depreciation	14,545	4,988	114,876	48,829	183,238
Other assets	<u>31,281</u>	<u>1,146</u>	<u>8</u>	<u>18,146</u>	<u>50,581</u>
Total Assets	<u>1,852,481</u>	<u>1,433,016</u>	<u>168,223</u>	<u>541,838</u>	<u>3,995,558</u>
LIABILITIES					
Accounts payable and accrued liabilities	37,068	3,579	7,326	10,123	58,096
Liability under endowment trust agreements	371,178	251,346	—	48,743	671,267
Long-term debt	84,406	—	209,270	9,819	303,495
Deferred revenue	—	—	—	26,185	26,185
Other liabilities	<u>35,043</u>	<u>—</u>	<u>—</u>	<u>16,682</u>	<u>51,725</u>
Total Liabilities	<u>527,695</u>	<u>254,925</u>	<u>216,596</u>	<u>111,552</u>	<u>1,110,768</u>
NET ASSETS					
With donor restrictions	1,183,438	1,149,942	—	275,155	2,608,535
Without donor restrictions	<u>141,348</u>	<u>28,149</u>	<u>(48,373)</u>	<u>155,131</u>	<u>276,255</u>
Total Net Assets	<u>\$ 1,324,786</u>	<u>\$ 1,178,091</u>	<u>\$ (48,373)</u>	<u>\$ 430,286</u>	<u>\$ 2,884,790</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, 2021
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	\$ 150,235	\$ 140,674	\$ —	\$ 34,859	\$ 325,768
Rental revenue	2,455	—	11,063	26,188	39,706
Sales and services	27,824	11,336	12,811	4,879	56,850
Net investment income	196,290	221,343	4	57,958	475,595
Grants and aid	—	—	—	63,622	63,622
Other revenues	64,699	12,908	5,650	15,319	98,576
Total Revenues	441,503	386,261	29,528	202,825	1,060,117
EXPENSES					
Program services:					
Payments to Universities	115,041	89,131	—	9,067	213,239
Leasing related expenses	—	—	—	14,394	14,394
Payments on behalf of Universities	—	10,538	—	3,265	13,803
Other program services	—	—	—	18,970	18,970
Management and general expenses	48,338	7,328	10,395	73,215	139,276
Fundraising expenses	—	6,468	—	4,870	11,338
Interest	1,518	—	7,645	73	9,236
Depreciation and amortization	1,295	—	10,397	403	12,095
Other expenses	48,420	—	(14)	957	49,363
Total Expenses	214,612	113,465	28,423	125,214	481,714
Increase in Net Assets, before losses	226,891	272,796	1,105	77,611	578,403
Loss of uncollectible pledges	—	—	—	(4,840)	(4,840)
Loss on sale of capital assets	—	—	—	(587)	(587)
Increase in Net Assets	226,891	272,796	1,105	72,184	572,976
Net Assets - Beginning	1,097,895	905,295	(49,478)	358,102	2,311,814
Net Assets - Ending	\$ 1,324,786	\$ 1,178,091	\$ (48,373)	\$ 430,286	\$ 2,884,790

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

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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 Arizona Smart Save and Family College Savings Program were additions to the State's existing fiduciary component units as a result of the State's implementing GASB Statement No. 84, *Fiduciary Activities*, for fiscal year 2021. The State's fiduciary component units have a June 30 year-end, with the exception of the Family College Savings Program which has a September 30 year-end, a December 31 year-end, and a March 31 year-end due to the different year ends of the financial institutions holding the assets. The State's discretely presented 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 Department of Insurance and Financial Institutions Guaranty Funds, which have 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 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,

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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>.

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

The State reports the following fiduciary component units, which are aggregated within the State's fiduciary funds:

The Arizona Smart Save is comprised of the State of Arizona 457(b) Deferred Compensation Plan (457(b) Plan) and the State of Arizona 401(a) Supplemental Defined Contribution Plan (401(a) Plan). The 457(b) Plan was established pursuant to A.R.S. § 38-871 in 1972. Employees of the State are eligible to contribute to the 457(b) Plan, through payroll deductions, any amount up to the maximum amount not previously withheld from their total compensation. The State does not make any contributions to the 457(b) Plan. The 457(b) Plan is governed by a seven-member governing committee, comprised of three members appointed by the Governor, the Director of the Department of Administration or designee, the Superintendent of the financial institution's Division of Insurance and Financial

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Institutions or designee, the Director of the Department of Insurance and Financial Institutions or designee, and the Director of the ASRS or designee. All members of the governing committee can be removed at will. Additionally, the State may terminate the 457(b) Plan at any time. Thus, the State has the ability to impose its will on the 457(b) Plan. The 401(a) Plan was established in 2001, pursuant to the State of Arizona, Chapter 280, Section 9, Laws of 2001. Employees of the State are eligible to participate in the 401(a) Plan. Participants must defer a minimum of 1% up to 100% of their salary to be contributed to the 401(a) Plan and, once chosen, the election is irrevocable. State statute does not disclose the governing board for the 401(a) Plan but operationally it is overseen by the same seven-member governing committee of the 457(b) Plan and thus its activities are included. The assets of the Arizona Smart Save are (1) administered through trust agreements in which the State itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with benefit terms, and (3) legally protected from creditors of the State. Complete financial statements for the 457(b) Plan and 401(a) Plan may be obtained from the Arizona State Governing Committee for Deferred Compensation Plans at (602) 266-2733.

The Family College Savings Program (FCSP) was established pursuant to A.R.S. § 15-1873. The FCSP is an individual savings account that is exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary. The FCSP is governed by the State Board of Investment consisting of the State Treasurer, the Director of the Department of Administration or designee, the Director of the Department of Insurance and Financial Institutions or designee, and two individuals appointed by the State Treasurer. All members of the governing board can be removed at will; thus the State has the ability to impose its will on the FCSP. The assets of the FCSP are (1) administered through a trust equivalent agreement in which the State itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with benefit terms, and (3) legally protected from creditors of the State. Complete financial statements for the FCSP may be obtained by contacting the FCSP Plan Administrator at the State Treasurer's office at: Office of the Arizona State Treasurer, 1700 W. Washington Street, Phoenix, AZ 85007, and at (602) 542-7880.

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 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>.

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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 7th 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. § 41-5852 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.

Department of Insurance and Financial Institutions Guaranty Funds (DIFIGF) – The DIFIGF, a division of the Arizona Department of Insurance and Financial Institutions (ADIFI), is comprised of the Arizona Property and Casualty Insurance Guaranty Fund (APCIGF) and the Arizona Life and Disability Insurance Guaranty Fund (ALDIGF). The DIFIGF 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 ADIFI maintains the ability to hire and dismiss the persons responsible for day-to-day operations of the DIFIGF; thus, the State has the ability to impose its will on the DIFIGF. Complete financial statements may be obtained from the DIFIGF's administrative office at 100 North 15th 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.

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

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

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

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

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 U of A 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

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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 Tech Parks Arizona, 9070 South Rita Road, Suite 1750, Tucson, AZ 85747-6112

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, 2021, as there was no financial activity.

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

Related Organizations

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

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Program revenues include:

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

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

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

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The State reports the following major governmental funds:

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

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 fiduciary activities of the ASRS, the PSPRS, the EORP, and the CORP (collectively, the Retirement Systems), 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. Additionally, the Other Employee Benefit Trust Funds include the Arizona Smart Save, which allows employees to build a retirement savings account using automatic payroll deductions.

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Private-Purpose Trust Funds – accounts for all fiduciary activities that are (1) not required to be reported in the Pension and Other Employee Benefit Trust Funds or Investment Trust Funds and (2) assets associated with the activity are administered through a trust or trust equivalent arrangement in which the State is not a beneficiary, are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the State. The State has two Private-Purpose Trust Funds, (1) the FCSP is an individual savings account that is exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary, and (2) the Developmental Disabilities Client Investment fund where the State acts as a representative payee for members.

Custodial Funds – are used to report fiduciary activities that are not required to be reported in the Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, or Private-Purpose Trust Funds. They include the external investment pool which is used to account for the investments related to external participants in the State Treasurer’s investment pools that are not held in trust. The custodial funds also include funds related to restitutions, inmate accounts, child support payments, applicant deposits, and condemnation proceedings.

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. 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. Fiduciary fund liabilities are incurred when an event has happened that compels the State to disburse resources or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

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

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

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

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

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

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- *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.

For the Arizona Smart Save, investments in the fixed earnings investments and short-term investments are valued at contract value, which approximates fair value, as reported by the investment carriers. The investment valuation includes contributions received, plus investment income earned to date less applicable charges and amounts withdrawn. Publicly traded mutual funds are presented at fair value based on published quotations. Purchases and sales of investments are recorded on a trade-date basis. Assets held in the annuity payout investments are for the participants who have annuitized and are valued at amounts reported by the investment carriers. These values represent the reserves established by the insurance carriers and are based on actuarial assumptions as to anticipated mortality, withdrawals, and investment yield. Such assumptions are periodically reviewed and updated by the insurance carriers and any adjustments resulting therefrom are reflected in interest income. Assets held in the short-term investments are designed for both short-term investment and longer-term investing needs. Investments are exclusively in dollar-denominated, high quality, short-term investments, including but not limited to securities issued by the federal government, corporations, municipalities, and banks. The short-term investments seek to provide current income and preserve shareholders' principal investment by maintaining a share balance of \$1 and valuing their investments at cost.

For the FCSP, publicly traded mutual funds are presented at fair value based on published quotations.

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

E. TAXES RECEIVABLE

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

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2021. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2021, but not collected until the following month.

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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

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encumbrance. Such items are inventoried for property control purposes. The ASU capitalizes all works of art and historical treasures with a unit cost of \$5,000 or more.

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

H. DEFERRED OUTFLOWS OF RESOURCES

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

I. INVESTMENT EARNINGS

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

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Position. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarships 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. The ASU and the NAU 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. The U of A employees may accumulate up to 320 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.

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

For sick leave policy, see Note 12.C.

N. LONG-TERM OBLIGATIONS

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

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

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

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

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

Budget Stabilization Fund

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

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

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 made 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, 2021, was \$972.2 million.

Q. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, as amended by GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 97, paragraphs 4 and 5, clarified how GASB 84 was to be applied to defined contribution plans (pension, OPEB, or other employee benefit plans), and specified these paragraphs were effective immediately. The State has implemented the requirements of these standards. For a recap of the impact of accounting changes on beginning net position/fund balances, see Note 8.

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GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of equity interest meets the definition of an investment. A majority equity interest that meets the definition of investment should be measured using the equity method unless it is held by special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of this standard had no effect on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (except paragraphs 11b, 13 & 14)* establishes accounting and financial reporting requirements related to the replacement of an interbank offered rate. The implementation of this standard had no significant effect in the financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term Annual Comprehensive Financial Report and its acronym ACFR. That new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The State early implemented the requirements of this standard in the current fiscal year.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, the Industrial Commission (the Commission), the Arizona Smart Save, and the FCSP. 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 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 \$0.1 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, 2021, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.0 million and \$10.0 thousand, respectively. There was a distribution in June 2021 during fiscal year 2021. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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

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

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

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

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

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

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

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

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The Arizona State Governing Committee for Deferred Compensation Plans has authorized the Arizona Smart Save Fund to invest in the following investment types: 1) low risk mutual funds which include money market securities and/or stable value investments with a short-term (1-4 years) average duration, 2) short-term investments, 3) fixed earnings investments, 4) balanced mutual funds which include domestic and international stocks, bonds and cash, 5) equity mutual funds that differ in investment style (growth vs. value) and capitalization bias (large cap, mid cap and small cap), 6) intermediate bond mutual funds which include mutual funds that own investment grade debt securities with an intermediate term (3-10 years) average duration, 7) international mutual funds which include mutual funds that invest in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities, 8) self-directed brokerage account option, and 9) fixed and variable annuity payout investments.

The State Board of Investment serves as trustee of the FCSP, and the State Treasurer administers the fund. On the recommendation of the Treasurer, the board selects financial institutions to implement the program. These institutions have been authorized to invest FCSP assets in securities, including shares of mutual funds advised by affiliates, subsidiaries or divisions of the financial institution, or other property or part interest therein for the account. Investment options include age based and static portfolios with established target ranges for the allocation of the portfolio's assets for the U.S. equity, international equity, investment grade bond, non-investment grade bond and short-term bond asset classes. Additionally, individual fund portfolios invest in a single underlying mutual fund and accommodate beneficiaries without regard to age.

Since all investments for both the Arizona Smart Save and the FCSP are participant directed, all investment risks (custodial credit risk, interest rate risk, credit risk, concentration of credit risk, and foreign currency risk) exist at the participant level and not with the State. Each individual participant has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss. Therefore, as there is no investment risk exposure to the State, these investments are not included in the risk disclosures in Note 2.B through Note 2.F. However, they are included in the fair value measurement disclosures in Note 2.G.3 and Note 2.G.4.

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, 2021, the State had \$72.0 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 structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the investment pool 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.

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

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

The 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, 2021 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	\$ 397,074	3.31
Certificates of deposit (negotiable)	101,140	0.37
Commercial mortgage backed securities	99,692	20.78
Commercial paper	4,657,957	0.16
Commingled funds - fixed income	1,692,120	8.30
Corporate notes & bonds	5,586,847	3.68
Government bonds	1,117,649	6.26
Money market mutual funds	2,513,488	0.02
Private market fixed income	10,348,965	*
Repurchase agreements	4,507,671	0.01
U.S. agency mortgage backed securities	1,128,932	19.87
U.S. agency mortgage backed securities - full faith	477,250	17.24
U.S. agency securities	789,897	3.26
U.S. agency securities - full faith	141,576	1.80
U.S. Treasury securities	3,187,207	0.87
Other	2,301	17.83
Total	\$ 36,749,766	

*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, 2021 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Corporate notes & bonds	\$ 2,497	14.98
U.S. agency mortgage backed securities	7,698	4.76
U.S. fixed income	611,383	—
Other	410	—
Total	\$ 621,988	

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, 2021 (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)	\$ 9,712	\$ 2,500	\$ 7,212	\$ —	\$ —
Commercial paper	34,986	34,986	—	—	—
Corporate notes & bonds	407,651	135,553	265,206	6,892	—
Government bonds	2,064	150	1,914	—	—
Money market mutual funds	407,325	407,325	—	—	—
U.S. agency securities	33,478	5,019	28,459	—	—
U.S. Treasury securities	100,150	43,771	37,053	19,326	—
Other	5,443	—	1,668	1,783	1,992
Total	\$ 1,000,809	\$ 629,304	\$ 341,512	\$ 28,001	\$ 1,992

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, 2021 (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), U.S. International Swaps and Derivatives Association (USISDA), or Secured Overnight Financing Rate (SOFR) plus/minus a fixed basis point amount which resets monthly, quarterly, or semi-annually.	\$ 716,391	\$ 182,650	\$ —	\$ 899,041
Asset backed securities with coupon tied to the LIBOR or SOFR plus/minus a fixed basis point amount which resets from monthly to quarterly.	19,327	—	—	19,327
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 the fair value of the investment.	44,713	1,081,719	—	1,126,432
U.S. Treasury securities with coupon tied to the U.S. Treasury 3 month bill money market yield plus/minus a fixed basis point amount which resets weekly.	—	—	30,019	30,019
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.	200,380	—	—	200,380
Other investments (including full faith) with high sensitivity to rate changes.	—	22,658	—	22,658
Total	\$ 980,811	\$ 1,287,027	\$ 30,019	\$ 2,297,857

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

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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.

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, 2021. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	A-1 Thru A-3	Not Rated
Asset backed securities	\$ 389,863	\$ 273,918	\$ 16,853	\$ 80,879	\$ 1,431	\$ —	\$ —	\$ 16,782
Certificates of deposit (negotiable)	1,305	—	—	1,086	—	—	—	219
Commercial mortgage backed securities	99,692	86,667	—	—	—	—	—	13,025
Commercial paper	4,692,943	—	—	34,986	—	—	4,656,457	1,500
Commingled funds - fixed income	1,692,120	—	—	—	—	—	—	1,692,120
Corporate notes & bonds	6,018,309	379,144	553,962	2,429,585	2,042,221	46,563	521,162	45,672
Government bonds	1,100,417	832,939	221,839	35,948	7,602	—	—	2,089
Money market mutual funds	2,920,813	1,007,441	1,912,966	—	—	—	—	406
Private market fixed income	10,348,965	—	—	—	—	—	—	10,348,965
Repurchase agreements	1,600,000	—	1,600,000	—	—	—	—	—
U.S. agency mortgage backed securities	1,129,451	533,841	589,640	5,130	—	—	—	840
U.S. agency securities	823,375	8,036	815,339	—	—	—	—	—
U.S. fixed income	611,383	—	—	—	—	—	—	611,383
Other	82,327	—	—	—	—	—	—	82,327
Total	\$ 31,510,963	\$ 3,121,986	\$ 5,710,599	\$ 2,587,614	\$ 2,051,254	\$ 46,563	\$ 5,177,619	\$ 12,815,328

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

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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, 2021, no investments in any one issuer exceeded more than 5% of the primary government's total investments.

F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per A.R.S. § 38-718, no more than 40% of the ASRS' assets may be invested in foreign securities and those investments shall be made only by investment managers with expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. Per A.R.S. § 38-848, 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.

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The following table summarizes the State's foreign currency risk as of June 30, 2021 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value				
Currency	Short Term	Equities	Other Investments	Total
Australian Dollar	\$ 950	\$ 511,497	\$ —	\$ 512,447
Brazilian Real	51	31,317	—	31,368
British Pound Sterling	1,407	1,086,177	—	1,087,584
Canadian Dollar	1,731	766,257	—	767,988
Chilean Peso	—	3,414	—	3,414
Chinese Yuan Renminbi	—	28,916	—	28,916
Columbian Peso	—	1,021	—	1,021
Czech Koruna	—	682	—	682
Danish Krone	387	172,449	—	172,836
Egyptian Pound	—	869	—	869
Euro Currency	3,460	2,313,847	418,913	2,736,220
Hong Kong Dollar	380	362,729	—	363,109
Hungarian Forint	—	1,842	—	1,842
Indian Rupee	—	46,313	—	46,313
Indonesian Rupiah	—	6,767	—	6,767
Japanese Yen	8,720	1,638,634	—	1,647,354
Malaysian Ringgit	—	8,565	—	8,565
Mexican Peso	—	10,467	527	10,994
New Israeli Shekel	673	39,470	—	40,143
New Taiwan Dollar	376	88,262	—	88,638
New Zealand Dollar	212	22,230	—	22,442
Norwegian Krone	296	60,311	409	61,016
Philippine Peso	—	3,315	—	3,315
Polish Zloty	—	4,085	—	4,085
Qatari Riyal	—	8,449	—	8,449
Singapore Dollar	938	77,980	—	78,918
South African Rand	—	23,653	—	23,653
South Korean Won	—	79,632	—	79,632
Swedish Krona	656	291,613	—	292,269
Swiss Franc	1,120	634,862	—	635,982
Thai Baht	—	9,837	—	9,837
Turkish Lira	—	2,469	—	2,469
UAE Dirham	—	7,300	—	7,300
Total	<u>\$ 21,357</u>	<u>\$ 8,345,231</u>	<u>\$ 419,849</u>	<u>\$ 8,786,437</u>

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.

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1. Primary Government (excluding Universities and Fiduciary Funds)

a. Investments Classified in Fair Value Hierarchy

The investments held by the primary government (excluding Universities and Fiduciary Funds) at June 30, 2021, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 330,678	\$ —	\$ 330,678	\$ —
Commercial mortgage backed securities	47,179	—	47,179	—
Commercial paper	4,656,457	—	4,656,457	—
Corporate notes & bonds	4,635,378	—	4,635,378	—
Equities	4,872,219	4,872,219	—	—
Government bonds	339,684	—	339,684	—
Money market mutual funds	1,921,373	8,407	1,912,966	—
Repurchase agreements	4,507,671	—	4,507,671	—
Security lending collateral investments	104,370	—	104,370	—
U.S. agency mortgage backed securities	604,469	—	604,469	—
U.S. agency mortgage backed securities - full faith	477,250	—	477,250	—
U.S. agency securities	702,969	—	702,969	—
U.S. agency securities - full faith	141,576	—	141,576	—
U.S. Treasury securities	3,023,265	—	3,023,265	—
Other	30,249	27,948	2,301	—
Total investments by fair value level	<u>26,394,787</u>	<u>\$ 4,908,574</u>	<u>\$ 21,486,213</u>	<u>\$ —</u>
Investments Measured at the Net Asset Value (NAV)				
Bank loan partnership fund	17,743			
Foreign large value fund	35,944			
High yield short term duration bond fund	<u>21,314</u>			
Total investments measured at the NAV	<u>75,001</u>			
Total investments measured at fair value	<u>\$ 26,469,788</u>			

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

b. Investments Measured at the NAV

The investments held at June 30, 2021, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Bank loan partnership fund	\$ 17,743	—	N/A	N/A
Foreign large value fund	35,944	—	N/A	N/A
High yield short term duration bond fund	<u>21,314</u>	—	N/A	N/A
Total	<u>\$ 75,001</u>			

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2. Universities

a. Investments Classified in Fair Value Hierarchy

The investments held by the Universities at June 30, 2021, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 54,689	\$ —	\$ 54,689	\$ —
Certificates of deposit (negotiable)	10,798	—	10,798	—
Commercial mortgage backed securities	12,231	—	12,231	—
Commercial paper	36,486	—	36,486	—
Corporate notes & bonds	805,646	—	805,646	—
Equities	13,792	12,727	611	454
Equity mutual funds	104,917	93,487	10,966	464
Fixed income mutual funds	2,650	2,650	—	—
Government bonds	23,825	—	23,825	—
Money market mutual funds	998,982	400,927	598,055	—
Mutual funds - asset allocation	1,444	1,013	—	431
Real estate	68,625	—	—	68,625
U.S. agency securities	68,669	10,000	58,669	—
U.S. Treasury securities	264,092	264,092	—	—
Total investments by fair value level	2,466,846	\$ 784,896	\$ 1,611,976	\$ 69,974
Other Investments at Fair Value				
ASU Foundation Endowment Pool	371,178			
NAU Foundation Investment Pool	48,526			
U of A - Academic Enhancement Fund Trust	269,692			
U of A Foundation	228,234			
U of A - Split Interest Endowment	11,890			
Total other investments at fair value	929,520			
Investments Measured at the NAV				
Equity mutual funds	6,101			
Total investments measured at the NAV	6,101			
Total investments measured at fair value	\$ 3,402,467			

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, 2021, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity mutual funds	\$ 6,101	—	Quarterly	90 days
Total	<u>\$ 6,101</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. Pension and Other Employee Benefit Trust Funds

a. Investments Classified in Fair Value Hierarchy

The investments held by the ASRS, PSPRS, EORP, CORP, and the Arizona Smart Save at June 30, 2021, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2021	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 11,707	\$ —	\$ 11,707	\$ —
Commercial mortgage backed securities	40,282	—	40,282	—
Corporate notes & bonds	555,971	—	555,971	—
Government bonds	807,941	—	807,941	—
Mutual funds	1,398,901	1,398,901	—	—
Non U.S. diversifying strategies	129,652	129,652	—	—
Non U.S. equities	8,256,867	8,256,134	732	1
Real estate	499,590	455,340	—	44,250
U.S. agency mortgage backed securities	533,841	—	533,841	—
U.S. equities	15,316,228	15,315,746	476	6
U.S. fixed income	494,143	494,143	—	—
Other	410	409	1	—
Total investments by fair value level	28,045,533	\$ 26,050,325	\$ 1,950,951	\$ 44,257
Investments Measured at the NAV				
Commingled funds – interest rate sensitive	1,692,120			
Commingled funds - international emerging markets	2,720,961			
Distressed debt funds	1,476,905			
Diversifying strategies	1,499,531			
Global private equities	4,002,277			
Non U.S. public equities	207,401			
Private credit	1,595,814			
Private debt funds	7,323,541			
Private equity funds	5,843,088			
Real estate funds	7,398,512			
U.S. fixed income	117,240			
U.S. public equities	436,791			
Other – capital appreciation	87,018			
Other – contractual income	519,269			
Other – credit funds	1,548,519			
Total investments measured at the NAV	36,468,987			
Cash and short term instruments	999,928			
Fixed earnings investments	429,726			
Securities lending collateral	335,223			
Other	1,406			
Total investments measured at fair value	\$ 66,280,803			

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, including U.S. Treasury Bills contained in the Interest Rate Sensitive Portfolio. Real estate

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investments 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.

b. Investments Measured at the NAV

The investments held by the ASRS, PSPRS, EORP, and CORP at June 30, 2021, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled funds - interest rate sensitive	\$ 1,692,120	\$ —	Daily	2 days
Commingled funds - international emerging markets	2,720,961	—	Daily	1 - 2 days
Distressed debt funds	1,476,905	1,036,226	N/A	N/A
Diversifying strategies	1,499,531	—	Monthly, Quarterly, Annually	5 days - 1 year
Global private equities	4,002,277	1,789,518	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	207,401	—	Daily, Monthly	1 day - 1 month
Private credit	1,595,814	1,537,341	N/A	N/A
Private debt funds	7,323,541	3,148,418	N/A	N/A
Private equity funds	5,843,088	2,338,942	N/A	N/A
Real estate funds	7,398,512	4,846,755	N/A	N/A
U.S. fixed income	117,240	—	Daily	2 - 5 days
U.S. public equities	436,791	—	Daily, Monthly	1 day - 1 month
Other – capital appreciation	87,018	24,454	N/A	N/A
Other – contractual income	519,269	221,192	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	1,548,519	782,012	N/A	N/A
Total	\$ 36,468,987	\$ 15,724,858		

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 invested 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 are daily. 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 have an approximate life of seven to ten years and are generally illiquid. 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.

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

Real 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 student 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

Fixed earnings investments are reported at contract value. 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.

4. Private-Purpose Trust Funds

a. Investments Classified in Fair Value Hierarchy

The investments held by the FCSP are managed by different investment companies with three different fiscal year ends, September 30, 2020, December 31, 2020, and March 31, 2021. The investments, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	Fiscal year ending June 30, 2021 or earlier	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Gold bullion	\$ 2,021	\$ 2,021	\$ —	\$ —
Government money market mutual funds	78,277	78,277	—	—
Mutual funds – bonds	478,033	452,388	25,507	138
Mutual funds – government bonds	140,266	131,440	8,826	—
Mutual funds – non U.S. equities	274,816	274,421	111	284
Mutual funds – short term securities	25,223	25,114	109	—
Mutual funds – U.S. equities	717,667	717,377	243	47
Mutual funds – U.S. Treasury securities	85,257	78,081	7,176	—
Total investments by fair value level	\$ 1,801,560	\$ 1,759,119	\$ 41,972	\$ 469

The fair value of gold bullion is at the last settlement price at the end of each day on the board of trade or exchange upon which they are traded and are categorized in Level 1. Mutual funds typically are valued at the net asset value (NAV) each business day and are categorized as Level 1. Equity securities that are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded and to the extent these securities are actively traded are categorized in Level 1. Equity securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2. Equity securities classified in Level 3 are valued using unobservable inputs, including situations where there is little market activity,

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if any. The fair value of corporate bonds and other fixed income securities, categorized as Level 2, are obtained from an independent pricing service and is estimated using various techniques. In instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3. U.S. government and agency securities categorized in Level 2 are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, quoted market prices, and reference data.

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 105% 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, 2021, the fair value of securities on loan was \$121 thousand; of which \$88 thousand were cash collateralized loans. Cash of \$958 thousand received as collateral for securities loaned was reinvested and had a net asset value of \$960 thousand, as of June 30, 2021. The securities lending payable at June 30, 2021 was \$958 thousand. The balances at year end are reflective of the winding down of the securities lending program at the former custody bank and will resume in the next year at the new custody bank. 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, 2021, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$289.6 million, \$9.4 million, and \$72.7 million, respectively. At June 30, 2021, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$260.4 million, \$8.5 million, and \$65.4 million, respectively. At June 30, 2021, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$37.0 million, \$1.2 million, and \$9.3 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the associated value of the collateral held exceed the value of the securities loaned.

3. State Treasurer

The State Treasurer is permitted under A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash (U.S. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the fair value of the securities

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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 equity 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, 2021, the cost and fair value of securities on loan were \$495.0 million and \$512.0 million, respectively. The associated fair value of the invested collateral was \$523.0 million, of which \$104.0 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, 2021, the State Treasurer had \$104.0 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 (expressed in thousands):

U.S. Treasury securities	\$	368,456
Equities		38,866
Corporate notes		<u>2,443</u>
Total Fair Value	\$	<u>409,765</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 can 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, 2021, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2021 financial statements were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value (1)		Fair Value at June 30, 2021		
	Classification	Amount (2)	Classification	Amount	Notional
Foreign currency forwards	Net (decrease) in fair value of investments	\$ (47)	Futures receivable	\$ —	\$ —
Index futures long	Net increase in fair value of investments	109,408	Not applicable	—	176,676
Index futures short	Net (decrease) in fair value of investments	(14,555)	Not applicable	—	—
Rights	Net (decrease) in fair value of investments	(168)	Equity securities	103	—
Warrants	Net increase in fair value of investments	301	Equity securities	369	—
Total		<u>\$ 94,939</u>		<u>\$ 472</u>	<u>\$ 176,676</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 Reuters' 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, 2021, 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, 2021. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2021.

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, 2021.

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, 2021, was as follows (expressed in thousands):

Derivative Instruments Foreign Currency Risk		
Currency Name	Options	Total Exposure
Australian Dollar	\$ 4	\$ 4
Euro Currency	92	92
Singapore Dollar	7	7
Total	<u>\$ 103</u>	<u>\$ 103</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, 2021 were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
U.S. & Non U.S. equity index futures	Net increase in fair value of investments	\$ 125,643	Equity index futures	\$ 4,308	\$ 375,434
Total		<u>\$ 125,643</u>		<u>\$ 4,308</u>	<u>\$ 375,434</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, 2021, taxes receivable were as follows (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Other Governmental Funds	Unemployment Compensation	Government-wide Total
Sales	\$ 790,826	\$ —	\$ 89,534	\$ —	\$ 880,360
Income - individual and corporate	468,354	—	—	—	468,354
Property tax	531	—	—	—	531
Motor vehicle and fuel	—	75,883	—	—	75,883
Luxury	8,099	—	19,412	—	27,511
Unemployment	—	—	—	94,486	94,486
Other	—	—	6,779	—	6,779
Gross taxes receivable	1,267,810	75,883	115,725	94,486	1,553,904
Allowance for uncollectible taxes	(289,150)	—	—	—	(289,150)
Net Taxes Receivable	\$ 978,660	\$ 75,883	\$ 115,725	\$ 94,486	\$ 1,264,754

B. UNAVAILABLE REVENUE

At June 30, 2021, 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
Unavailable Revenue for Governmental Funds:					
Delinquent sales tax	\$ 234,816	\$ —	\$ —	\$ —	\$ 234,816
Delinquent income tax	198,848	—	—	—	198,848
Tobacco settlement	51,000	—	—	—	51,000
Child support administrative reimbursements	3,763	—	—	—	3,763
Grants	322,137	4,327	—	—	326,464
Drug rebates	50,814	—	—	—	50,814
Land sales receivable	—	—	587,254	—	587,254
Land leases receivable	—	—	2,119	—	2,119
Other	1,795	—	—	405	2,200
Total Unavailable Revenue for Governmental Funds	\$ 863,173	\$ 4,327	\$ 589,373	\$ 405	\$ 1,457,278

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C. UNEARNED REVENUE

At June 30, 2021, the components of unearned revenue were as follows (expressed in thousands):

Unearned Revenue for Governmental Funds:	Current	Noncurrent	Total Unearned Revenue
General Fund:			
Advance insurance premium taxes	\$ 63,337	\$ —	\$ 63,337
Advance county acute and long term care payments	24,467	—	24,467
Emergency rental assistance program	378,784	—	378,784
Coronavirus Relief Fund	155,457	—	155,457
Coronavirus State and Local Fiscal Recovery Fund	2,157,890	—	2,157,890
Other	6	—	6
Transportation & Aviation Planning, Highway			
Maintenance & Safety Fund:			
Magazine subscriptions	9,353	—	9,353
Land Endowments Fund:			
Advance land lease payments	23,201	78,065	101,266
Other Governmental Funds:			
Advance payments for Hawaii/Arizona PMMIS Alliance	2,359	—	2,359
Advance renewal of contractors' license assessment	723	—	723
Other	3,033	—	3,033
Total Unearned Revenue for Governmental Funds	<u>\$ 2,818,610</u>	<u>\$ 78,065</u>	<u>\$ 2,896,675</u>
Unearned Revenue for Proprietary Funds:	Current		
Universities:			
Unexpended cash advances received	\$ 196,696		
Auxiliary sales and services	50,996		
Student tuition and fees	126,236		
Deposits	2,016		
Other	10,127		
Unemployment Compensation:			
CARES Act	87,135		
Other Enterprise Funds:			
Other	173		
Total Unearned Revenue for Proprietary Funds	<u>\$ 473,379</u>		

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NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2021 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 3,654,586	\$ 68,066	\$ (21,046)	\$ (109)	\$ 3,701,497
Construction in progress	3,553,636	385,951	(540)	(139,851)	3,799,196
Development in progress	53,228	6,393	—	(53,263)	6,358
Infrastructure	16,567,126	—	—	110,472	16,677,598
Total Non-depreciable Capital Assets	23,828,576	460,410	(21,586)	(82,751)	24,184,649
Depreciable capital assets:					
Buildings	2,497,082	7,301	(4,533)	21,193	2,521,043
Improvements other than buildings	213,009	1,544	—	7,894	222,447
Equipment	950,911	81,512	(36,280)	9,338	1,005,481
Software and other intangibles	523,640	28,203	(41)	53,248	605,050
Infrastructure	23,085	—	—	(729)	22,356
Total Depreciable Capital Assets	4,207,727	118,560	(40,854)	90,944	4,376,377
Less accumulated depreciation for:					
Buildings	(1,174,138)	(55,722)	2,998	543	(1,226,319)
Improvements other than buildings	(150,727)	(8,003)	—	(78)	(158,808)
Equipment	(656,757)	(73,472)	33,720	3,989	(692,520)
Software and other intangibles	(291,265)	(44,727)	41	1,741	(334,210)
Infrastructure	(15,283)	1,613	—	—	(13,670)
Total Accumulated Depreciation	(2,288,170)	(180,311)	36,759	6,195	(2,425,527)
Total Depreciable Capital Assets, Net	1,919,557	(61,751)	(4,095)	97,139	1,950,850
Total Governmental Activities Capital Assets, Net	\$ 25,748,133	\$ 398,659	\$ (25,681)	\$ 14,388	\$ 26,135,499
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Business-type Activities:					
Non-depreciable capital assets:					
Land	\$ 295,034	\$ 4,724	\$ (943)	\$ —	\$ 298,815
Construction in progress	445,445	397,013	(149,696)	(72,620)	620,142
Development in progress	77,546	1,121	—	(1,567)	77,100
Collections	28,006	149	—	—	28,155
Total Non-depreciable Capital Assets	846,031	403,007	(150,639)	(74,187)	1,024,212
Depreciable capital assets:					
Buildings	7,753,845	217,288	(3,384)	58,534	8,026,283
Improvements other than buildings	16,233	45	—	—	16,278
Equipment	1,739,250	124,774	(27,321)	(82)	1,836,621
Software and other intangibles	161,510	—	(3)	1,568	163,075
Infrastructure	681,996	41,147	—	10,696	733,839
Total Depreciable Capital Assets	10,352,834	383,254	(30,708)	70,716	10,776,096
Less accumulated depreciation for:					
Buildings	(3,179,036)	(225,816)	744	55	(3,404,053)
Improvements other than buildings	(14,976)	(95)	—	1	(15,070)
Equipment	(1,297,882)	(96,617)	25,863	10	(1,368,626)
Software and other intangibles	(138,035)	(7,512)	—	—	(145,547)
Infrastructure	(310,103)	(21,947)	—	(1)	(332,051)
Total Accumulated Depreciation	(4,940,032)	(351,987)	26,607	65	(5,265,347)
Total Depreciable Capital Assets, Net	5,412,802	31,267	(4,101)	70,781	5,510,749
Total Business-type Activities Capital Assets, Net	\$ 6,258,833	\$ 434,274	\$ (154,740)	\$ (3,406)	\$ 6,534,961

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

General government	\$	28,247
Health and welfare		26,104
Inspection and regulation		852
Education		2,051
Protection and safety		76,950
Transportation		28,844
Natural resources		<u>17,263</u>
Total Governmental Activities	\$	<u>180,311</u>

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

Universities	\$	344,633
Other		<u>7,354</u>
Total Business-type Activities	\$	<u>351,987</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.

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Changes in the State's net pension liability and total OPEB (asset)/liability during the fiscal year ended June 30, 2021, were as follows (expressed in thousands):

	Pension		OPEB	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Beginning balance	\$ 3,993,889	\$ 1,476,605	\$ 721,319	\$ 524,637
Increases	1,267,881	370,370	450,294	183,768
Decreases	(694,906)	(150,956)	(268,228)	(63,313)
Ending Balance	\$ 4,556,864	\$ 1,696,019	\$ 903,385	\$ 645,092

For the year ended June 30, 2021, the State recognized pension expense for all plans to which it contributes of \$677.2 million, (\$21.8 million of grant expense for EORP, and \$169.0 million of OPEB expense. Also, the State reported \$1.4 billion of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$3.6 million of grant expenditures related to EORP, and \$23.2 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:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent of the members' annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 11.65 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 10.14 percent of annual covered payroll of retired members who worked during fiscal year 2021 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, 2021, were \$280.5 million.

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During fiscal year 2021, the State paid for ASRS pension contributions from governmental funds as follows: 71.97 percent from the General Fund, 13.77 percent from major funds, and 14.26 percent from other funds.

Pension Liability—At June 30, 2021, the State reported a liability of \$3.7 billion for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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, 2020. The State’s proportion measured as of June 30, 2020, was 21.37 percent, which was a decrease of 0.38 from its proportion measured as of June 30, 2019.

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2021, the State recognized pension expense for ASRS of \$318.9 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,493	\$ —
Net difference between projected and actual earnings on pension plan investments	357,080	—
Changes in proportion and differences between State contributions and proportionate share of contributions	28,770	73,664
State contributions subsequent to the measurement date	280,537	—
Total	<u>\$ 699,880</u>	<u>\$ 73,664</u>

The \$280.5 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	
2022	\$ 15,585
2023	91,208
2024	129,160
2025	109,726

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
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, 2019, 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%	6.39%
Fixed income – credit	20%	5.44%
Fixed income – interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount Rate—At June 30, 2020, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
State’s proportionate share of the net pension liability	\$ 5,062,690	\$ 3,702,187	\$ 2,564,876

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:

	Initial Membership Date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
PSPRS Retirement and Disability			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent:			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor Benefit			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

* With actuarially reduced benefits.

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	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018
CORP		
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
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	
Survivor Benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

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, 2021, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS PSA	CORP DCA
Retirees or beneficiaries currently receiving benefits	1,418	3,675
Inactive employees entitled to but not yet receiving benefits	168	1,374
Active employees	1,028	5,983
Total	2,614	11,032

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, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll. As part of the 2021 Fifty-fifth Legislature, Senate Bill 1823, the State appropriated \$1.0 billion to reduce the unfunded accrued liability for the PSPRS PSA plan affecting Tiers 1 and 2 and the CORP DCA plan (each plan received \$500.0 million) which is also reflected in the tables below.

	<u>Active Member – Pension</u>	<u>State – Pension</u>	<u>State – Pension with Appropriation</u>
PSPRS – PSA Tiers 1 & 2	7.65% - 11.65%	102.87%	805.38%
PSPRS – PSA Tier 3	10.41%	98.27%	N/A
CORP – DCA	8.41%	30.72%	185.39%

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 2021 for the State in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	<u>Pension</u>
PSPRS – PSA	88.49%
CORP – DCA	23.60%

The State's contributions to the pension plan for the year ended June 30, 2021, were (expressed in thousands):

	<u>Pension</u>	<u>Pension Appropriation</u>	<u>Total Pension Contributions</u>
PSPRS – PSA Tiers 1 & 2	\$ 73,216	\$ 500,000	\$ 573,216
PSPRS – PSA Tier 3	7,656	—	7,656
CORP – DCA	99,307	500,000	599,307

During fiscal year 2021, the State paid for PSPRS and CORP pension contributions as follows: 93.47 percent from the General Fund and 6.53 percent from other funds.

Pension Liability—At June 30, 2021, the State reported the following net pension liabilities (expressed in thousands):

	<u>Net Pension Liability</u>
PSPRS – PSA	\$ 933,652
CORP – DCA	1,109,377

The net pension liabilities were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

PSPRS and CORP – Pension	
Actuarial valuation date	June 30, 2020
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

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Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2017.

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
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	(0.60)%
Total	100%	

Discount Rate—At June 30, 2020, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

(expressed in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
PSPRS – PSA			
Balances at June 30, 2020	\$ 1,256,756	\$ 384,506	\$ 872,250
Changes for the year:			
Service cost	15,941	—	15,941
Interest on the total pension liability	89,951	—	89,951
Differences between expected and actual experience in the measurement of the pension liability	40,453	—	40,453
Contributions - employer	—	78,341	(78,341)
Contributions - employee	—	7,870	(7,870)
Net investment income	—	4,862	(4,862)
Benefit payments, including refunds of employee contributions	(80,973)	(80,973)	—
Administrative expense	—	(397)	397
Other changes	—	(5,733)	5,733
Net changes	65,372	3,970	61,402
Balances at June 30, 2021	\$ 1,322,128	\$ 388,476	\$ 933,652

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
CORP – DCA			
Balances at June 30, 2020	\$ 1,956,764	\$ 991,455	\$ 965,309
Changes for the year:			
Service cost	43,918	—	43,918
Interest on the total pension liability	142,184	—	142,184
Differences between expected and actual experience in the measurement of the pension liability	92,179	—	92,179
Contributions – employer	—	85,686	(85,686)
Contributions – employee	—	23,530	(23,530)
Net investment income	—	27,261	(27,261)
Benefit payments, including refunds of employee contributions	(105,912)	(105,912)	—
Administrative expense	—	(1,055)	1,055
Other changes	—	(1,209)	1,209
Net changes	172,369	28,301	144,068
Balances at June 30, 2021	\$ 2,129,133	\$ 1,019,756	\$ 1,109,377

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% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS – PSA			
Net pension liability	\$ 1,094,810	\$ 933,652	\$ 800,615
CORP – DCA			
Net pension liability	\$ 1,408,902	\$ 1,109,377	\$ 866,083

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, 2021, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS – PSA	\$ 106,374
CORP – DCA	136,253

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Deferred Outflows/Inflows of Resources—At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSPRS – PSA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,021	\$ 4,432
Changes of assumptions or other inputs	19,764	—
Net difference between projected and actual earnings on pension plan investments	20,666	—
State contributions subsequent to the measurement date	580,872	—
Total	\$ 660,323	\$ 4,432

CORP – DCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,752	\$ 38,989
Changes of assumptions or other inputs	50,605	—
Net difference between projected and actual earnings on pension plan investments	40,091	—
State contributions subsequent to the measurement date	599,307	—
Total	\$ 794,755	\$ 38,989

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, 2022. 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):

Year Ending June 30	PSPRS PSA	CORP DCA
2022	\$ 23,659	\$ 35,360
2023	18,854	36,294
2024	19,822	41,697
2025	12,684	43,108
2026	—	—

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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:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent:		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of .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. A.R.S. § 38-810 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, 2021, 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 49.39 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 2021 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, 2021, were \$15.9 million, including \$3.6 million related to State support, as a nonemployer contributing entity.

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During fiscal year 2021, the State paid for EORP pension contributions as follows: 98.19 percent from the General Fund and 1.81 percent from other funds. In addition, during fiscal year 2021, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

Pension Liability—At June 30, 2021, 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	\$ 152,263
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	45,490
Total	<u>\$ 197,753</u>

The net pension liabilities were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2020. The State's proportion measured as of June 30, 2020, was 22.35 percent, which was an increase of 4.85 from its proportion measured as of June 30, 2019. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2020, was 6.74 percent, which was a decrease of 0.35 from its proportion measured as of June 30, 2019.

Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2021, the State recognized a pension expense for EORP of \$16.5 million and revenue of \$2.5 million for the designated court fees. In addition, the State recognized a negative grant expense of \$21.8 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2021, the State and the State, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	The State		The State, as a nonemployer contributing entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 125	\$ —	\$ 37
Net difference between projected and actual earnings on pension plan investments	2,934	—	877	—
Changes in proportion and differences between State contributions and proportionate share of contributions	16,073	—	226	—
State contributions subsequent to the measurement date	12,249	—	3,647	—
Total	<u>\$ 31,256</u>	<u>\$ 125</u>	<u>\$ 4,750</u>	<u>\$ 37</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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	<u>The State</u>	<u>The State, as a nonemployer contributing entity</u>
2022	\$ 16,350	\$ 308
2023	946	283
2024	925	277
2025	661	198

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

Actuarial valuation date	June 30, 2020
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, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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 Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	(0.60)%
Total	<u>100%</u>	

Discount Rate—At June 30, 2020, the discount rate used to measure the EORP total pension liability was 7.3 percent. 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):

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
State’s proportionate share of the net pension liability	\$ 173,700	\$ 152,263	\$ 133,933
State’s proportionate share of the net pension liability, as a nonemployer contributing entity	51,895	45,490	40,014

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, 2021, was \$29.7 million.

Employees Covered by Benefit Terms—For the plan’s fiscal year end of June 30, 2020, the following employees were covered by the ADOA OPEB plan’s benefit terms:

Retirees or beneficiaries currently receiving benefits	\$ 6,096
Active employees	55,896
Total	<u>\$ 61,992</u>

OPEB Liability—At June 30, 2021, the State reported a liability of \$1.6 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	2.45% as of June 30, 2020
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	
Healthy employees	RP-2014 Active Member Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2019) 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 (through 2019) and projected from the year 2017.
Disabled	RP-2014 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales (through 2019) 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):

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2020	\$ 1,271,284
Changes for the year:	
Service cost	110,377
Interest on the total OPEB liability	42,795
Changes of assumptions or other inputs	181,214
Benefit payments	(28,707)
Net changes	305,679
Balance at June 30, 2021	\$ 1,576,963

The total OPEB liability as of June 30, 2020 reflects a decrease in the discount rate due to changes in the bond index.

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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 2.45 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 (1.45 percent) or 1 percentage point higher (3.45 percent) than the current rate (expressed in thousands):

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 1,911,609	\$ 1,576,963	\$ 1,320,166

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):

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,277,372	\$ 1,576,963	\$ 1,979,833

OPEB Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2021, the State recognized OPEB expense of \$164.8 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,129	\$ 17,623
Changes of assumptions or other inputs	353,718	152,827
State benefit payments subsequent to the measurement date	29,690	—
Total	<u>\$ 413,537</u>	<u>\$ 170,450</u>

The \$29.7 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, 2022. 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):

Year Ending June 30	
2022	\$ 19,751
2023	19,751
2024	19,751
2025	38,785
2026	60,838
Thereafter	54,521

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

The State has pledged portions of its revenues towards the payment of debt service on the Lottery Refunding Bonds Series 2019 Bonds (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, 2021, pledged revenues totaled approximately \$282.2 million, of which 12.2% (\$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 \$223.1 million. See Note 14 for the subsequent defeasance of the Series 2019 Bonds in August 2021, thus eliminating the underlying pledged revenues of the Lottery in fiscal year 2022.

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 \$1.2 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 \$1.1 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 \$1.5 billion. Principal and interest paid for the current year and total pledged revenues were \$140.2 million and \$750.0 million, respectively. The annual principal and interest payments on the bonds required 18.7% of the pledged revenues.

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$624.4 million.

The ADOT has pledged future transportation excise taxes to repay \$511.1 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2009. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County and to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$574.9 million. Principal and interest paid for the current year and total pledged revenues were \$143.7 million and \$371.8 million, respectively. The annual principal and interest payments on the bonds required 38.6% of the pledged revenues.

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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 January 15, 2020, the U of A issued SPEED Revenue Refunding Bonds, Series 2020C (2020C Bonds) for \$23.1 million dated on May 12, 2021 (Forward Delivery) as described below.

<u>Series</u>	<u>Amount</u>	<u>Description</u>	<u>Interest Rate Range</u>	<u>Maturity Dates</u>
2020C	\$ 23,120,000	Serial Bonds	5.00%	2022 - 2029

The 2020C Bonds are not subject to optional redemption prior to their stated maturities. The 2020C Bonds sold at a premium of \$3.5 million. The U of A realized net proceeds of \$26.5 million after payment of \$0.2 million for issuance costs and underwriter discounts. The net proceeds were used to current refund \$25.9 million of the SPEED Revenue Bonds Series 2011. The refunding generated a net present value economic gain of \$3.2 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 an average of \$0.4 million in years one through nine. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.8 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 refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of \$26.5 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

On October 15, 2020, the U of A sold System Revenue Refunding Bonds, Taxable Series 2020A (2020A Bonds) for \$95.6 million dated October 29, 2020, as described below.

<u>Series</u>	<u>Amount</u>	<u>Description</u>	<u>Interest Rate Range</u>	<u>Maturity (June 1)</u>
2020A	\$ 58,095,000	Serial Bonds	0.53 - 2.32%	2023 - 2035
	7,735,000	Term Bonds	2.87%	June 1, 2040
	29,745,000	Term Bonds	2.87%	June 1, 2048

The 2020A 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 the rate based on the U.S. Treasury Securities plus a certain basis point as follows: 5 points for the Bonds maturing on June 1 in 2023 and 2024, 10 points for those maturing in the years 2025 through and including 2028, 15 points for those maturing in 2029 and 2030, and 20 points for those maturing in the years 2031 through and including 2048. Also, the 2020A Bonds maturing on June 1, 2040 and 2048 are subject to mandatory redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$94.9 million after payment of \$0.7 million for issuance costs and underwriter discount. The net proceeds were used for the following:

- Applied to the interest payment due on December 1, 2020 on the outstanding System Revenue Bonds Series 2012A, 2012B, 2012C, 2013A, 2013B, 2014, 2015A, 2016, 2016A, 2016B, 2018A, 2019A, 2019B, and 2020 as part of the U of A's COVID-19 financial mitigation strategies.

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- Advance refund a portion of the System Revenue Bonds Series 2013A and 2013B for \$48.8 million and \$21.2 million, respectively. The refunding generated a net present value economic gain of \$6.1 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 \$2.0 million in year one, \$1.3 million in year two, and by an average of \$0.2 million in years three through twenty-eight. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4.2 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2048 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 \$75.8 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

On April 22, 2021, the U of A sold System Revenue and Revenue Refunding Bonds, Series 2021A (2021A Bonds) for \$140.3 million, Series 2021B (2021B Bonds) for \$43.1 million, and Taxable Series 2021C (2021C Bonds) for \$42.5 million dated May 12, 2021, as described below.

Series	Amount	Description	Interest Rate Range	Maturity (June 1)
2021A	\$ 140,260,000	Serial Bonds	5.00%	2024 - 2043
2021B	39,415,000	Serial Bonds	4.00 - 5.00%	2024 - 2043
	3,660,000	Term Bonds	4.00%	June 1, 2048
2021C	42,460,000	Serial Bonds	0.52 - 2.90%	2024 - 2043

The 2021A Bonds maturing on or after June 1, 2032 will be subject to optional redemption on June 1, 2031 and on any date thereafter without a premium. The 2021A Bonds sold at a premium of \$44.1 million. The U of A realized net proceeds of \$183.5 million after payment of \$0.9 million for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the Applied Research Building project, the Grand Challenges Research Building project, the Campus Research Infrastructure Improvement associated with the new buildings, and the Chemistry Building Renovation and Expansion project.

The 2021B Bonds maturing on or after June 1, 2032 will be subject to optional redemption on June 1, 2031 and on any date thereafter without a premium. The 2021B Bonds with maturity on June 1, 2048 are subject to mandatory redemption without premium pursuant to the debt documents. The 2021B Bonds sold at a premium of \$11.2 million. The U of A realized net proceeds of \$53.9 million after payment of \$0.3 million for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the new Facilities Management Consolidated Facility project and apply to the principal and interest payment due on June 1, 2021 on the outstanding System Revenue Bonds, Series 2012C, 2013A, 2013B, 2014, 2015A, 2016, 2016A, 2016B, 2018A, 2019A and 2019B as a part of the U of A's COVID-19 financial mitigation strategies.

The 2021C 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 the rate based on the U.S. Treasury Securities plus a certain basis point as follows: 5 points for the Bonds maturing on June 1 in the years 2024 through and including 2027 and 2029, 10 points for those maturing in the years 2028 and 2030 through and including 2032, 15 points for those maturing in the years 2033 through and including 2037, 20 points for those maturing in the years 2038 through and including 2042, and 25 points for those maturing in 2043. The U of A realized net proceeds of \$42.2 million after payment of \$0.3 million for issuance costs and underwriter discount. The net proceeds were used to finance a portion of the Applied Research Building project and the Grand Challenges Research Building project.

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, 2021, the outstanding principal balance of the refunded bonds was \$9.7 million, which will be paid by investments held in an irrevocable trust with a fair value of \$10.0 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

In fiscal year 2020, the U of A refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2012A and 2013A. At June 30, 2021, the total outstanding principal balance of the refunded bonds was \$61.5 million, which will be paid by investments held in an irrevocable trust with a fair value of \$64.9 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

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In fiscal year 2020, the U of A refunded, in advance of maturity, a portion of outstanding SPEED Revenue Bonds Series 2013. At June 30, 2021, the total outstanding principal balance of the refunded bonds was \$17.4 million, which will be paid by investments held in an irrevocable trust with a fair value of \$18.8 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

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, 2021. 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, 2021, pledged revenues totaled \$1.2 billion of which 7.1% (\$87.3 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 6.1% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$2.1 billion.

b. Northern Arizona University

The NAU's bonded debt consists of various issues of System Revenue, Lease Revenue, 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.

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 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 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.

In prior years, the NAU refunded, in advance of maturity, a portion of the outstanding System Revenue Bonds Series 2014 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. As of June 30, 2021, the outstanding principal balance of the refunded 2014 Bonds was \$15.1 million, which will be paid by investments held in an irrevocable trust with a fair value of \$17.1 million. The term bonds have a call date of June 1, 2024. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the accompanying financial statements.

In prior years, the NAU refunded, in advance of maturity a portion of the outstanding SPEED Revenue Bonds Series 2013 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. As of June 30, 2021, the outstanding principal balance of the refunded bonds was \$32.2 million, which will be paid by investments held in the trust with a fair value of \$34.9 million. The trust account assets and liabilities for the defeased bonds are not included in the accompanying financial statements.

The NAU utilizes Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. LRBs are generally callable, with interest payable semiannually 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. LRBs purchased the Student and Academic Services building.

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, 2021. 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 \$315.9 million for the prior five years. For fiscal year 2021, pledged revenues totaled \$293.8 million of which 10% (\$29.7 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.9% 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 \$600.4 million.

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c. Arizona State University

As of June 30, 2021, the ASU had issued fixed and variable rate bonds, of which \$1.9 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 cash and/or 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, 2021 totaled \$209.5 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, 2021. 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, 2021, pledged revenues totaled \$1.9 billion, of which 6.4% (\$123.9 million, net of Federal direct payments) was required to cover current year debt service.

In April 2021, the ASU issued \$283.3 million of system revenue and refunding bonds, Series 2021A, B and C, with an average maturity of 12.8 years and an average interest rate of 2.43%. The bonds were issued to fund the construction and equipping of Interdisciplinary Science and Technology building 7, the Multipurpose Arena (including capitalized interest on the Series 2021B Bonds), Thunderbird School of Global Management, University Pedestrian Bridge, classroom and academic renovations, research lab and faculty startup, IT Infrastructure Improvements, to restructure the ASU's July 1, 2021 debt service obligations for a portion of the outstanding system revenue bonds, and to refund in advance of maturity portions of the Series 2012A and 2013A system revenue bonds totaling \$33.7 million and \$13.7 million, respectively. Cash flow savings from the restructuring of the July 1, 2021 debt service totaled (\$3.9) million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of (\$0.7) million. This difference is reported on the statement of net position as a deferred inflow of resources and is amortized on a straight-line basis annually as a component of interest expense. The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of the refunding bonds, with an average maturity of 6.0 years and an average interest rate of 1.71%, resulted in a \$6.7 million reduction in future debt service payments with an economic gain of \$6.0 million based upon the present value savings.

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 2021, the ASU issued \$36.9 million in SPEED Revenue Refunding Bonds, Series 2021, with an average maturity of 5.8 years and an average interest rate of 0.96%. The bonds were issued to refund in advance of maturity the remaining Series 2010A and Series 2011 SPEED bonds totaling \$44.2 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.8 million. This difference is reported on the statement of net position as a deferred outflow of resources and is amortized on a straight-line basis annually as a component of interest expense. The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of the refunding bonds resulted in a \$7.7 million reduction in future debt service payments with an economic gain of \$7.4 million based upon the present value savings.

The ASU has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling \$72.7 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2021 was 0.03% for the Series 2008A bonds and 0.02% 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.

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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, 2053 total \$2.9 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 were paid in full at June 30, 2021.

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 American Recovery and Reinvestment Act (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 2021, the ASU received Federal Direct Payments totaling \$3.2 million, net of \$0.2 million or 5.7% reduction due to the Federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue. Fiscal year 2021 is the last year the Federal subsidy will be received for the 2010A SPEED revenue bonds that were refunded by the 2021 SPEED refunding bonds.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2021 totaled \$97.7 million.

Effective January 1, 2007, the ASU entered into a \$103.0 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 \$72.3 million notional amount at June 30, 2021 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, 2021 was 0.03%.

At June 30, 2021, 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	(0.03)
Net interest rate swap payments		3.88
Variable-rate bond coupon payments	Spread to SIFMA	0.03
Synthetic fixed interest rate on bonds		3.91

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, 2021, 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, 2021. 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, 2021, the swap had a fair value of \$(15.0) million, which represents the cost to the ASU to terminate the swap. The June 30, 2020 fair value was \$(20.1) million. The fair value was developed by an independent third party, with no vested interest in the

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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, 2021 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2021
Governmental Activities:				
Department of Transportation	2011 - 2020	2022 - 2038	1.80 - 5.00%	\$ 1,649,580
Department of Administration	2020	2022 - 2029	5.00%	223,050
Business-type Activities:				
University Revenue Bonds	2008 - 2021	2022 - 2054	0.03 - 6.16%	3,616,395

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2021 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
2022	\$ 239,240	\$ 79,191	\$ 318,431	\$ 111,630	\$ 157,432	\$ 2,664	\$ 271,726
2023	247,005	69,702	316,707	124,835	151,789	2,513	279,137
2024	258,725	57,989	316,714	142,605	146,357	2,355	291,317
2025	259,330	47,376	306,706	152,520	140,001	2,190	294,711
2026	117,080	36,700	153,780	158,540	133,423	2,016	293,979
2027 - 2031	507,085	113,948	621,033	839,010	556,979	7,146	1,403,135
2032 - 2036	207,615	28,659	236,274	772,300	378,183	1,570	1,152,053
2037 - 2041	36,550	1,745	38,295	719,150	205,586	—	924,736
2042 - 2046	—	—	—	496,180	60,289	—	556,469
2047 - 2051	—	—	—	91,895	5,492	—	97,387
2052 - 2054	—	—	—	7,730	192	—	7,922
Total	\$ 1,872,630	\$ 435,310	\$ 2,307,940	\$ 3,616,395	\$ 1,935,723	\$ 20,454	\$ 5,572,572

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 \$204.2 million.

The ADOT has pledged federal revenues to repay \$184.5 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

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interest remaining to be paid on the GANs is \$234.5 million. Principal and interest paid for the current year and total pledged revenues were \$30.0 million and \$739.3 million, respectively. The annual principal and interest payments on the GANs required 4.1% 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, 2021
Governmental Activities:				
Department of Transportation	2016 - 2019	2022 - 2034	5.00%	\$ 184,460

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
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	25,220	4,751	29,971
2027 - 2031	47,605	12,919	60,524
2032 - 2034	22,185	1,956	24,141
Total	<u>\$ 184,460</u>	<u>\$ 50,081</u>	<u>\$ 234,541</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, laboratories, a school, and several State prisons. 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.

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2. School Facilities Board

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

Business-Type Activities

3. Universities

a. Arizona State University

As of June 30, 2021, the ASU has issued fixed rate COPs, of which \$56.6 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, 2021 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.

On May 4, 2021, the U of A issued Refunding COP, Series 2021A (2021A Certificates) for \$18.8 million and Taxable Series 2021B (2021B Certificates) for \$82.7 million dated May 13, 2021 as described below (expressed in thousands):

<u>Series</u>	<u>Amount</u>	<u>Description</u>	<u>Interest Rate Range</u>	<u>Maturity (June 1)</u>
2021A	\$ 18,770	Serial Certificates	5.00%	2024 - 2031
2021B	82,740	Serial Certificates	0.38 - 2.28%	2022 - 2031

The 2021A Certificates are subject to extraordinary redemption pursuant to the debt documents. The 2021A sold at a premium of \$3.6 million. The U of A realized net proceeds of \$22.2 million after payment of \$0.2 million for issuance costs and underwriter discounts. The net proceeds were used to apply to the principal and interest payment due on June 1, 2021 on the outstanding COP, Series 2012B, 2012C, 2015A, 2015B, and 2018A as a part of the U of A's COVID-19 financial mitigation strategies.

The 2021B Certificates 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 the rate based on the U.S. Treasury Securities plus a certain basis point as follows: 5 points for the Bonds maturing on June 1 in the years 2022 through and including 2025, 10 points for those maturing in the years 2026 through and including 2031, as well as the 2021B Certificates are subject to extraordinary redemption pursuant to the debt documents. The U of A realized net proceeds of \$82.2 million after payment of \$0.6 million for issuance costs and underwriter discounts. The net proceeds were used to advance refund a portion of the COP Series 2012C for \$76.7 million. The refunding generated a net present value economic gain of \$10.0 million (difference between the present values of the old debt and the

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new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$1.8 million in year one and by an average of \$0.8 million in years two through eleven. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.2 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2031 using the straight-line method. The refunded COP will be paid by investments held in an irrevocable trust with a combined carrying value of \$80.3 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

c. Northern Arizona University

The NAU utilizes COPs to acquire buildings, land, and infrastructure. COPs are generally callable, with interest payable semiannually 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, the Science Lab Facility, and to renovate the Engineering building.

A summary of the COPs issued as of June 30, 2021 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
2013 A/B Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	\$ 62,630	\$ 19,345	4.00 - 5.00%
2015 Refund 2005 Gov Office Lease Rev Capitol Mall, 2008A	2016	2028	163,995	127,890	3.00 - 5.00%
2016 Kingman Prison	2017	2025	119,880	60,000	4.00 - 5.00%
2019A Refund 2010A	2020	2030	425,005	389,235	5.00%
School Facilities Board:					
2010 Qualified School Construction	2011	2028	91,325	81,820	6.00%
2015A Refunding Certificates of 2008	2016	2024	263,545	161,535	2.35 - 5.00%
Total Governmental Activities			\$ 1,126,380	\$ 839,825	

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Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2006 Certificates of Participation	2006	2031	\$ 15,810	\$ 8,330	4.53%
2011A Mercado Refunding Certificates of Participation	2011	2025	8,465	3,045	4.27%
2013 A/B Refunding Certificates of Participation	2013	2027	64,780	45,230	3.09%
University of Arizona:					
2006 Arizona Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	9,910	4.30 - 5.00%
2012A-2 Refund COPs 2003A	2012	2022	10,190	1,285	3.42%
2012B Refund COPs 2002B	2012	2023	20,600	5,300	5.00%
2012C Refund COPs 2003B & 2004A	2012	2022	124,940	7,010	5.00%
2015A Refund COPs 2005A-2005C, 2005F, 2006A & 2006B	2015	2025	89,470	29,690	5.00%
2015B Refund COPs 2007A	2015	2025	13,810	8,200	2.75 - 3.09%
2018A Refund COPs 2007B	2018	2022	27,135	5,855	5.00%
2018B Refund COPs 2007D	2018	2031	32,430	24,875	5.00%
2021A Refund COPs 2012B, 2012C, 2015A, 2015B & 2018A	2021	2031	18,770	18,770	5.00%
2021B Refund COPs 2012C	2021	2031	82,740	82,740	0.38 - 2.28%
Northern Arizona University:					
2013 Refunding COPs	2013	2031	36,005	26,160	4.78%
2015 Refunding COPs	2015	2031	18,825	13,210	4.92%
Total Business-type Activities			<u>\$ 582,210</u>	<u>\$ 289,610</u>	

Principal and interest debt service requirements on COPs outstanding at June 30, 2021 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
2022	\$ 124,535	\$ 38,160	\$ 162,695	\$ 44,465	\$ 10,893	\$ 55,358
2023	130,215	32,547	162,762	39,485	8,629	48,114
2024	130,260	26,770	157,030	43,675	7,096	50,771
2025	74,210	21,674	95,884	37,495	5,348	42,843
2026	64,250	18,232	82,482	27,415	4,140	31,555
2027 - 2031	316,355	29,360	345,715	97,075	9,096	106,171
Total	<u>\$ 839,825</u>	<u>\$ 166,743</u>	<u>\$ 1,006,568</u>	<u>\$ 289,610</u>	<u>\$ 45,202</u>	<u>\$ 334,812</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

The NAU utilizes Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. The LRBs are generally callable, with interest payable semiannually 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. The LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, and the Student Athlete Health Performance Center (SAHPC). Construction on the SAHPC started during fiscal year 2020 and is expected to be complete in early 2022.

During the year ended June 30, 2021, the NAU issued System Revenue Refunding Bonds 2021 for \$21.4 million. The NAU realized net proceeds of \$21.1 million after payments of \$0.3 million of issuance costs and underwriter discounts. The net proceeds were used to fund debt service costs due in fiscal year 2021 and were paid directly to the debt trustees. The net present value of the loss from the debt refunding was \$0.6 million.

A summary of the Direct Placements issued as of June 30, 2021 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
2017 Refund remaining portion of 2008A COP	2018	2028	\$ 31,570	\$ 4,005	1.75%
Business-type Activities:					
Arizona State University:					
2014 A/B Refunding Certificates of Participation	2015	2031	\$ 84,525	\$ 59,565	3.04%
2017 Refunding Certificates of Participation	2018	2027	44,815	24,735	1.87%
Northern Arizona University:					
2017 System Revenue Refunding	2017	2034	42,970	38,380	2.91%
2017A System Revenue	2018	2038	24,260	21,370	2.58%
2016 Lease Refunding North Campus	2016	2036	11,070	8,475	2.61%
2017 Lease Refunding Pine Ridge/Campus Heights	2017	2033	33,340	28,520	2.90%
2020 Lease Revenue Student Athlete High Performance Center	2020	2044	46,780	45,385	2.80%
2021AB System Revenue Refunding	2021	2031	21,355	21,355	1.91%
Total Business-type Activities			\$ 309,115	\$ 247,785	

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Principal and interest debt service requirements on the Direct Placements at June 30, 2021 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
2022	\$ 5	\$ 70	\$ 75	\$ 13,505	\$ 6,516	\$ 20,021
2023	5	70	75	12,665	6,260	18,925
2024	—	70	70	13,950	5,943	19,893
2025	—	70	70	14,320	5,602	19,922
2026	—	70	70	20,520	5,106	25,626
2027 - 2031	3,995	105	4,100	114,280	16,443	130,723
2032 - 2036	—	—	—	36,380	5,507	41,887
2037 - 2041	—	—	—	14,485	2,140	16,625
2042 - 2044	—	—	—	7,680	416	8,096
Total	\$ 4,005	\$ 455	\$ 4,460	\$ 247,785	\$ 53,933	\$ 301,718

E. LEASES

1. Leases

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

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

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The future minimum lease payments for long-term capital leases as of June 30, 2021 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2022	\$ 15,694	\$ 9,899
2023	15,690	10,011
2024	13,796	10,163
2025	13,612	10,244
2026	9,573	10,269
2027 - 2031	47,356	46,528
2032 - 2036	21,582	30,697
2037 - 2041	—	3,315
2042 - 2046	—	538
2047 - 2072	—	3,829
Total minimum lease payments	137,303	135,493
Less: amount representing interest	(13,814)	(28,402)
Present Value of Net Minimum Lease Payments	\$ 123,489	\$ 107,091

2. Capital Assets Financed through Capital Leases

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

	Governmental Activities	Business-type Activities
Land	\$ 10	\$ 6,122
Buildings	221,047	176,476
Equipment	891	1,953
	221,948	184,551
Less: accumulated depreciation	(58,032)	(71,598)
Carrying Value	\$ 163,916	\$ 112,953

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 2021, the State paid for compensated absences from governmental funds as follows: 78.12% from the General Fund, 15.63% from other funds, and 6.25% 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):

	Balance July 1, 2020 (as reclassified)	Increases	Decreases	Balance June 30, 2021	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt and Other Lease Obligations:						
Revenue bonds	\$ 2,100,710	\$ —	\$ (228,080)	\$ 1,872,630	\$ 239,240	\$ 1,633,390
Grant anticipation notes	204,220	—	(19,760)	184,460	20,755	163,705
Certificates of participation	958,270	—	(118,445)	839,825	124,535	715,290
Direct placements	4,010	—	(5)	4,005	5	4,000
Capital lease obligations	136,745	—	(13,256)	123,489	12,989	110,500
Premiums and discounts on debt	452,932	—	(57,025)	395,907	48,611	347,296
Total Long-term Debt and Other Lease Obligations	3,856,887	—	(436,571)	3,420,316	446,135	2,974,181
Other Long-term Liabilities:						
Compensated absences	328,753	198,215	(174,138)	352,830	178,107	174,723
Pollution remediation obligations	60,050	3,834	—	63,884	8,539	55,345
Utility and railroad settlement accrual	6,500	10,899	(6,500)	10,899	7,051	3,848
Accrued relocation costs	10,623	—	(6,035)	4,588	4,588	—
Total Other Long-term Liabilities	405,926	212,948	(186,673)	432,201	198,285	233,916
Total Long-term Obligations	\$ 4,262,813	\$ 212,948	\$ (623,244)	\$ 3,852,517	\$ 644,420	\$ 3,208,097
Business-type Activities:						
Long-term Debt and Other Lease Obligations:						
Revenue bonds	\$ 3,243,430	\$ 664,615	\$ (291,650)	\$ 3,616,395	\$ 180,650	\$ 3,435,745
Certificates of participation	307,510	101,510	(119,410)	289,610	44,465	245,145
Direct placements	239,605	21,355	(13,175)	247,785	13,505	234,280
Capital lease obligations	117,336	—	(10,245)	107,091	6,290	100,801
Installment purchase contracts	42	—	(21)	21	21	—
Notes payable	13,542	—	(13,542)	—	—	—
Premiums and discounts on debt	410,283	102,510	(52,594)	460,199	40,407	419,792
Total Long-term Debt and Other Lease Obligations	4,331,748	889,990	(500,637)	4,721,101	285,338	4,435,763
Other Long-term Liabilities:						
Compensated absences	134,376	125,640	(105,992)	154,024	17,738	136,286
U of A capital commitments	9,924	1,000	(4,500)	6,424	6,424	—
Total Other Long-term Liabilities	144,300	126,640	(110,492)	160,448	24,162	136,286
Total Long-term Obligations	\$ 4,476,048	\$ 1,016,630	\$ (611,129)	\$ 4,881,549	\$ 309,500	\$ 4,572,049

Beginning balances were reclassified for Governmental Activities due to ADOT allocating a portion of Accrued relocation costs to the new line item, Utility and railroad settlement accrual.

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 \$175.0 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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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2021 were as follows (expressed in thousands):

Due From	Due To						Total Due To
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Internal Service Funds		
General Fund	\$ —	\$ —	\$ 360	\$ 1,064,190	\$ 2,217		\$ 1,066,767
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	6,339	—	—	10,869	—		17,208
Land Endowments Fund	—	—	—	10,106	9		10,115
Non-Major Governmental Funds	22,817	—	—	204	261		23,282
Unemployment Compensation	6	—	—	1,144	—		1,150
Non-Major Enterprise Funds	87,491	—	—	—	—		87,491
Universities	—	—	—	24,456	—		24,456
Internal Service Funds	—	712	—	—	—		712
Total Due From	\$ 116,653	\$ 712	\$ 360	\$ 1,110,969	\$ 2,487		\$ 1,231,181

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, 2021 were as follows (expressed in thousands):

Transferred From	Transferred To								Total Transfers Out
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds		
General Fund	\$ —	\$ 3,715	\$ 102	\$ 1,187,422	\$ 729,082	\$ 1,013	\$ 826		\$ 1,922,160
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	—	—	—	313,209	—	—	—		313,209
Land Endowments Fund	313	—	—	828	—	—	—		1,141
Non-Major Governmental Funds	154,192	657	—	19,593	—	—	109		174,551
Unemployment Compensation Fund	3	—	—	5,296	—	—	—		5,299
Non-Major Enterprise Funds	178,926	—	—	57,049	37,928	—	—		273,903
Internal Service Funds	5,392	—	—	757	—	—	—		6,149
Total Transfers In	\$ 338,826	\$ 4,372	\$ 102	\$ 1,584,154	\$ 767,010	\$ 1,013	\$ 935		\$ 2,696,412

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

Net position and fund balance as of July 1, 2020 have been restated as follows due to the State's implementation of GASB Statement No. 84, *Fiduciary Activities*:

	Net Position/ Fund Balance June 30, 2020	Prior Period Adjustment	Net Position/ Fund Balance July 1, 2020, as restated
Government-wide Activities:			
Primary Government:			
Governmental Activities	\$ 28,172,430	\$ 24,623	\$ 28,197,053
Business-Type Activities	2,967,990	—	2,967,990
Total Primary Government	<u>\$ 31,140,420</u>	<u>\$ 24,623</u>	<u>\$ 31,165,043</u>
Fund Statements:			
Governmental Funds			
Major Governmental Funds:			
General Fund	\$ 2,054,090	\$ 11,044	\$ 2,065,134
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	1,261,782	—	1,261,782
Land Endowment Fund	5,838,891	—	5,838,891
Nonmajor Governmental Funds	1,586,324	12,125	1,598,449
Total Governmental Funds	<u>\$ 10,741,087</u>	<u>\$ 23,169</u>	<u>\$ 10,764,256</u>
Proprietary Funds			
Business-Type Activities - Enterprise Funds:			
Universities	\$ 2,605,414	\$ —	\$ 2,605,414
Unemployment Compensation	153,126	—	153,126
Other Nonmajor Enterprise Funds	166,809	—	166,809
Total Enterprise Funds	<u>\$ 2,925,349</u>	<u>\$ —</u>	<u>\$ 2,925,349</u>
Governmental Activities – Internal Service Funds	<u>\$ (411,231)</u>	<u>\$ 1,454</u>	<u>\$ (409,777)</u>
Fiduciary Funds:			
Pension and Other Employee Benefit Trust Funds	\$ 52,038,441	\$ 1,532,276	\$ 53,570,717
Investment Trust Funds	4,389,395	(4,389,395)	—
Private-Purpose Trust Funds	—	1,396,051	1,396,051
Custodial Funds	—	4,863,674	4,863,674
Total Fiduciary Funds	<u>\$ 56,427,836</u>	<u>\$ 3,402,606</u>	<u>\$ 59,830,442</u>

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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, 2021 were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 14,473	\$ 271	\$ —	\$ 720	\$ 15,464
Permanent fund principal	—	—	7,670,213	—	7,670,213
Restricted for:					
General government	21,750	—	—	37,862	59,612
Health and welfare	411,723	—	—	75,095	486,818
Inspection and regulation	6,678	—	—	6,367	13,045
Education	25,620	—	—	461,876	487,496
Protection and safety	28,824	—	—	407	29,231
Natural resources	3,813	—	—	15,024	18,837
Debt service	—	—	—	869,882	869,882
Capital projects	—	876,906	—	3,592	880,498
School facilities improvements	83,956	—	—	—	83,956
Committed to:					
General government	—	—	—	278,678	278,678
Health and welfare	17,966	—	—	264,687	282,653
Inspection and regulation	5,202	—	—	216,094	221,296
Education	52,281	—	—	—	52,281
Protection and safety	23,243	—	—	174,417	197,660
Transportation	—	656,876	—	—	656,876
Natural resources	106,417	—	—	276,698	383,115
School facilities improvements	79,709	—	—	—	79,709
Unassigned:	<u>1,919,752</u>	<u>—</u>	<u>226</u>	<u>—</u>	<u>1,919,978</u>
Total Fund Balances	<u>\$ 2,801,407</u>	<u>\$ 1,534,053</u>	<u>\$ 7,670,439</u>	<u>\$ 2,681,399</u>	<u>\$ 14,687,298</u>

NOTE 10. DEFICIT NET POSITION

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$348.8 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 \$164.7 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, 2021, 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 2021, as a reduction in its equity interest. At June 30, 2021, the equity interest totaled \$6.9 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2020, assets, liabilities, revenues, and expenses totaled \$112.9 million, \$8.1 million, \$12.5 million, and \$19.7 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 \$6.4 million related to the GMT as of June 30, 2021 are reported in Note 6.G.

The U of A has contributed a total of \$70.7 million to the GMTO as of June 30, 2021. 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, 2021, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$84.6 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

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

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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 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 experienced 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, 2021. The total estimated loss reserve of \$225.5 million decreased by 3.34%, or \$7.8 million, from the prior year estimated loss reserve of \$233.3 million. The 3.34% decrease 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 and Financial Institutions Guaranty Funds. 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.

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

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2020 and June 30, 2021 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2020	\$ 432,097	\$ 68,459	\$ (67,073)	\$ 433,483
2021	433,483	61,803	(54,378)	440,908
Industrial Commission Special Fund:				
2020	231,036	11,660	(9,366)	233,330
2021	233,330	7,559	(15,349)	225,540
Health Insurance Trust Fund:				
2020	83,843	817,106	(824,005)	76,944
2021	76,944	795,722	(796,501)	76,165

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 \$171.8 million at June 30, 2021.

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 \$1.9 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$46.9 million and mutual funds valued at \$36.5 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2021, \$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, \$117.6 million was deposited in the General Fund, and \$1.3 million 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

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also reported as a reduction of revenue. At June 30, 2021, \$518.1 million of this liability is reported in the General Fund, because it is the fund to which the property ultimately escheats in Arizona.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of \$2.9 billion at June 30, 2021 as presented in the following table (expressed in thousands):

	Remaining Commitments
Local government assistance	\$ 158,810
State highways	
Construction	1,473,572
Design	208,596
Right of way	613,326
Utilities	20,266
Planning and research	37,743
Other	355,794
Total	<u>\$ 2,868,107</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 Scratchier 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 \$47.9 million at June 30, 2021. Approximately \$45.9 million of the total aggregate future payments at June 30, 2021 relate to annuities purchased from five separate insurance companies, of which approximately \$18.0 million relates to a single insurance company.

G. PANDEMIC UNEMPLOYMENT ASSISTANCE

The Arizona Department of Economic Security's (DES) Division of Employment and Rehabilitation Services, Unemployment Insurance Administration paid claimants federally funded Pandemic Unemployment Assistance (PUA) monies as of and for the year ended June 30, 2021. In accordance with the CARES Act, DES initially calculated a claimant's weekly benefit amount at the time the claim was filed, based on information self-reported by the claimant and any wage records on file with the DES. Claimants were required to submit documentation substantiating self-reported income within 21 days of filing a claim in order to receive a weekly benefit amount above the state's minimum. Some claimants failed to provide this documentation or provided insufficient documentation, and DES is still in the process of identifying the total amount of PUA funds overpaid to claimants who were ineligible for the weekly benefit amount received. The total amount of overpayments to claimants is potentially subject to recovery and may represent a corresponding potential liability to the U.S. Government. An actual liability is realized only after a completed adjudication substantiates an overpayment and the claimant is notified of the results and given an opportunity to appeal the determination. Although DES paid a total of \$218.4 million above the weekly minimum benefit amount on claims still in process, the amount that is ultimately confirmed as overpayments cannot be reliably predicted given the ongoing opportunity for claimants to request appeals and to provide supporting documentation.

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 \$105.7 million in the fund statements and the government-wide statements in fiscal year 2021. 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

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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, 2021.

NOTE 14. SUBSEQUENT EVENTS

On July 8, 2021, the ADOT issued \$28.1 million of Transportation Excise Tax Revenue Refunding Bonds Series 2021 (Series 2021 Bonds), with an interest rate of 0.78% and serial maturities ranging from 2022 to 2025. Net proceeds totaled \$27.9 million, after payment of \$0.2 million of issuance costs. The net proceeds were used to refund, in advance of maturity, portions of the outstanding Series 2011 Regional Area Road Fund, Bond Component. The advance-refunding resulted in a debt service savings of \$1.3 million, and a net present value economic gain of \$1.3 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 \$0.5 million. This amount is immaterial and will be expensed in fiscal year 2022.

In August, 2021, the State's Department of Administration Certificates of Participation, Series 2016, (Series 2016 COP), the State's School Facilities Board Certificates of Participation, Series 2015A (Series 2015A COP), the State's Department of Administration, Lottery Revenue Refunding Bonds, Series 2019 (Series 2019 Bonds), and the State's Department of Administration Certificates of Participation, Series 2019A (Series 2019A COP) were defeased. Pursuant to Laws 2021, Chapter 408, Section 101, the State's Department of Administration was appropriated \$977.1 million from the State of Arizona's General Fund for the defeasance of the Certificates of Participation and Revenue Bonds, allocated as follows: (1) \$65.9 million for Series 2016 COP with a final closing amount of \$65.6 million, (2) \$171.7 million for Series 2015A COP with a final closing amount of \$171.5 million, (3) \$269.5 million for Series 2019 Bonds with a final closing amount of \$266.7 million, and (4) \$470.0 million for Series 2019A COP with a final closing amount of \$467.0 million.

On November 10, 2021, the ADOT issued \$56.4 million of Taxable Highway Revenue Refunding Bonds Series 2021 (Series 2021 Bonds), with an interest rate of 0.60% and serial maturities ranging from 2022 to 2023. Net proceeds totaled \$56.1 million, after payment of \$0.3 million of issuance costs. The net proceeds were used to refund, in advance of maturity, portions of the outstanding Series 2013A Highway Revenue Bond Component. The advance-refunding resulted in a debt service savings of \$1.8 million and a net present value economic gain of \$1.8 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 \$2.7 million. This amount is immaterial and will be expensed in fiscal year 2022.

On April 27, 2022, the ASU issued \$68.2 million in System Revenue Bonds, Series 2022A (Series 2022A Bonds), \$24.8 million in System Revenue Bonds, Series 2022B (Series 2022B Bonds), and \$79.2 million in System Revenue Bonds, Series 2022C (Series 2022C Bonds). The Series 2022A Bonds include serial bonds with an interest rate of 5.00% and maturity dates ranging from 2028 to 2043. The Series 2022B Bonds include serial bonds with an interest rate of 5.00% and maturity dates ranging from 2023 to 2043. The Series 2022C Bonds include both serial and term bonds with interest rates ranging from 2.55% to 4.22% and maturity dates ranging from 2024 to 2053. The Series 2022A, Series 2022B, and Series 2022C Bonds were issued to provide funds for: (a) the second phase of financing for construction and equipment for the University's Durham Hall Language and Literature Building renovation project, (b) construction and equipment for the University's Bateman Physical Sciences Center renovation project, (c) the second phase of financing for construction and equipment for the ASU's new Multipurpose Arena, including capitalizing interest on the Series 2022C Bonds issued for the Multipurpose Arena through June 30, 2023, (d) renovation of buildings and infrastructure on the ASU's campuses, and (e) paying costs related to the issuances. Prior to their stated maturity date pursuant to the debt documents, the Series 2022A and Series 2022B Bonds are subject to optional redemption whereas the Series 2022C Bonds are subject to optional and mandatory redemption.

On August 11, 2022, the State's Department of Administration Direct Placements - Certificates of Participation, Series 2017 and the Certificates of Participation, Series 2015 (partial relating to the refunding portion of Certificates of Participation, Series 2008A) were defeased. Pursuant to Laws 2022, Chapter 313, Section 99, the State's Department of Administration was appropriated \$93.5 million from the State of Arizona's General Fund for the defeasances with a final closing amount of \$88.4 million.

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 \$636.9 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.

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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.

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 6.9% with a standard deviation of 12.0% 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.

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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 DIFIGF'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 DIFIGF 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; specified state and local government bonds, and interest earning investments such as share, checking, savings accounts, or certificates of deposit.

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 DIFIGF have a formal policy regarding custodial credit risk for deposits. At December 31, 2020, the DIFIGF had uncollateralized and uninsured deposits in the amount of \$5.4 million.

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 DIFIGF have a formal policy regarding custodial credit risk for investments.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AFA's WIFA does not have a formal policy regarding interest rate risk. The DIFIGF's investment policy requires that the maximum final maturity on an individual investment shall not exceed three years, except for mortgage backed securities which target a three-year weighted average maturity. The following table presents the interest rate risk utilizing the segmented time distribution method for the AFA's WIFA as of June 30, 2021 and for the DIFIGF as of December 31, 2020 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	More than 5
Certificates of deposit (negotiable)	\$ 450	\$ 450	\$ —	\$ —
Commercial mortgage backed securities	1,712	253	—	1,459
Corporate notes & bonds	3,038	1,460	1,578	—
Guaranteed investment contracts	8,145	—	—	8,145
Money market mutual funds	43,109	43,109	—	—
U.S. agency securities	53,377	50,354	—	3,023
U.S. Treasury securities	177,098	122,797	45,078	9,223
Total	\$ 286,929	\$ 218,423	\$ 46,656	\$ 21,850

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 DIFIGF'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 DIFIGF's investments, both of which were rated by S & P and/or an equivalent national rating organization.

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The ratings are presented using S & P's rating scale as of June 30, 2021 for the AFA's WIFA and as of December 31, 2020 for the DIFIGF (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	A-1 Thru A-2	Not Rated
Certificates of deposit (negotiable)	\$ 450	\$ —	\$ —	\$ —	\$ —	\$ 450	\$ —
Commercial mortgage backed securities	1,712	1,712	—	—	—	—	—
Corporate notes & bonds	3,038	—	811	1,924	303	—	—
Guaranteed investment contracts	8,145	—	—	—	—	—	8,145
Money market mutual funds	43,109	1,628	—	—	—	—	41,481
U.S. agency securities	53,377	11,831	—	—	—	41,546	—
Total	\$ 109,831	\$ 15,171	\$ 811	\$ 1,924	\$ 303	\$ 41,996	\$ 49,626

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, 2021, no investments in any one issuer exceeded more than 5% of the AFA's WIFA's total investments.

The DIFIGF'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, 2020, no investments in any one issuer exceeded more than 5% of the DIFIGF's total investments.

f. Fair Value Measurement

The AFA's WIFA's investments at June 30, 2021 and the DIFIGF's investments at December 31, 2020, categorized within the fair value hierarchy established by U.S. GAAP, were as follows (expressed in thousands):

Investment by Fair Value Level	June 30, 2021	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit (negotiable)	\$ 450	\$ —	\$ 450	\$ —
Commercial mortgage backed securities	1,712	—	1,712	—
Corporate notes & bonds	3,038	—	3,038	—
Money market mutual funds	1,628	1,628	—	—
U.S. agency securities	53,377	41,546	11,831	—
U.S. Treasury securities	177,098	177,098	—	—
Total investments by fair value level	\$ 237,303	\$ 220,272	\$ 17,031	\$ —
Guaranteed investment contracts	8,145			
Money market mutual funds	41,481			
Total investments	\$ 286,929			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using significant other observable inputs. In addition, the AFA's WIFA had \$41.5 million invested in money market funds as well as \$8.1 million in guaranteed investment contracts that were recorded at cost.

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2. Universities-Affiliated Component Units

a. Investment Summary

The investments held by the ASUEP and the U of A Foundation at June 30, 2021, were as follows (expressed in thousands):

Investment Type	Fair Value
Money market funds and cash equivalents	\$ 35,081
Domestic/international equity securities and mutual funds	1,050,173
Domestic/international fixed income obligations and mutual funds	544,031
Absolute return limited partnerships and funds	249,895
Diversifying strategies	152,847
Real assets	171,982
Private capital limited partnerships	431,178
Other	229,003
Total Investments	\$ 2,864,190

b. Investments Classified in Fair Value Hierarchy

The investments held by the ASUEP and the U of A Foundation at June 30, 2021, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2021	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds and cash equivalents	\$ 35,081	\$ 35,051	\$ —	\$ 30
Domestic/international equity securities and mutual funds	870,330	756,400	—	113,930
Domestic/international fixed income obligations and mutual funds	299,542	260,091	6,122	33,329
Absolute return limited partnerships and funds	27,981	27,981	—	—
Diversifying strategies	23,038	187	2,000	20,851
Real assets	171,894	46,336	—	125,558
Private capital limited partnerships	211,802	520	—	211,282
Other	117,384	38,014	—	79,370
Total investments by fair value level	1,757,052	\$ 1,164,580	\$ 8,122	\$ 584,350
Investments Measured at the NAV				
ASUEP - Domestic/international equity securities and mutual funds	10,036			
ASUEP - Domestic/international fixed income obligations and mutual funds	102,089			
ASUEP - Diversifying strategies	129,809			
ASUEP - Real assets	88			
U of A Foundation - Multi-strategy hedge funds	108,450			
U of A Foundation - Equity long-only funds	90,140			
U of A Foundation - Equity long-only hedge funds	79,667			
U of A Foundation - Equity long/short hedge funds	58,130			
U of A Foundation - Fixed income hedge funds	11,276			
U of A Foundation - Natural resources limited partnerships	76,066			
U of A Foundation - Private capital limited partnerships	219,376			
U of A Foundation - Private real estate limited partnerships	35,553			
U of A Foundation - Private credit limited partnerships	44,058			
U of A Foundation - U.S. fixed income funds	142,400			
Total investments measured at the NAV	1,107,138			
Total investments measured at fair value	\$ 2,864,190			

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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 \$401,266, including \$6,689 in unrealized swap liability valued using level 2 valuation techniques, and \$394,577 in assets held for others valued using level 3 valuation techniques.

c. Investments Measured at the NAV

The investments held by the ASUEP and the U of A Foundation at June 30, 2021, valued using the NAV per share, and were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ASUEP - Domestic/international equity securities and mutual funds	\$ 10,036	\$ —	N/A	N/A
ASUEP - Domestic/international fixed income obligations and mutual funds	102,089	—	N/A	N/A
ASUEP - Diversifying strategies	129,809	—	N/A	N/A
ASUEP - Real assets	88	—	N/A	N/A
U of A Foundation - Multi-strategy hedge funds	108,450	1,678	Quarterly	60 - 90 days
U of A Foundation - Equity long-only funds	90,140	—	Daily, monthly, quarterly, semi- annually	5 - 90 days
U of A Foundation - Equity long-only hedge funds	79,667	—	Monthly, quarterly, annually, triennially	60 - 90 days
U of A Foundation - Equity long/short hedge funds	58,130	—	Quarterly, biannually, triennially	90 - 120 days
U of A Foundation - Fixed income hedge funds	11,276	—	Quarterly	90 days
U of A Foundation - Natural resources limited partnerships	76,066	30,297	N/A	N/A
U of A Foundation - Private capital limited partnerships	219,376	72,872	N/A	N/A
U of A Foundation - Private real estate limited partnerships	35,553	34,393	N/A	N/A
U of A Foundation - Private credit limited partnerships	44,058	16,635	N/A	N/A
U of A Foundation - U.S. fixed income funds	142,400	—	Daily	5 days
Total	<u>\$ 1,107,138</u>	<u>\$ 155,875</u>		

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C. ENDOWMENTS

1. ASUEP

The following shows the changes in the ASUEP net assets for the fiscal year ending June 30, 2021 (expressed in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, as restated	\$ —	\$ 670,901	\$ 670,901
Contributions and other additions	—	38,161	38,161
Investment return:			
Investment income	—	14,204	14,204
Net appreciation	—	216,953	216,953
Changes in assets due to other entities	—	(71,168)	(71,168)
Total investment return	—	159,989	159,989
Appropriation for expenditure	—	(27,373)	(27,373)
Reclassification of donor intent	—	4,399	4,399
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 846,077</u>	<u>\$ 846,077</u>

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, 2021 (expressed in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,369	\$ 863,466	\$ 866,835
Investment return:			
Investment income	—	17,686	17,686
Less: endowment fee	—	(12,410)	(12,410)
Net appreciation	763	234,929	235,692
Total investment return	763	240,205	240,968
Contributions	—	66,783	66,783
Transfer	—	(5,705)	(5,705)
Appropriation for payout	—	(39,175)	(39,175)
Capitalization of payout	—	4,097	4,097
Endowment net assets, end of year	<u>\$ 4,132</u>	<u>\$ 1,129,671</u>	<u>\$ 1,133,803</u>

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D. RECEIVABLES

1. Component Units

a. Loans Receivables

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 2021 were as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	\$ 340,620	\$ 9,209	\$ (71,173)	\$ 278,656
Drinking Water Fund	380,134	107,811	(42,613)	445,332
Total	<u>\$ 720,754</u>	<u>\$ 117,020</u>	<u>\$ (113,786)</u>	<u>\$ 723,988</u>

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

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the AFA's WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2021, the debt service reserve was \$2 thousand and \$1.9 million for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

b. Other Receivables

The DIFIGF 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.

To provide funding for the payments of claims, the DIFIGF 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.

Unbilled assessments are recorded in the financial statements as expected future billings to cover the best estimate of liability for insolvencies that have been recognized but all or a portion of the full assessment has not been billed.

Other Receivables	DIFIGF
Other Receivables - Current	
Member assessments	\$ 7,017
Other Receivables - Noncurrent	
Unbilled assessments	131,264
Other Receivables - Total	<u>\$ 138,281</u>

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See Note 15.K. for claims liabilities.

2. Universities-Affiliated Component Units

a. 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 0.60% 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.

Pledges receivable, as of June 30, 2021, include the following (expressed in thousands):

	ASU Enterprise Partners
Gross pledges receivable	\$ 211,100
Present value discount	(19,776)
Allowance for uncollectible pledges	(47,283)
Net Pledges Receivable	<u>\$ 144,041</u>

E. 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, 2021 is \$18.0 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 \$23.8 million at June 30, 2021.

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 2016 Bonds maturity schedules. The ACFFC's net investment in the McAllister (HAV) direct financing lease is \$9.7 million at June 30, 2021.

STATE OF ARIZONA
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 JUNE 30, 2021

F. CAPITAL ASSETS

Capital assets for the ACFFC for the fiscal year ended June 30, 2021 include the following (expressed in thousands):

	<u>ACFFC</u>
Buildings and improvements	\$ 196,723
Furniture, fixtures, and equipment	79,027
Total cost or donated value	<u>275,750</u>
Less: accumulated depreciation	<u>(160,874)</u>
Total Property and Equipment, Net	<u>\$ 114,876</u>

G. 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 Bonds 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, 2021, was \$102.8 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, 2021, was \$33.0 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, 2021, was \$81.6 million.

In December 2020, AFA's WIFA defeased \$46.6 million of Water Quality Revenue Bonds, Series 2012A 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 \$0.7 million is also included in expenses in the accompanying financial statements. The amount of the defeased bonds still outstanding, as of June 30, 2021, was \$46.6 million.

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2021 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2021
Revenue Bonds Outstanding	2012 - 2015	2022 - 2028	2.00 - 5.00%	\$ 261,615

Principal and interest debt service payments on AFA's WIFA revenue bonds outstanding at June 30, 2021 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
2022	\$ 43,105	\$ 11,718	\$ 54,823
2023	44,250	9,584	53,834
2024	27,910	7,805	35,715
2025	31,480	6,321	37,801
2026	30,270	4,777	35,047
2027 - 2028	84,600	3,816	88,416
Total	<u>\$ 261,615</u>	<u>\$ 44,021</u>	<u>\$ 305,636</u>

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. 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, 2021 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2021
Direct Placements Outstanding	2020	2022 - 2035	2.69%	\$ 108,465

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Principal and interest debt service payments on Rio Nuevo’s direct placements outstanding at June 30, 2021 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
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	6,677	2,245	8,922
2027 - 2031	36,179	8,433	44,612
2032 - 2035	40,605	3,083	43,688
Total	\$ 108,465	\$ 24,445	\$ 132,910

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):

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year	Due Thereafter
Long-term Debt:						
Revenue bonds	\$ 338,410	\$ —	\$ (75,210)	\$ 263,200	\$ 43,310	\$ 219,890
Revenue bond premium	56,184	—	(12,866)	43,318	—	43,318
Direct placements	114,312	—	(5,847)	108,465	6,004	102,461
Notes payable	80,900	3,206	(3,106)	81,000	—	81,000
Total Long-term Debt	589,806	3,206	(97,029)	495,983	49,314	446,669
Other Long-term Liabilities:						
Compensated absences	69	75	(59)	85	85	—
Total Other Long-term Liabilities	69	75	(59)	85	85	—
Total Long-term Obligations	\$ 589,875	\$ 3,281	\$ (97,088)	\$ 496,068	\$ 49,399	\$ 446,669

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2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2021 include the following (expressed in thousands):

	<u>Final Maturity</u>	<u>Amount</u>
ASU Enterprise Partners:		
Series 2014A Tax-Exempt Lease Revenue Bonds	2035	\$ 29,430
Series 2014A Revenue Refunding Bonds	2034	32,185
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	1,410
Unamortized Bond Discount		(1,039)
ACFFC:		
Series 2018 Tax-Exempt Revenue Bonds	2038	21,860
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2034	23,585
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2028	9,045
Series 2016 Tax-Exempt Revenue Refunding Bonds	2039	115,840
Series 2009 Revenue Bonds	2024	14,620
Series 2009B Lease Revenue Refunding Bonds	2022	750
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	25,270
Unamortized Loan Costs		(2,024)
Deferred Cost of Refunding		(13,784)
Unamortized Bond Premium		14,108

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

<u>Fiscal Year</u>	<u>ASU Enterprise Partners</u>	<u>ACFFC</u>
2022	\$ 4,395	\$ 11,375
2023	4,600	12,035
2024	4,800	12,720
2025	5,010	13,420
2026	5,225	10,110
Thereafter	60,376	149,610
Total	<u>\$ 84,406</u>	<u>\$ 209,270</u>

H. 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, 2021, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

<u>Project</u>	<u>Tax rebates generated by project during Fiscal Year 2021</u>	<u>Cumulative tax rebates generated by project as of June 30, 2021</u>	<u>Project Rebate Cap</u>
AC Marriott and adjacent retail properties	\$ 69	\$ 1,685	\$ 7,750
Congress Street Block (98 – 130 E. Congress)	—	30	10,600
Hilton Hotel at Cathedral Square	160	327	6,850
Total	<u>\$ 229</u>	<u>\$ 2,042</u>	<u>\$ 25,200</u>

STATE OF ARIZONA
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I. 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 use of funds include affordable housing, charter school projects, and health-related facilities.

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, 2021, the outstanding face value of all bonds of the AFA's AIDA was \$7.6 billion.

In March, 2020 the AIDA formed a wholly owned subsidiary, AZIDA CLN Sponsor 1, LLC, an Arizona limited liability company (Primary Sponsor) which is controlled by the AIDA board of directors. The Primary Sponsor has the ability to purchase existing municipal bonds and related derivative contracts as well as issue up to \$500.0 million of taxable Primary Notes to be issued in multiple series. The AIDA has the ability to purchase all of the Primary Notes and issue up to \$500.0 million of taxable Credit Linked Notes which will be limited obligations payable solely from the revenues on the Primary Notes. The purpose of this setup is to allow AIDA to enter into pass through derivative transactions with the Credit Linked Notes to separate the tax-exempt income from the credit risk exposure. All of the payments and risks will be transferred to the ultimate investor when it purchases the Credit Linked Notes. On May 4, 2020 the AIDA issued \$470.0 million Credit Linked Notes, Series 2020-01 through 2020-25 with interest rates ranging from 2.46% to 4.02% and maturity dates ranging from fiscal year 2035 to 2051.

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, 2021, the total outstanding face value of all bonds issued by the AFA's GADA was \$9.9 million.

J. NONEXCHANGE FINANCIAL GUARANTEES

In accordance with the A.R.S. Title 41, Chapter 56, Article 11, the APSCE has guaranteed outstanding bond obligations of achievement district schools within the State in the amount of \$329.4 million at June 30, 2021. 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 2055.

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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payable to the school. Additionally, on request of the ASPCE, the Attorney General shall take any actions necessary to enforce repayment of fund monies by a school.

K. INSURANCE LOSSES

The DIFIGF records claims liability when the reported loss is probable and reasonably estimated based on reserves established by either experienced claims adjusters of the DIFIGF, by a third party administrator handling claim files, or by actuaries. The claims liability includes an estimate for incurred but not reported (IBNR) claims.

The following table presents the changes in claims liabilities balances (short and long-term combined) during the year ended December 31, 2020 (expressed in thousands):

<u>Calendar Year</u>	<u>Beginning Balance (as restated)</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
Department of Insurance and Financial Institutions Guaranty Funds:				
2020	\$ 263,228	\$ 11,203	\$ (22,298)	\$ 252,133

Amounts for the calendar year ended December 31, 2019 are not available.

See Note 15.D.1.b. for additional background information on claims liabilities and the related receivables. Also, see Note 15.L. for information on the restatement of the Component Units which additionally resulted in the restatement of beginning balance of Accrued Insurance Losses in the above table from \$226.3 million to \$263.2 million.

L. ACCOUNTING CHANGES

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

	<u>Component Units</u>
Net Position, as previously reported	\$ 955,005
Correction of error	91,425
Net Position, as restated	<u>\$ 1,046,430</u>

Correction of error

Beginning net position for the Component Units has increased \$91.4 million primarily as a result of overstating the DIFIGF expenses in prior years.

A.R.S. § 20-666 and A.R.S. § 20-686 allow the DIFIGF the ability to assess member insurers at the time of insolvency for such amounts deemed necessary, limited only to the member insurers' premium activity and ability to fund the assessment in the current fiscal year. The application of the ability to assess member insurers for financial reporting was an oversight in prior years and has been corrected in the current fiscal year. The portion of the restatement that relates to the unbilled assessment is \$126.7 million. This was offset by the understatement of expenses relating to accrued insurance losses for \$36.9 million with the remaining restatement of \$1.6 million related to various adjustments.

REQUIRED
SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT AFIS COLLECTIONS	\$ —	\$ 43,913	\$ 43,913
ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE	—	38,436	38,436
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	605,979	605,979
ADMIN ADJUSTMENT RELOCATE STATE DATA CENTER	—	1,064	1,064
ADMIN ADJUSTMENT UPDATE THE HUMAN RESOURCE INFORMATION SYSTEM	—	1,852	1,852
ADMIN ADJUSTMENT UTILITIES	—	117,448	117,448
AFIS COLLECTIONS	9,418,700	9,549,100	8,450,430
BUILDING RENEWAL COSF	29,072,717	29,072,716	16,069,860
CASH DEFEASANCE OF COP LOTTERY BONDS	—	977,100,000	970,826,214
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	53,701,800	53,701,800	53,701,800
FEASIBILITY STUDY REPLACE/UPGRADE IT SYS AZ DEPT AGRICULTURE	50,000	50,000	(1,000)
GOVERNMENT TRANSFORMATION OFFICE	2,008,300	2,076,800	1,496,401
IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS	1,101,000	1,101,000	1,101,000
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
OPERATING LUMP SUM APPROPRIATION	23,331,500	24,763,100	23,311,146
RELIEF	—	49,377	49,377
RENOVATE STATE BUILDINGS	7,944,635	7,944,635	7,871,249
REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION	1,864,000	1,864,000	1,748,000
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	25,000
SUPPLEMENT UNFUNDED LIABILITY PURSUANT TO SECTION 38-810	3,000,000	3,000,000	3,000,000
SWEEPS	4,992,800	4,992,800	4,992,800
TRAFFIC INTERCHANGES INTERSTATE 40 KINGMAN	20,000,000	20,000,000	—
TRANSWESTERN PIPELINE LITIGATION	—	17,043,300	—
UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY	410,000	410,000	410,000
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	6,592,800	6,592,800	5,925,000
UTILITIES	7,649,900	6,799,900	4,319,121
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	—
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	889,800	921,500	921,136
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT AG CONSULTING AND TRAINING PARI-MUTUEL	—	87	87
ADMIN ADJUSTMENT INDUSTRIAL HEMP GENERAL FUND APROPRIATION	—	848	848
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	39,357	39,358
AG CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	127,198
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
ANIMAL DAMAGE CONTROL	65,000	65,000	64,936
FEASIBILITY STUDY REPLACE/UPGRADE IT SYS AZ DEPT AGRICULTURE	51,000	51,000	—
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	280,512	253,645
OPERATING LUMP SUM APPROPRIATION	9,945,100	10,252,200	10,186,340
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ACA ADULT EXPANSION	528,072,300	891,192,700	866,417,890
ADMIN ADJUSTMENT ACA ADULT EXPANSION	—	11,299	11,299
ADMIN ADJUSTMENT ADOA DATA CENTER	—	2,834,555	2,834,555
ADMIN ADJUSTMENT ASSET VERIFICATION SYSTEMS	—	2,277	2,277
ADMIN ADJUSTMENT CHIP - SERVICES	—	659	659
ADMIN ADJUSTMENT CRISIS SERVICES	—	89,687	89,687
ADMIN ADJUSTMENT DES ELIGIBILITY	—	22,240,620	22,240,620

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, 2021
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT DISPROPORTIONATE SHARE PAYMENTS	—	848,800	848,800
ADMIN ADJUSTMENT ELECTRONIC VISIT VERIFICATION SYSTEM	—	1,190,164	1,190,164
ADMIN ADJUSTMENT MEDICAID BEHAVIORAL HEALTH CMDP	—	727	727
ADMIN ADJUSTMENT NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES	—	1,742,074	1,742,074
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	6,367,735	6,367,735
ADMIN ADJUSTMENT PROP 204 AHCCCS ADMINISTRATION	—	2,513,709	2,513,709
ADMIN ADJUSTMENT PROP 204 DES ELIGIBILITY	—	5,441,590	5,441,590
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	—	13,121	13,121
ADMIN ADJUSTMENT SUPPORTED HOUSING	—	123,539	123,539
ADMIN ADJUSTMENT TARGETED INVESTMENTS PROGRAM	—	37,733,189	37,733,189
ADMIN ADJUSTMENT TRADITIONAL MEDICAID SERVICES	—	1,589,654	1,589,654
ADOA DATA CENTER	19,325,800	18,575,800	13,738,309
ALTCS SERVICES	1,933,355,700	1,961,067,208	1,725,980,331
BEHAVIORAL HEALTH SERVICES IN SCHOOLS	10,003,300	10,003,300	10,003,300
CHIP - SERVICES	92,088,200	122,492,100	116,954,476
CRISIS SERVICES	14,141,100	14,141,100	14,056,100
DES ELIGIBILITY	88,874,500	108,477,300	97,521,705
DISPROPORTIONATE SHARE PAYMENTS	5,087,100	5,087,100	4,202,300
DSH - VOLUNTARY	27,137,600	32,757,600	5,106,178
GRADUATE MEDICAL EDUCATION	360,622,272	360,622,272	270,546,574
MEDICAID BEHAVIORAL HEALTH CMDP	197,732,200	228,623,000	217,960,534
NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES	77,646,900	77,646,900	75,714,591
OPERATING LUMP SUM APPROPRIATION	91,542,300	111,133,900	96,802,860
PROP 204 AHCCCS ADMINISTRATION	13,155,200	27,616,500	21,302,960
PROP 204 DES ELIGIBILITY	44,358,700	54,881,500	40,792,925
PROPOSITION 204 SERVICES	4,204,975,000	5,328,415,700	5,229,216,120
RURAL HOSPITAL REIMBURSEMENT	28,612,400	36,068,937	36,068,937
SUICIDE PREVENTON COORDINATOR	100,000	100,000	99,746
SUPPORTED HOUSING	5,324,800	5,324,800	5,324,800
SWEEPS	16,700,000	16,700,000	16,700,000
TARGETED INVESTMENTS PROGRAM	70,000,000	70,000,000	7,964,684
TRADITIONAL MEDICAID SERVICES	5,678,334,300	6,929,797,664	5,947,720,950
ARIZONA STATE UNIVERSITY			
ARIZONA FINANCIAL AID TRUST	5,985,800	5,985,800	5,985,800
BIOMEDICAL INFORMATICS	3,707,200	3,717,600	3,717,600
DOWNTOWN PHOENIX CAMPUS	50,421,700	50,685,600	50,685,600
OPERATING LUMP SUM APPROPRIATION - MAIN	234,271,000	235,463,800	235,463,800
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	35	12,541,735	12,541,680
RESEARCH INFRASTRUCTURE LPP-POLYTECHNIC	—	917,000	917,000
SCHOOL OF CIVIC AND ECONOMIC THOUGHT AND LEADERSHIP	3,008,900	3,024,700	3,024,700
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMIN ADJUSTMENT CAPITAL POSTCONVICTION PROSECUTION	—	20,143	20,143
ADMIN ADJUSTMENT CRIMINAL DIVISION OPERATING	—	5,078	5,078
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	748,360	748,360
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	—	1,325	1,325
ADMIN ADJUSTMENT STATE GRAND JURY	—	7,380	7,380
ADMIN ADJUSTMENT TOBACCO ENFORCEMENT	—	2,542	2,542
CAPITAL POSTCONVICTION PROSECUTION	802,700	824,800	682,293
CHILD AND FAMILY ADVOCACY CENTERS	100,000	100,000	100,000
INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	3,982,060	3,982,060	1,569,284
MILITARY INSTALLATION-PLANNING	50,755	138,855	85,909

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
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	38,217,800	39,502,800	37,693,536
SOUTHERN ARIZONA DRUG ENFORCEMENT	1,206,100	1,252,300	1,100,500
STATE GRAND JURY	181,100	185,200	174,170
TOBACCO ENFORCEMENT	85,200	88,300	77,378
AUDITOR GENERAL			
CAREER TECHNICAL EDUCATION DISTRICT STUDY	400,000	400,000	263,272
OPERATING LUMP SUM APPROPRIATION	22,160,188	22,922,388	19,963,075
CHARTER SCHOOLS, STATE BOARD FOR			
CHARTER SCHOOL ACCOUNTABILITY	—	392,800	104,414
OPERATING LUMP SUM APPROPRIATION	1,714,500	1,759,300	1,626,953
CHILD SAFETY, DEPARTMENT OF			
ADMIN ADJUSTMENT CONGREGATE GROUP CARE	—	10,026,501	10,026,501
ADMIN ADJUSTMENT DCS - CASEWORKERS	—	741,588	741,588
ADMIN ADJUSTMENT DCS - NEW CASE AIDES	—	172,193	172,193
ADMIN ADJUSTMENT DCS - PREVENTIVE SERVICES	—	3,580,076	3,580,076
ADMIN ADJUSTMENT DCS ADOPTION SERVICES	—	22,287,468	22,287,468
ADMIN ADJUSTMENT DCS CHILD CARE SUBSIDY	—	10,703,544	10,703,544
ADMIN ADJUSTMENT DCS FOSTER CARE PLACEMENT	—	7,625,764	7,625,764
ADMIN ADJUSTMENT DCS FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	—	4,904,311	4,904,311
ADMIN ADJUSTMENT DCS GENERAL COUNSEL	—	37,172	37,172
ADMIN ADJUSTMENT DCS INDEPENDENT LIVING MAINTENANCE	—	217,131	217,131
ADMIN ADJUSTMENT DCS IN-HOME MITIGATION	—	7,966,155	7,966,155
ADMIN ADJUSTMENT DCS INSPECTIONS BUREAU	—	374,581	374,581
ADMIN ADJUSTMENT DCS OFFICE OF CHILD WELFARE INVESTIGATIONS	—	17,087	17,087
ADMIN ADJUSTMENT DCS OPERATING LUMP SUM	—	1,090,499	1,090,499
ADMIN ADJUSTMENT DCS OUT-OF-HOME SUPPORT SERVICES	—	11,134,375	11,134,375
ADMIN ADJUSTMENT DCS OVERTIME	—	403,102	403,102
ADMIN ADJUSTMENT DCS PERMANENT GUARDIAN SUBSIDY	—	1,055,713	1,055,713
ADMIN ADJUSTMENT DCS RECORDS RETENTION STAFF	—	184,553	184,553
ADMIN ADJUSTMENT DCS TRAINING RESOURCES	—	6,622,419	6,622,419
ADMIN ADJUSTMENT KINSHIP CARE	—	648,390	648,390
CONGREGATE GROUP CARE	89,788,900	93,811,900	85,414,484
DCS - CASEWORKERS	105,221,500	107,710,300	98,581,965
DCS - NEW CASE AIDES	3,185,200	3,305,900	2,866,455
DCS - PREVENTIVE SERVICES	15,148,300	15,148,300	8,724,579
DCS ADOPTION SERVICES	278,258,500	278,258,500	249,322,430
DCS ATTORNEY GENERAL LEGAL SERVICES	25,522,800	25,522,800	25,150,438
DCS CHILD CARE SUBSIDY	56,559,400	56,559,400	43,552,225
DCS EXTENDED FOSTER CARE	14,437,200	14,437,200	12,319,790
DCS FOSTER CARE PLACEMENT	51,929,500	47,906,500	41,963,120
DCS FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	32,753,600	32,753,600	28,111,178
DCS GENERAL COUNSEL	156,100	161,700	134,040
DCS IN-HOME MITIGATION	27,528,800	27,528,800	14,680,477
DCS INSPECTIONS BUREAU	2,483,200	2,548,300	1,911,188
DCS OFFICE OF CHILD WELFARE INVESTIGATIONS	9,646,300	9,964,800	9,076,388
DCS OPERATING LUMP SUM	113,676,700	115,951,200	111,736,750
DCS OUT-OF-HOME SUPPORT SERVICES	153,910,900	153,910,900	90,076,945
DCS OVERTIME	8,407,700	8,602,400	4,425,453
DCS PERMANENT GUARDIAN SUBSIDY	12,516,900	12,516,900	10,924,444
DCS RECORDS RETENTION STAFF	594,300	600,000	248,567
DCS TRAINING RESOURCES	9,150,000	9,150,000	9,136,574

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
KINSHIP CARE	5,000,000	5,000,000	4,402,245
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	9,336,429	9,336,429	7,403,643
COMMISSION OF AFRICAN-AMERICAN AFFAIRS			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	660	660
OPERATING LUMP SUM	128,100	133,200	128,322
CORPORATION COMMISSION			
FEASIBILITY STUDY BUSINESS ONE-STOP WEB PORTAL AZ DEPT ADMIN	25	25	—
OPERATING LUMP SUM APPROPRIATION	671,500	699,700	683,860
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF			
ADMIN ADJUSTMENT CAPITAL OUTLAY APPROPRIATION	—	21,036	21,036
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	—	49,139	49,139
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	13,018,808	13,018,808
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	—	7,208,453	7,208,453
CAPITAL OUTLAY APPROPRIATION	9,140,934	9,140,934	5,811,423
COMMUNITY CORRECTIONS	20,441,900	21,117,500	18,895,807
INMATE HEALTH CARE CONTRACTED SERVICES	183,211,700	179,211,700	172,157,861
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	11,000,000	11,000,000	—
OPERATING LUMP SUM APPROPRIATION	824,467,800	868,117,400	846,988,488
PRIVATE PRISON COP	17,468,300	17,468,300	17,468,300
PRIVATE PRISON PER DIEM	124,651,000	122,651,000	107,365,820
RELIEF	—	2,330	850
COURT OF APPEALS DIVISION I			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - DIV I	—	53,126	53,126
OPERATING LUMP SUM APPROPRIATION - DIV I	11,596,900	11,895,500	11,826,764
COURT OF APPEALS DIVISION II			
OPERATING LUM SUM-DIVISION II	5,168,100	5,284,100	5,284,100
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMIN ADJUSTMENT ADMIN-STATEWIDE	—	27,683	27,683
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	—	65,655	65,655
ADMIN ADJUSTMENT PRESCHOOL-OUTREACH PROGRAMS	—	541	541
ADMIN ADJUSTMENT TUCSON CAMPUS	—	42,310	42,310
ADMIN-STATEWIDE	6,165,600	8,223,076	7,925,824
PHOENIX DAY SCHOOL FOR THE DEAF	5,587,547	4,215,933	4,164,463
PRESCHOOL-OUTREACH PROGRAMS	2,316,322	3,481,315	3,462,915
SCHOOL BUS REPLACEMENT	369,000	360,145	329,590
TUCSON CAMPUS	8,775,931	7,585,031	7,412,926
ECONOMIC OPPORTUNITY, OFFICE OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	881	881
OPERATING LUMP SUM APPROPRIATION	476,294	493,494	478,125
ECONOMIC SECURITY, DEPARTMENT OF			
ACHIEVING A BETTER LIFE EXPERIENCE ACT PROGRAM	1,343	1,343	—
ADMIN ADJUSTMENT ADULT SERVICES	—	1,725,184	1,725,184
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	—	346,575	346,575
ADMIN ADJUSTMENT CASE MANAGEMENT-STATE ONLY	—	183,488	183,488
ADMIN ADJUSTMENT CASE MANAGEMENT-TITLE XIX	—	1,839,535	1,839,535
ADMIN ADJUSTMENT CHILD CARE SUBSIDY	—	24,071,462	24,071,462
ADMIN ADJUSTMENT COMMUNITY AND EMERGENCY SERVICES	—	1,119,407	1,119,407
ADMIN ADJUSTMENT COORDINATED HOMELESS PROGRAM	—	28,206	28,206
ADMIN ADJUSTMENT COORDINATED HUNGER	—	251,798	251,798
ADMIN ADJUSTMENT COUNTY PARTICIPATION	—	1,045,303	1,045,303
ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM	—	3,959,738	3,959,738

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT DDD OPERATING LUMP SUM	—	2,287,124	2,287,124
ADMIN ADJUSTMENT DDD PREMIUM TAX PAYMENT	—	53,731	53,731
ADMIN ADJUSTMENT DDD TARGETED CASE MANAGEMENT-MEDICAID	—	1,425,262	1,425,262
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	—	13,023,560	13,023,560
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	—	351,518	351,518
ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY	—	3,769,220	3,769,220
ADMIN ADJUSTMENT HOME AND COMMUNITY BASED SVC-TITLE XIX	—	125,566,367	125,566,368
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SERVICES	—	120,157	120,157
ADMIN ADJUSTMENT INSTITUTIONAL SERVICES-TITLE XIX	—	9,241,984	9,241,984
ADMIN ADJUSTMENT JOBS	—	1,191,743	1,191,743
ADMIN ADJUSTMENT PHYSICAL AND BEHAVIORAL HEALTH SERVICES-MEDICAID	—	50,611,122	50,611,122
ADMIN ADJUSTMENT REHABILITATION SERVICES	—	168,329	168,329
ADMIN ADJUSTMENT STATE FUNDED LONG-TERM CARE SERVICES	—	3,228,665	3,228,665
ADMIN ADJUSTMENT SWEEPS	—	49,770,792	49,770,792
ADMIN ADJUSTMENT WORKFORCE INVESTMENT ACT SERVICES	—	6,809,756	6,809,756
ADULT SERVICES	8,731,900	8,731,900	6,641,180
ATTORNEY GENERAL LEGAL SERVICES	10,959,800	11,360,100	8,739,725
CASE MANAGEMENT-STATE ONLY	6,194,600	6,311,900	5,054,224
CASE MANAGEMENT-TITLE XIX	110,142,900	113,077,500	91,227,526
CHILD CARE SUBSIDY	169,095,000	261,807,300	225,532,599
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	1,870,449
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,239,295
COORDINATED HUNGER	1,754,600	1,754,600	1,754,600
COUNTY PARTICIPATION	8,740,200	8,740,200	3,043,830
DDD ARIZONA EARLY INTERVENTION PROGRAM	6,319,000	6,319,000	2,494,119
DDD OPERATING LUMP SUM	134,471,300	87,658,100	68,402,415
DDD PREMIUM TAX PAYMENT	56,507,300	59,507,300	57,172,377
DDD PROVIDERS FLAGSTAFF SUPPLEMENTAL	500,000	500,000	—
DDD TARGETED CASE MANAGEMENT-MEDICAID	14,499,800	14,861,500	10,890,515
DES OPERATING LUMP SUM	156,204,700	163,283,600	149,634,726
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,376,686
FOOD BANK FUNDING STORAGE	520,611	520,611	520,611
HOME & COMMUNITY SERVICES - STATE ONLY	13,589,000	13,589,000	8,663,402
HOME AND COMMUNITY BASED SVC-TITLE XIX	1,985,572,700	1,986,087,900	1,792,489,085
INDEPENDENT LIVING REHABILITATION SERVICES	166,000	166,000	52,754
INSTITUTIONAL SERVICES-TITLE XIX	58,824,600	59,755,500	47,432,774
JOBS	9,894,700	9,894,700	7,996,013
LOAN FOR REIMBURSEMENT GRANTS	—	25,000,000	—
MEDICAL CLAWBACK	4,388,900	4,388,900	4,388,900
PHYSICAL AND BEHAVIORAL HEALTH SERVICES-MEDICAID	511,267,600	556,489,700	528,225,877
REHABILITATION SERVICES	6,594,400	6,594,400	4,460,656
SNAP ARIZONA FARMERS MARKET	16,492	16,492	14,798
STATE FUNDED LONG-TERM CARE SERVICES	35,409,400	35,413,600	31,964,294
TANF CASH BENEFITS	22,736,400	22,736,400	20,677,148
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
UNEMPLOYMENT COMPENSATION SUPPLEMENTAL	—	62,000,000	—
WORKFORCE INVESTMENT ACT SERVICES	53,654,600	69,500,000	59,638,752
EDUCATION, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	38,078	38,078
EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS-ADMIN SUPPORT	—	100,000	73,648

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS-LEGAL SERVICES	—	50,000	50,000
OPERATING LUMP SUM	1,158,900	1,184,300	1,141,811
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	9,422,500	9,428,100	9,428,100
ADDITIONAL FUNDING	—	75,000,000	75,000,000
ADDITIONAL STATE AID TO SCHOOLS	444,211,400	444,211,400	333,676,495
ADMIN ADJUSTMENT BASIC STATE AID ENTITLEMENT	—	1,125,730	1,125,730
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - ADMIN	—	88,262	88,262
ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS	—	124,808	124,808
ADULT EDUCATION	4,502,100	4,509,500	4,509,500
ALTERNATIVE TEACHER DEVELOPMENT PROGRAM	500,000	500,000	500,000
AMERICAN CIVICS EDUCATION PILOT PROGRAM	499,970	499,970	17,558
ARIZONA INDUSTRY CREDENTIALS INCENTIVE FUND-APPROP LOAD	—	5,000,000	5,000,000
ARIZONA STRUCTURED ENGLISH IMMERSION	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	—	930,727,700	930,727,700
BASIC STATE AID ENTITLEMENT	3,650,566,700	3,650,232,770	3,320,283,286
BASIC STATE AID TEACHER SALARY INCREASES	—	289,200,000	289,200,000
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	2,000,000	2,000,000	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	5,300,200	5,351,900	5,305,312
EMPOWERMENT SCHOLARSHIP ACCOUNT ACCOUNTING STAFF	—	136,000	117,648
EMPOWERMENT SCHOLARSHIP ACCOUNT ADMINISTRATION	1,283,400	1,283,400	1,283,400
EMPOWERMENT SCHOLARSHIP ACCOUNT CALL CENTER	—	276,000	262,439
EMPOWERMENT SCHOLARSHIP ACCOUNT CASE MANAGERS	—	388,000	257,485
EMPOWERMENT SCHOLARSHIP ACCOUNT TRAININGS AND OUTREACH	—	150,000	124,062
ENGLISH LEARNER ADMINISTRATION	6,509,600	6,541,600	6,541,600
GEOGRAPHIC LITERACY	100,000	100,000	100,000
HIGH QUALITY TEACHER PROFESSIONAL DEVELOPMENT PILOT PROGRAM	573,000	973,000	78,759
JOBS FOR ARIZONA GRADUATES PROGRAM	100,000	100,000	100,000
OPERATING LUMP SUM APPROPRIATION - ADMIN	8,895,400	9,236,700	9,236,700
OTHER STATE AID TO DISTRICTS	983,900	983,900	—
REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION	2,391,962	2,391,962	2,245,752
RESULTS BASED FUNDING	68,600,000	68,933,930	68,600,000
SCHOOL SAFETY PROGRAM	38,972,659	38,976,558	26,124,661
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	—	18,908,803	18,908,803
TEACHER CERTIFICATION	178,100	184,200	184,200
TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	250,000	250,000	157,465
UNIFICATION ASSISTANCE	50,000	50,000	—
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADEM MATCHING FUND	1,543,300	1,590,300	1,585,932
ADMIN ADJUSTMENT ADMINISTRATION	—	9,227	9,227
ADMIN ADJUSTMENT EMERGENCY MANAGEMENT	—	21	21
ADMIN ADJUSTMENT MILITARY AFFAIRS	—	20,020	20,020
ADMIN ADJUSTMENT NATIONAL GUARD TUITION REIMBURSEMENT	—	38,971	38,971
ADMINISTRATION	1,797,600	1,858,100	1,831,674
BORDER SECURITY FUND DEPOSIT	—	55,000,000	—

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DISASTER DECLARATION	—	4,000,000	4,000,000
EMERGENCY MANAGEMENT	730,900	754,200	754,189
HAZARD MATERIAL CONTINGENCY	1,897	1,897	—
MILITARY AFFAIRS	1,339,800	1,367,600	1,363,240
MILITARY AFFAIRS COMMISSION	1,553	91,553	89,953
NATIONAL GUARD MATCHING FUNDS	3,092,567	3,105,367	1,333,428
NATIONAL GUARD TUITION REIMBURSEMENT	1,000,000	1,000,000	230,450
NUCLEAR EMERGENCY MANAGEMENT FUND - BUCKEYE - GF TRF	—	70,000	70,000
NUCLEAR EMERGENCY MANAGEMENT FUND - MARICOPA - GF TF	—	687,116	687,116
NUCLEAR EMERGENCY MANAGEMENT FUND-DIV OP BUDGET	—	749,000	748,309
SOUTH EAST ARIZONA READINESS CENTER	3,754,987	3,754,987	86,173
WEST VALLEY READINESS CENTER	3,875,000	3,875,000	—
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	39,976	39,976
OPERATING LUMP SUM APPROPRIATION	13,748,700	14,358,300	14,207,694
EQUALIZATION, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	42,958	42,958
OPERATING LUMP SUM APPROPRIATION	659,000	673,200	656,399
EXECUTIVE CLEMENCY, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	16,231	16,231
OPERATING LUMP SUM APPROPRIATION	1,150,000	1,184,500	1,072,345
FINANCIAL INSTITUTIONS, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	303	303
FORESTRY AND FIRE MANAGEMENT, DEPARTMENT OF			
ADMIN ADJUSTMENT INMATE FIRE CREWS	—	18,573	18,573
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	68,016	68,016
ADMIN ADJUSTMENT POSTRELEASE FIREFIGHTING CREWS	—	19,255	19,255
ADMIN ADJUSTMENT STATE FIRE MARSHAL	—	11,627	11,627
ADMIN ADJUSTMENT STATE FIRE SCHOOL	—	492	492
ENVIRONMENTAL COUNTY GRANTS	250,000	250,000	250,000
FIRE SUPPRESSION SLI	200,000	200,000	200,000
GENERAL FUND TRSF TO FIRE SUPPRESSION	—	3,000,000	3,000,000
GF TRANSFER TO NONNATIVE VEGETATION SPECIES ERADICATION	—	1,000,000	1,000,000
HAZARDOUS VEGETATION REMOVAL	4,372,802	4,372,802	1,486,237
INMATE FIRE CREWS	693,200	727,500	699,847
OPERATING LUMP SUM APPROPRIATION	3,092,200	3,205,801	3,203,596
POSTRELEASE FIREFIGHTING CREWS	1,010,700	1,063,400	961,428
STATE FIRE MARSHAL	748,600	777,600	706,752
STATE FIRE SCHOOL	172,700	175,300	156,492
WILDFIRE EMERGENCY RESPONSE	—	75,000,000	4,507,337
WILDFIRE MITIGATION	—	24,541,800	—
GAMING, DEPARTMENT OF			
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	2,509,500	2,509,500	2,509,500
GENERAL ACCOUNTING OFFICE			
ADDITIONAL GILA WORKFORCE DEVELOPMENT AID	200,000	200,000	200,000
DINE COLLEGE REMEDIAL EDUCATION	1,000,000	1,000,000	1,000,000
EQUALIZATION AID - COCHISE	7,227,100	7,227,100	7,227,100
EQUALIZATION AID - GRAHAM	17,469,100	17,469,100	17,469,100
EQUALIZATION AID - NAVAJO	8,444,300	8,444,300	8,444,300
EQUALIZATION AID - YUMA/LA PAZ	155,200	155,200	155,200
GENERAL FUND TRANSFERS	—	306,707,974	306,707,974
OPERATING STATE AID - COCHISE	4,690,700	4,690,700	4,690,700

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OPERATING STATE AID - COCONINO	1,698,400	1,698,400	1,698,400
OPERATING STATE AID - GILA	296,300	296,300	296,300
OPERATING STATE AID - GRAHAM	2,338,800	2,338,800	2,338,800
OPERATING STATE AID - MOHAVE	1,138,900	1,138,900	1,138,900
OPERATING STATE AID - NAVAJO	1,554,800	1,554,800	1,554,800
OPERATING STATE AID - PINAL	1,128,300	1,128,300	1,128,300
OPERATING STATE AID - YAVAPAI	585,800	585,800	585,800
OPERATING STATE AID - YUMA LA PAZ	2,384,800	2,384,800	2,384,800
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,273,800	1,273,800	1,273,800
STEM & WORKFORCE PRG STATE AID COCHISE	1,014,500	1,014,500	1,014,500
STEM & WORKFORCE PRG STATE AID COCONINO	397,400	397,400	397,400
STEM & WORKFORCE PRG STATE AID GILA	136,000	136,000	136,000
STEM & WORKFORCE PRG STATE AID GRAHAM	627,600	627,600	627,600
STEM & WORKFORCE PRG STATE AID MARICOPA	—	1,600,000	1,600,000
STEM & WORKFORCE PRG STATE AID MOHAVE	441,900	441,900	441,900
STEM & WORKFORCE PRG STATE AID NAVAJO	334,800	334,800	334,800
STEM & WORKFORCE PRG STATE AID PIMA	—	400,000	400,000
STEM & WORKFORCE PRG STATE AID PINAL	96,500	96,500	96,500
STEM & WORKFORCE PRG STATE AID YAVAPAI	697,500	697,500	697,500
STEM & WRKFORCE PRG STATE AID SANTA CRUZ	23,700	23,700	23,700
STEM & WRKFORCE PRG STATE AID YUMA/LAPAZ	1,024,900	1,024,900	1,024,900
WOOLSEY FLOOD DISTRICT	—	138,433	138,433
GOVERNOR, OFFICE OF THE			
FOSTER YOUTH EDUCATION SUCCESS	1,500,000	1,500,000	1,500,000
OPERATING LUMP <u>SUM</u> APPROP-OSP	3,598,209	3,679,209	2,237,165
OPERATING LUMP SUM APPROPRIATION	8,958,824	9,183,724	5,673,007
HEALTH SERVICES, DEPARTMENT OF			
ADMIN ADJUSTMENT ADULT CYSTIC FIBROSIS	—	26,300	26,300
ADMIN ADJUSTMENT AEA NUCLEAR EMERGENCY MANAGEMENT FUND	—	125,514	125,514
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	—	399,730	399,730
ADMIN ADJUSTMENT AIDS REPORTING AND SURVEILLANCE	—	13,755	13,755
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	—	3,546,757	3,546,757
ADMIN ADJUSTMENT ASH - SEXUALLY VIOLENT PERSONS	—	285,370	285,370
ADMIN ADJUSTMENT ASH-RESTORATION TO COMPETENCY	—	121,079	121,079
ADMIN ADJUSTMENT BREAST AND CERVICAL CANCER SCREENING	—	442,156	442,156
ADMIN ADJUSTMENT COUNTY TUBERCULOSIS PROVIDER CARE - CTL	—	42,445	42,445
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	—	267,563	267,563
ADMIN ADJUSTMENT NON RENAL DISEASE MANAGEMENT	—	168,930	168,930
ADMIN ADJUSTMENT POISON CONTROL CENTER FUNDING	—	504,518	504,518
ADMIN ADJUSTMENT RENAL TRANSPLANT DRUGS	—	91,500	91,500
ADMIN ADJUSTMENT STATE LOAN REPAYMENT PROGRAM	—	235,335	235,335
ADULT CYSTIC FIBROSIS	105,200	105,200	78,900
AEA NUCLEAR EMERGENCY MANAGEMENT FUND	—	789,663	457,221
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	27,397,300	28,133,100	27,423,800
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	988,271
ALZHEIMER DISEASE RESEARCH	125,000	125,000	125,000
ARIZONA STATE HOSPITAL - OPERATING	63,076,700	64,862,899	64,119,028
ARIZONA STATE HOSPITAL FUND REVERSION TO GF	—	208,965	208,965
ASH - SEXUALLY VIOLENT PERSONS	9,710,400	10,010,700	9,936,902
ASH-RESTORATION TO COMPETENCY	900,000	900,000	698,933

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, 2021
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BREAST AND CERVICAL CANCER SCREENING	1,369,400	1,369,400	951,474
CORONAVIRUS DISEASE 2019	39,223,269	39,223,269	16,860,917
COUNTY TUBERCULOSIS PROVIDER CARE - CTL	590,700	590,700	415,731
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,972,608
NON RENAL DISEASE MANAGEMENT	198,000	198,000	132,735
POISON CONTROL CENTER FUNDING	990,000	990,000	656,828
RENAL TRANSPLANT DRUGS	183,000	183,000	137,250
STUDENT LOAN REPAYMENT	—	500,000	403,390
VULNERABLE CAREGIVER WORKSHOPS	84,000	84,000	83,000
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	29,056	29,056
OPERATING LUMP SUM APPROPRIATION	837,200	867,700	852,428
HISTORICAL SOCIETY, ARIZONA			
FIELD SERVICES AND GRANTS	65,900	67,100	67,100
OPERATING LUMP SUM APPROPRIATION	2,501,300	2,571,600	2,571,600
PAPAGO PARK MUSEUM	540,500	556,900	556,900
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION	22,828,939	23,251,439	15,930,427
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING LUMP SUM APPROPRIATION	523,959	523,959	500,000
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,074	1,074
OPERATING LUMP SUM APPROPRIATION	62,900	64,700	60,376
INSURANCE, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	205,547	205,547
MENTAL HEALTH PARITY	—	250,000	72,150
OPERATING LUMP SUM APPROPRIATION	7,644,100	7,840,700	7,815,941
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION	7,216,576	7,317,076	2,744,865
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	225,888	225,888
OPERATING LUMP SUM APPROPRIATION	38,788,200	41,053,100	40,252,856
LAND DEPARTMENT, STATE			
ADMIN ADJUSTMENT DUE DILIGENCE FUND	—	3,085	3,085
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	41,467	41,467
CAP USER FEES	1,796,300	1,796,300	1,700,028
DUE DILIGENCE FUND	500,000	500,000	467,054
NATURAL RESOURCE CONSERVATION DISTRICTS	389,400	389,400	389,400
OPERATING LUMP SUM APPROPRIATION	9,729,700	10,158,100	10,028,996
STREAMBED NAVIGABILITY LITIGATION	220,000	220,000	—
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE	984,533	1,016,433	955,564
OPERATING LUMP SUM APPROPRIATION	21,867,631	22,047,431	6,554,318
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	10,236	10,236
OPERATING LUMP SUM APPROPRIATION	3,331,800	3,498,200	3,493,144
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	194,700	194,700	185,863
ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT	—	4,648	4,648
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	30,091	30,091
OPERATING LUMP SUM APPROPRIATION	1,074,600	1,107,200	934,881

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, 2021
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	468	468
OPERATING LUMP SUM APPROPRIATION	129,000	133,000	125,804
NORTHERN ARIZONA UNIVERSITY			
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	500,300	500,300
NAU - YUMA	3,071,400	3,076,600	3,076,600
OPERATING LUMP SUM APPROPRIATION	89,900,900	90,036,300	90,036,300
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	—	4,879,500	4,879,500
TEACHER TRAINING	2,291,800	2,293,000	2,293,000
PARKS BOARD, ARIZONA STATE			
ADMIN ADJUSTMENT ARIZONA TRAIL	—	40,976	40,976
ADMIN ADJUSTMENT KARTCHNER CAVERNS STATE PARK	—	31,578	31,578
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	151,689	151,689
ADMIN ADJUSTMENT SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	—	258,535	258,535
ADMIN ADJUSTMENT SPRF BUCKSKIN MOUNTAIN STATE PARK CAPITAL IMPROVEMENTS	—	6,101	6,101
FY21 SPRF RIMA SUPPLEMENTAL APPROPRIATION	—	147,100	—
KARTCHNER CAVERNS STATE PARK	2,296,700	2,441,000	2,345,983
OPERATING LUMP SUM APPROPRIATION	13,519,000	14,104,918	14,043,506
SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	396,877	396,877	396,877
POSTSECONDARY EDUCATION, COMMISSION FOR			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	633	633
ARIZONA TEACHER STUDENT LOAN PROGRAM	426,000	426,000	426,000
LEVERAGING EDUCATIONAL ASSISTANCE PRSHP	1,220,800	1,220,800	1,220,800
OPERATING LUMP SUM APPROPRIATION	34,100	34,100	16,247
PUBLIC SAFETY, DEPARTMENT OF			
ACTIC	750,000	750,000	555,877
ADMIN ADJUSTMENT ACTIC	—	2,699	2,699
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE LOCAL SUPPORT	—	36,945	36,945
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING	—	63,765	63,765
ADMIN ADJUSTMENT GIITEM	—	165,173	165,173
ADMIN ADJUSTMENT GIITEM PERSONNEL	—	62,906	62,906
ADMIN ADJUSTMENT GIITEM SUBACCOUNT	—	115,838	115,838
BORDER STRIKE TASK FORCE LOCAL SUPPORT	761,700	761,700	510,019
BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS	500,000	500,000	500,000
BORDER STRIKE TASK FORCE ONGOING	7,916,400	8,623,901	8,257,417
CIVIL AIR PATROL	150,000	150,000	150,000
GIITEM	14,581,900	16,716,300	16,120,972
GIITEM FUND APPROPRIATION	2,011,553	2,011,553	1,028,205
GIITEM IMPACT APPROPRIATION	24,164	24,164	24,164
GIITEM PERSONNEL	10,356,900	10,356,900	10,059,305
GIITEM SUBACCOUNT	2,396,100	2,411,600	1,963,931
IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS	2,301,000	2,301,000	—
MOTOR VEHICLE FUEL	4,384,200	4,384,200	3,053,930
OPERATING LUMP SUM APPROPRIATION	46,101,700	50,295,600	50,295,600
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	—	8,000	8,000
UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY	410,000	410,000	410,000
REAL ESTATE DEPARTMENT, STATE			
OPERATING LUMP SUM APPROPRIATION	2,909,500	2,997,600	2,345,633

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

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STATE OF ARIZONA
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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
REGENTS, ARIZONA BOARD OF			
ADAPTIVE ATHLETICS	160,000	160,000	160,000
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	60	60
ARIZONA TEACHER ACADEMY	15,000,000	15,000,000	14,485,230
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM OPERATING LUMP SUM APPROPRIATION	213,700	213,700	213,700
WASHINGTON, D.C. INTERNSHIPS	2,403,000	2,485,300	2,485,300
WESTERN INTERSTATE COMMISSION OFFICE	300,000	300,000	300,000
WICHE STUDENT SUBSIDIES	153,000	159,000	159,000
	4,078,000	4,072,000	4,072,000
REVENUE, DEPARTMENT OF			
ADMIN ADJUSTMENT BRITS OPERATIONAL SUPPORT	—	72,625	72,625
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	548,710	548,710
ADMIN ADJUSTMENT OUT OF STATE TPT ADMINISTRATION	—	397	397
BRITS OPERATIONAL SUPPORT	7,560,300	7,723,700	7,617,130
INCOME TAX FRAUD PREVENTION	3,150,000	3,150,000	3,149,116
OPERATING LUMP SUM APPROPRIATION	65,230,400	66,825,500	62,453,309
TPT SIMPLIFICATION	984,300	1,020,000	946,469
UNCLAIMED PROPERTY ADMINISTRATION-AUDIT	1,368,800	2,618,800	2,443,399
VETERANS' INCOME TAX SETTLEMENT - ADMIN	—	84,744	58
SCHOOL FACILITIES BOARD			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	11,500	11,500
BUILDING RENEWAL GRANT	107,500,000	107,500,000	107,500,000
NEW SCHOOL CONSTRUCTION	12,980,900	12,980,900	12,980,900
NEW SCHOOL FACILITIES DEBT SERVICE	67,177,800	67,177,800	67,177,800
OPERATING LUMP SUM APPROPRIATION	1,718,500	1,771,100	1,528,889
SECRETARY OF STATE			
ADMIN ADJUSTMENT HELP AMERICA VOTE ACT	—	557,618	557,618
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	782,885	782,885
BUILDING RENOVATION AND CODE COMPLIANCE	102,797	102,797	—
ELECTION SERVICES	4,000,000	4,000,000	3,948,257
ELECTION SYSTEMS IMPROVEMENT FOR COUNTIES	5,043,464	5,043,464	2,720,550
ELECTION SYSTEMS IMPROVEMENT FOR SECRETARY OF STATE	1,338,100	1,338,100	161,465
LIBRARY GRANTS-IN-AID	811,000	811,000	525,214
OPERATING LUMP SUM APPROPRIATION	12,855,200	13,161,000	12,744,918
OTHER HELP AMERICA VOTE ACT PROJECTS	1,817,150	1,817,150	1,216,510
PRESIDENTIAL PREFERENCE ELECTION	5,117,766	5,117,766	4,265,182
STATEWIDE RADIO READING SVC FOR BLIND	97,000	97,000	97,000
UNIFORM STATE LAWS COMMISSION	99,000	99,000	63,600
SENATE			
OPERATING LUMP SUM APPROPRIATION	17,010,399	17,315,399	11,538,526
SUPREME COURT			
ADMIN ADJUSTMENT AUTOMATION	—	7,320	7,320
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	—	159,982	159,982
ADMIN ADJUSTMENT FOSTER CARE REVIEW BOARD	—	2,655	2,655
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	2,722	2,722
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	18,480	18,480
ADULT INTENSIVE PROBATION	9,993,700	9,993,700	9,993,700
ADULT STANDARD PROBATION	16,281,400	16,281,400	16,281,400
AUTOMATION	6,986,700	7,140,500	6,166,034
CENTRALIZED SERVICE PAYMENTS	3,125,200	3,155,600	3,114,873

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

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STATE OF ARIZONA
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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COMMISSION ON JUDICIAL CONDUCT	521,900	537,700	536,188
COUNTY REIMBURSEMENTS	187,900	187,900	183,021
COURT ORDERED REMOVAL	315,000	315,000	315,000
DOMESTIC RELATIONS	640,600	661,600	660,904
DRUG COURT	1,033,100	1,033,100	1,033,100
FOSTER CARE REVIEW BOARD	3,265,100	3,343,800	3,342,417
INTERSTATE COMPACT	381,000	381,000	381,000
JUDGES COMPENSATION	23,811,000	23,970,700	23,799,094
JUDICIAL NOMINATION - PERFORMANCE REVIEW	542,500	553,000	537,622
JUVENILE DIVERSION CONSEQUENCES	8,559,700	8,559,700	8,559,700
JUVENILE FAMILY COUNSELING	500,000	500,000	500,000
JUVENILE INTENSIVE PROBATION	5,635,500	5,635,500	5,635,500
JUVENILE STANDARD PROBATION	3,524,700	3,524,700	3,524,700
JUVENILE TREATMENT SERVICES	20,134,500	20,134,500	20,134,500
MODEL COURT	438,700	438,700	438,700
OPERATING LUMP SUM	4,406,300	4,464,600	4,460,895
OPERATING LUMP SUM APPROPRIATION	12,517,700	12,853,000	12,641,587
SPECIAL WATER MASTER	239,700	244,800	243,191
TAX APPEALS, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	751	751
OPERATING LUMP SUM APPROPRIATION	281,800	292,200	291,875
TOURISM, OFFICE OF			
ARIZONA PROMOTION	1,000,000	1,000,000	1,000,000
TOURISM FUND DEPOSIT	7,114,000	7,235,100	7,235,100
WINE PROMOTION	100,000	100,000	100,000
TRANSPORTATION, DEPARTMENT OF			
CONSTRUCT A BRIDGE & EXTEND OCOTILLO ROAD IN GILBERT - 14	7,900,000	7,900,000	—
CONSTRUCT AN OVERPASS AT RIGGS ROAD & SR 347- 5	25,000,000	25,000,000	—
GF I-10 WIDENING	50,000,000	50,000,000	—
GF PAVEMENT REHABILITATION	90,000,000	90,000,000	—
IMPROVE DRAINAGE ON 67TH AVENUE IN PEORIA - 9	8,500,000	8,500,000	—
IMPROVE HILL STREET CORRIDOR IN GLOBE - 22	1,169,400	1,169,400	—
IMPROVE MAIN STREET IN JEROME - 17	560,000	560,000	—
IMPROVE SR 87 - LOCAL MATCH - 20	750,000	750,000	—
IMPROVE SR 90 NEAR FORT HUACHUCA - 19	10,600,000	10,600,000	—
IMPROVE TANGERINE ROAD NEAR INTERSTATE 10 IN MARANA - 13	5,000,000	5,000,000	—
IMPROVE US RT 95 NEAR YUMA PROVING GR - 2	10,000,000	10,000,000	—
INTERSTATE 10 PROJECTS	907,686	907,686	—
INTERSTATE 10 WIDENING STUDY	9,601,177	9,601,177	478,201
OVERPASS DGN PLAN AT RIGGS, SR 347 - 7	7,500,000	7,500,000	—
REHABILITATE PAVEMENT ALONG SR 77 NEAR ORO VALLEY - 18	13,600,000	13,600,000	—
REPAIR AND MAINTAIN 20TH AVENUE IN SAFFORD - 12	1,032,100	1,032,100	—
REPAIR SR 186 & STATE BUSINESS ROUTE 10 IN WILCOX - 15	3,500,000	3,500,000	—
REPAVE SR 95 IN MOHAVE CTY - 3	46,700,000	46,700,000	—
REPAVE SR69 IN PRESCOTT VALLEY - 1	4,700,000	4,700,000	—
REPLACE BUTTE AVENUE BRIDGE IN FLORENCE - 16	1,000,000	1,000,000	—
STUDY AN OVERPASS AT RIGGS ROAD & SR 347 - 6	2,500,000	2,500,000	—
STUDY AND DESIGN CONCEPT REPORT FOR THE REPAIR OF SR 88 - 11	700,000	700,000	—
STUDY GUARDRAIL - SHOULDER OF SR 377 FROM HOLBROOK TO HEBER	140,000	140,000	—
STUDY RAMPS AT GRAND & SR 303 - 4	150,000	150,000	—
STUDY THE NORTH/SOUTH CORRIDOR IN PINAL COUNTY - 8	4,000,000	4,000,000	—

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

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STATE OF ARIZONA
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GENERAL FUND
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
US ROUTE 95 EXPANSION	27,866,025	27,866,025	1,529,193
WIDEN CAMELBACK RD BETWEEN SR 303 & LITCHFIELD RD IN GOODYEAR	8,000,000	8,000,000	—
TREASURER, STATE			
ADMIN ADJUSTMENT JUSTICE OF THE PEACE SALARIES	—	219,345	219,345
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	423	423
COM COL REIMBURSEMENT ARS 15-1469-01	—	3,658,200	3,658,200
CORPORATE INCOME TAX TRANSFER	—	15,000,000	15,000,000
JUSTICE OF THE PEACE SALARIES	1,205,100	1,205,100	854,674
OPERATING LUMP SUM APPROPRIATION	3,655,200	3,800,700	3,452,258
UNIVERSITY OF ARIZONA			
AGRICULTURE	31,509,469	31,714,369	31,714,369
ARIZONA COOPERATIVE EXTENSION	13,540,231	13,653,431	13,653,431
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	2,556,800	2,556,800
LIVER RESEARCH INSTITUTE	440,400	440,400	440,400
MINING MINERAL AND NATURAL RESOURCES EDUCATIONAL MUSEUM	428,800	428,800	428,800
OPERATING LUMP SUM APPROPRIATION - HSC	35,525,400	35,525,400	35,525,400
OPERATING LUMP SUM APPROPRIATION - MAIN	125,426,100	126,231,800	126,231,800
PHOENIX MEDICAL CAMPUS	30,321,300	30,321,300	30,321,300
RESEARCH INFRASTRUCTURE FACILITIES	—	14,251,500	14,251,500
SIERRA VISTA CAMPUS	4,237,000	4,254,400	4,254,400
TELEMEDICINE NETWORK	1,670,000	1,670,000	1,670,000
VETERANS' SERVICES, DEPARTMENT OF			
ADMIN ADJUSTMENT ARIZONA STATE VETERANS CEMETERIES	—	7,219	7,219
ADMIN ADJUSTMENT AZ VETERAN'S SUICIDE PREVENTION	—	1,149,786	1,149,786
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	10,111	10,111
ARIZONA STATE VETERANS CEMETERIES	931,300	962,900	955,850
ASVH - YUMA CONSTRUCTION	5,219,745	5,219,745	4,793,458
ASVH FLAGSTAFF CONSTRUCTION	5,847,480	5,847,480	5,341,700
AZ VETERAN'S SUICIDE PREVENTION	1,225,500	1,228,400	931,432
AZ VETERAN'S TRAUMA TREATMENT SERVICES	450,000	450,000	—
MILITARY FAMILY RELIEF FUND	15,291	15,291	15,291
OPERATING LUMP SUM APPROPRIATION	2,343,700	2,407,900	2,399,493
VETERANS BENEFIT COUNSELING	2,842,400	2,934,300	2,816,853
VETERANS' INCOME TAX SETTLEMENT	—	84,744	—
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,742,900	1,814,400	1,811,939
ADMIN ADJUSTMENT ASSURED - ADEQUATE WATER SUPPLY ADMIN	—	325	325
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	132,901	132,901
ARIZONA WATER PROTECTION FUND DEPOSIT	250,000	250,000	250,000
ASSURED - ADEQUATE WATER SUPPLY ADMIN	1,726,500	1,798,000	1,797,985
AUTOMATED GROUNDWATER MONITORING	411,800	418,600	301,227
CONSERVATION AND DROUGHT PROGRAM	410,700	427,700	412,082
LOWER COLORADO RIVER LITIGATION EXPENSES	1,484,578	1,484,578	—
OPERATING LUMP SUM APPROPRIATION	8,531,800	8,821,400	8,731,480
RURAL WATER STUDIES	1,164,000	1,201,500	1,163,077
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	\$ 25,755,449,529	\$ 32,292,948,380	\$ 28,885,411,933

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, 2021
 (Expressed in Dollars)

	ORIGINAL BUDGET <u>(Appropriations)</u>	FINAL BUDGET <u>(Appropriations)</u>	ACTUAL EXPENDITURE <u>AMOUNTS</u>
Less:			
General Fund transfers to Department of Education for the Empowerment Scholarship Account. Accounting Staff, Call Center, and Case Managers were duplicate expenditure authorizations.		(800,000)	(637,572)
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	<u>\$ 25,755,449,529</u>	<u>\$ 32,292,148,380</u>	<u>\$ 28,884,774,361</u>

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, 2021
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMIN ADJUSTMENT DRIVER SAFETY & LIVESTOCK CONTROL	\$ —	\$ 156,870	\$ 156,870
ADMIN ADJUSTMENT FLAGSTAFF BUILDING EQUIPMENT	—	48,252	48,252
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	3,671,860	3,671,860
ADMIN ADJUSTMENT PREVENTIVE SURFACE TREATMENTS	—	8,136,185	8,136,185
ADMIN ADJUSTMENT VEHICLE REPLACEMENT	—	144	144
AIRPORT PLANNING AND DEVELOPMENT	97,828,347	97,828,347	14,447,713
ATTORNEY GENERAL LEGAL SERVICES	3,623,700	3,623,700	3,623,700
AUTHORIZED THIRD PARTY	2,020,200	2,088,400	1,816,430
BUILDING RENEWAL	21,996,122	21,996,122	10,942,723
DRIVER SAFETY & LIVESTOCK CONTROL	800,000	800,000	740,133
HIGHWAY DAMAGE RECOVERY ACCOUNT	8,000,000	8,000,000	5,392,335
HIGHWAY MAINTENANCE	160,622,725	163,077,925	140,223,886
INTERSTATE 10 PROJECTS	4,047,953	4,047,953	702,967
INTERSTATE 17 EXPANSION	85,000,000	85,000,000	—
OPERATING LUMP SUM APPROPRIATION	205,265,500	211,853,000	202,424,901
PREVENTIVE SURFACE TREATMENTS	36,142,000	36,142,000	34,400,379
RELIEF	—	121,141	121,141
SELIGMAN AND WILLIAMS MAINTENANCE BLDG	2,299,480	2,299,480	90,985
STATEWIDE HIGHWAY CONSTRUCTION	1,035,795,154	1,035,795,154	139,865,605
VEHICLE REPLACEMENT	15,300,000	15,300,000	13,770,000
WICKENBURG MAINTENANCE BLDG	4,308,682	4,308,682	158,533
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	\$ 1,683,049,863	\$ 1,704,295,215	\$ 580,734,742

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, 2021

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, 2020 that affect available appropriations during fiscal year 2021. The final budget represents any appropriation bills passed during fiscal year 2021 for fiscal year 2021 plus the original budget. Appropriation bills passed after the end of fiscal year 2021 for fiscal year 2021 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):

Uses/outflows of resources	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
	<u> </u>	<u> </u>
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 28,884,774	\$ 580,735
Differences – budget to GAAP:		
Increase (decrease) in unpaid incurred expenditures from fiscal year end 2020 to fiscal year end 2021.	169,615	(251,641)
Decrease in unpaid payroll expenditures from fiscal year end 2020 to fiscal year end 2021. For budgetary reporting, final June 2020 payroll expenditures were charged to fiscal year 2021 budget and final June 2021 payroll expenditures were charged to fiscal year 2022 budget.	(65,717)	—
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,898,414	—
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.	843,993	—
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2021.	6,136,878	3,108,198
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,922,160)	(313,209)
	<u> </u>	<u> </u>
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 35,945,797</u>	<u>\$ 3,124,083</u>

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

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, \$6.5 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 \$21.2 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, 2021

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 9,449 center lane miles (21,532 travel lane miles) of roads and 4,920 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 2021 and beyond was adopted by the Transportation Board on June 16, 2017.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on "programmed" projects which may or may not be spent in the current year of the Program. Programmed expenditures consist of those items that are planned for the future, with contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were programmed for a prior year's Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State's success in achieving condition levels that exceed the established levels.

Roads

The mission of the Arizona Department of Transportation's (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called the "Present Serviceability Rating" (PSR).

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2021

PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State’s highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2021, an overall rating of 3.5 was achieved, as shown in the following graph:

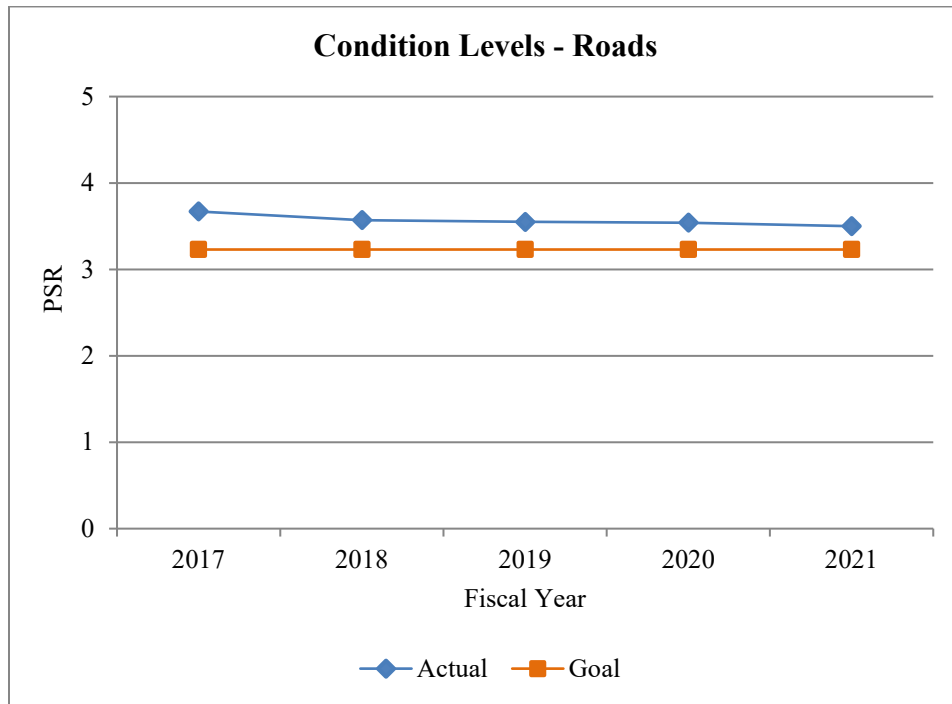


Figure 1

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2021

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 2017 through 2021 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2017	\$322.4	\$186.4
2018	\$375.0	\$218.0
2019	\$364.6	\$231.0
2020	\$509.0	\$294.0
2021	\$371.2	\$209.4

Bridges

The State's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2021, the State owned and maintained 4,920 bridges with an approximate total deck area of 45,977,301 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 were based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges."

In 2015, the FHWA issued new rules which have had the effect of replacing the CRI as the summary statistic for bridge condition. Instead, the various states are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held against states that do not comply with this standard. Management of the bridge inventory is a major function of the State's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. In fiscal year 2021, 0.6% of bridges maintained by the State were classified as Poor.

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2021

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.

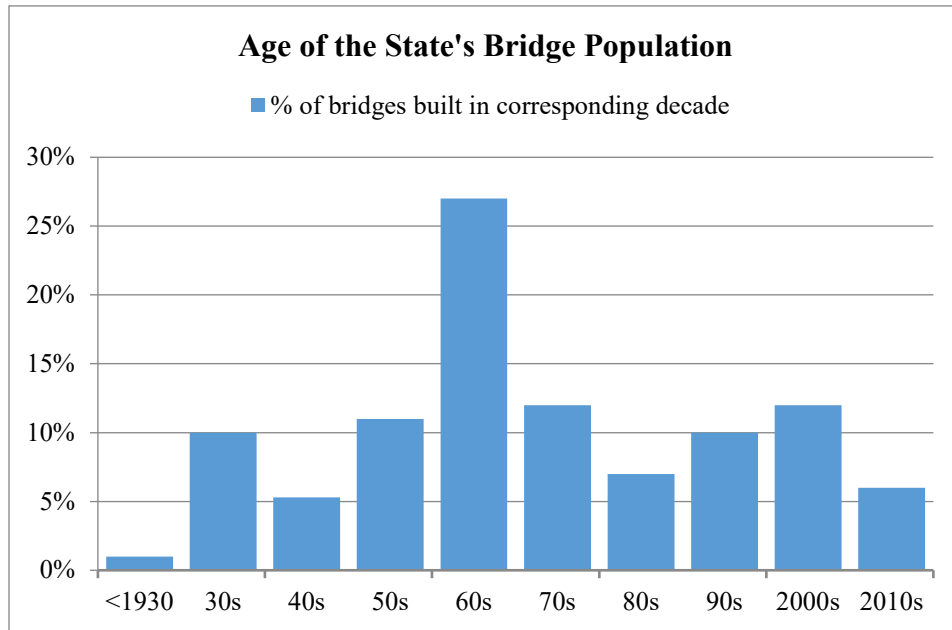


Figure 2

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 2017 through 2021 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2017	\$28.8	\$23.4
2018	\$26.4	\$15.3
2019	\$28.1	\$17.8
2020	\$20.1	\$11.6
2021	\$358.2	\$202.0

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 SEVEN FISCAL YEARS (1)
 JUNE 30, 2021
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
State's proportion of the net pension liability	21.37%	21.75%	21.87%	21.89%	21.75%
State's proportionate share of the net pension liability	\$ 3,702,187	\$ 3,165,539	\$ 3,050,477	\$ 3,410,699	\$ 3,510,533
State's covered payroll	\$ 2,334,153	\$ 2,294,739	\$ 2,175,916	\$ 2,087,717	\$ 2,039,238
State's proportionate share of the net pension liability as a percentage of its covered payroll	158.61%	137.95%	140.19%	163.37%	172.15%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%

(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)	
2016 (2015)	2015 (2014)
21.67%	21.36%
\$ 3,375,283	\$ 3,160,809
\$ 1,999,691	\$ 1,939,038
168.79%	163.01%
68.35%	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 SEVEN FISCAL YEARS (1)
 JUNE 30, 2021
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
State's proportion of the net pension liability	22.35%	17.50%	15.09%	18.61%	18.44%
State's proportionate share of the net pension liability	\$ 152,263	\$ 114,603	\$ 130,335	\$ 226,750	\$ 174,204
State's covered payroll	\$ 15,849	\$ 12,445	\$ 12,256	\$ 10,895	\$ 12,794
State's proportionate share of the net pension liability as a percentage of its covered payroll	960.71%	920.88%	1,063.44%	2,081.23%	1,361.61%
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.36%	19.66%	23.42%

(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 SEVEN FISCAL YEARS (1)
 JUNE 30, 2021
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
State's proportion of the net pension liability	6.74%	7.09%	14.12%	13.99%	13.96%
State's proportionate share of the net pension liability	\$ 45,490	\$ 47,006	\$ 78,268	\$ 170,466	\$ 131,871
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.36%	19.66%	23.42%

(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)	
2016 (2015)	2015 (2014)
18.67%	18.16%
\$ 145,898	\$ 121,797
\$ 12,987	\$ 12,604
1,123.42%	966.34%
28.32%	31.91%

Reporting Fiscal Year (measurement date)	
2016 (2015)	2015 (2014)
19.33%	19.20%
\$ 151,048	\$ 128,776
28.32%	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 SEVEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Total pension liability					
Service cost	\$ 15,941	\$ 14,020	\$ 16,072	\$ 18,914	\$ 14,131
Interest on the total pension liability	89,951	87,353	86,027	79,711	78,000
Changes of benefit terms	—	—	—	10,719	27,674
Differences between expected and actual experience in the measurement of the pension liability	40,453	7,041	(13,749)	17,144	(9,237)
Changes of assumptions or other inputs	—	21,318	—	49,120	35,783
Benefit payments, including refunds of employee contributions	(80,973)	(78,790)	(74,045)	(74,906)	(84,231)
Net change in total pension liability	65,372	50,942	14,305	100,702	62,120
Total pension liability - beginning	1,256,756	1,205,814	1,191,509	1,090,807	1,028,687
Total pension liability - ending (a)	<u>\$ 1,322,128</u>	<u>\$ 1,256,756</u>	<u>\$ 1,205,814</u>	<u>\$ 1,191,509</u>	<u>\$ 1,090,807</u>
Plan fiduciary net position					
Contributions - employer	\$ 78,341	\$ 66,551	\$ 52,147	\$ 61,001	\$ 52,115
Contributions - employee	7,870	6,534	7,271	8,899	9,334
Net investment income	4,862	19,878	24,371	38,483	1,963
Benefit payments, including refunds of employee contributions	(80,973)	(78,790)	(74,045)	(74,906)	(84,231)
Administrative expense	(397)	(346)	(370)	(341)	(283)
Other changes	(5,733)	(70)	785	(103)	545
Net change in plan fiduciary net position	3,970	13,757	10,159	33,033	(20,557)
Plan fiduciary net position - beginning	384,506	370,749	360,590	327,557	348,114
Plan fiduciary net position - ending (b)	<u>\$ 388,476</u>	<u>\$ 384,506</u>	<u>\$ 370,749</u>	<u>\$ 360,590</u>	<u>\$ 327,557</u>
State's net pension liability - ending (a) - (b)	<u>\$ 933,652</u>	<u>\$ 872,250</u>	<u>\$ 835,065</u>	<u>\$ 830,919</u>	<u>\$ 763,250</u>
Plan fiduciary net position as a percentage of the total pension liability	29.38%	30.60%	30.75%	30.26%	30.03%
Covered payroll	\$ 79,538	\$ 72,826	\$ 73,183	\$ 78,246	\$ 68,573
State's net pension liability as a percentage of covered payroll	1,173.84%	1,197.72%	1,141.06%	1,061.93%	1,113.05%

(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)	
2016 (2015)	2015 (2014)
\$ 13,258	\$ 13,111
77,421	66,664
—	23,768
(6,328)	(3,711)
—	107,172
<u>(70,586)</u>	<u>(69,497)</u>
13,765	137,507
<u>1,014,922</u>	<u>877,415</u>
<u>\$ 1,028,687</u>	<u>\$ 1,014,922</u>
\$ 36,889	\$ 31,458
7,857	7,587
12,867	46,223
(70,586)	(69,497)
(317)	(372)
150	393
<u>(13,140)</u>	<u>15,792</u>
<u>361,254</u>	<u>345,462</u>
<u>\$ 348,114</u>	<u>\$ 361,254</u>
<u>\$ 680,573</u>	<u>\$ 653,668</u>
33.84%	35.59%
\$ 66,707	\$ 63,334
1,020.24%	1,032.1%

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 SEVEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Total pension liability					
Service cost	\$ 43,918	\$ 49,392	\$ 51,918	\$ 51,631	\$ 47,529
Interest on the total pension liability	142,184	132,022	136,973	113,227	111,087
Changes of benefit terms	—	—	(102,231)	239,128	2,464
Differences between expected and actual experience in the measurement of the pension liability	92,179	46,513	(72,298)	(11,373)	(36,180)
Changes of assumptions or other inputs	—	47,333	—	46,154	58,949
Benefit payments, including refunds of employee contributions	(105,912)	(106,366)	(103,053)	(92,181)	(90,460)
Net change in total pension liability	172,369	168,894	(88,691)	346,586	93,389
Total pension liability - beginning	1,956,764	1,787,870	1,876,561	1,529,975	1,436,586
Total pension liability - ending (a)	<u>\$ 2,129,133</u>	<u>\$ 1,956,764</u>	<u>\$ 1,787,870</u>	<u>\$ 1,876,561</u>	<u>\$ 1,529,975</u>
Plan fiduciary net position					
Contributions - employer	\$ 85,686	\$ 86,153	\$ 66,030	\$ 62,909	\$ 60,984
Contributions - employee	23,530	24,672	27,055	28,539	27,824
Net investment income	27,261	52,159	63,503	94,033	4,831
Benefit payments, including refunds of employee contributions	(105,912)	(106,366)	(103,053)	(92,181)	(90,460)
Administrative expense	(1,055)	(932)	(961)	(823)	(683)
Other changes	(1,209)	(210)	232	(388)	(340)
Net change in plan fiduciary net position	28,301	55,476	52,806	92,089	2,156
Plan fiduciary net position - beginning	991,455	935,979	883,173	791,084	788,928
Plan fiduciary net position - ending (b)	<u>\$ 1,019,756</u>	<u>\$ 991,455</u>	<u>\$ 935,979</u>	<u>\$ 883,173</u>	<u>\$ 791,084</u>
State's net pension liability - ending (a) - (b)	<u>\$ 1,109,377</u>	<u>\$ 965,309</u>	<u>\$ 851,891</u>	<u>\$ 993,388</u>	<u>\$ 738,891</u>
Plan fiduciary net position as a percentage of the total pension liability	47.90%	50.67%	52.35%	47.06%	51.71%
Covered payroll	\$ 311,215	\$ 302,577	\$ 316,996	\$ 335,694	\$ 330,538
State's net pension liability as a percentage of covered payroll	356.47%	319.03%	268.74%	295.92%	223.54%

(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)	
2016 (2015)	2015 (2014)
\$ 47,131	\$ 48,061
108,123	92,486
—	21,354
(30,179)	(3,818)
—	125,557
<u>(84,586)</u>	<u>(83,365)</u>
40,489	200,275
<u>1,396,097</u>	<u>1,195,822</u>
<u>\$ 1,436,586</u>	<u>\$ 1,396,097</u>
\$ 43,105	\$ 40,166
27,734	27,722
28,414	96,216
(84,586)	(83,365)
(704)	(757)
<u>(1,040)</u>	<u>(446)</u>
12,923	79,536
<u>776,005</u>	<u>696,469</u>
<u>\$ 788,928</u>	<u>\$ 776,005</u>
<u>\$ 647,658</u>	<u>\$ 620,092</u>
54.92%	55.58%
\$ 327,798	\$ 326,819
197.58%	189.74%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
 FOR THE LAST EIGHT FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 280,537	\$ 267,061	\$ 256,422	\$ 236,938	\$ 224,788
State's contributions in relation to the statutorily required contribution	280,537	267,061	256,422	236,938	224,788
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 2,410,709	\$ 2,334,153	\$ 2,294,739	\$ 2,175,916	\$ 2,087,717
State's contributions as a percentage of covered payroll	11.64%	11.44%	11.17%	10.89%	10.77%

(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.

Fiscal Year		
2016	2015	2014
\$ 220,982	\$ 217,388	\$ 206,040
220,982	217,388	206,040
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
10.84%	10.87%	10.63%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ELECTED OFFICIALS' RETIREMENT PLAN
 FOR THE LAST EIGHT FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Statutorily required contribution (2)	\$ 12,249	\$ 10,413	\$ 8,261	\$ 3,564	\$ 3,389
State's contributions in relation to the statutorily required contribution (2)	12,249	10,413	8,261	3,564	3,389
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 17,727	\$ 15,849	\$ 12,445	\$ 12,256	\$ 10,895
State's contributions as a percentage of covered payroll	69.10%	65.70%	66.38%	29.08%	31.11%

- (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 EIGHT FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Statutorily required contribution (2)	\$ 3,647	\$ 3,883	\$ 4,125	\$ 4,115	\$ 4,171
State's contributions in relation to the statutorily required contribution (2)	3,647	3,883	4,125	4,115	4,171
State's contribution deficiency (excess)	<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.

Fiscal Year		
2016	2015	2014
\$ 3,805	\$ 3,928	\$ 3,870
3,805	3,928	3,870
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 12,794	\$ 12,987	\$ 12,604
29.74%	30.25%	30.70%

Fiscal Year		
2016	2015	2014
\$ 4,078	\$ 4,066	\$ 4,092
4,078	4,066	4,092
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
PSPRS DEPARTMENT OF PUBLIC SAFETY
 FOR THE LAST EIGHT FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017, as restated
Actuarially determined contribution (2)	\$ 80,872	\$ 78,001	\$ 66,224	\$ 63,709	\$ 61,001
State's contributions in relation to the actuarially determined contribution (2,3)	580,872	78,001	66,224	63,709	61,001
State's contribution deficiency (excess)	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll (2)	\$ 78,697	\$ 79,538	\$ 72,826	\$ 73,183	\$ 78,246
State's contributions as a percentage of covered payroll	738.11%	98.07%	90.93%	87.05%	77.96%

- (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.
- (3) As part of a one-time appropriation, the State contributed \$500,000 in fiscal year 2021 to reduce the unfunded accrued liability.

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 EIGHT FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 99,307	\$ 85,616	\$ 85,872	\$ 66,031	\$ 62,909
State's contributions in relation to the actuarially determined contribution (2)	599,307	85,616	85,872	66,031	62,909
State's contribution deficiency (excess)	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll (2)	\$ 323,265	\$ 311,215	\$ 302,577	\$ 316,996	\$ 335,694
State's contributions as a percentage of covered payroll	185.39%	27.51%	28.38%	20.83%	18.74%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) As part of a one-time appropriation, the State contributed \$500,000 in fiscal year 2021 to reduce the unfunded accrued liability.

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

Fiscal Year

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 52,115	\$ 36,889	\$ 31,458
52,115	36,889	31,458
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 68,573	\$ 66,707	\$ 63,334
76.00%	55.30%	49.67%

Fiscal Year

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 60,984	\$ 43,105	\$ 40,166
60,984	43,105	40,166
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 330,538	\$ 327,798	\$ 326,819
18.45%	13.15%	12.29%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
 JUNE 30, 2021

A. ACTUARIALY 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 PSPRS (Tier 3) members: Level dollar, closed
Remaining amortization period, as of the 2019 actuarial valuation	PSPRS (Tiers 1 & 2) members and CORP members: 17 years 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 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: In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. 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. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period July 1, 2011 - June 30, 2016. In the 2012 valuation, the experience study covered the period July 1, 2006 – June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables, with 75% of MP-2018 fully generational projection scales. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

B. FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS, CORP, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS and CORP required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes increased the PSPRS and CORP required contributions beginning in fiscal year

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
JUNE 30, 2021

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.

In fiscal year 2021 (measurement date 2019), mortality tables were updated for EORP to the PubG-2010 tables with future mortality improvements each year using scale MP-2018. Withdrawal, disability and retirement assumptions were updated, and the assumption regarding future cost of living increases for Tier 1 members were increased. Also, the investment rate of return was decreased from 7.4% to 7.3%.

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 FOUR FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2021
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability				
Service cost	\$ 110,377	\$ 81,670	\$ 62,281	\$ 87,252
Interest on the total OPEB liability	42,795	36,500	32,074	32,182
Changes of benefit terms	—	—	—	(83,199)
Differences between expected and actual experience in the measurement of the OPEB liability	—	36,896	—	(30,663)
Changes of assumptions or other inputs	181,214	268,793	(39,410)	(273,577)
Benefit payments	<u>(28,707)</u>	<u>(28,100)</u>	<u>(26,183)</u>	<u>(28,848)</u>
Net changes	305,679	395,759	28,762	(296,853)
Total OPEB liability - beginning	<u>1,271,284</u>	<u>875,525</u>	<u>846,763</u>	<u>1,143,616</u>
Total OPEB liability - ending (2)	<u>\$ 1,576,963</u>	<u>\$ 1,271,284</u>	<u>\$ 875,525</u>	<u>\$ 846,763</u>
Covered-employee payroll	\$ 3,668,137	\$ 3,571,920	\$ 3,270,734	\$ 3,184,746
Total OPEB liability as a percentage of covered-employee payroll	42.99%	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

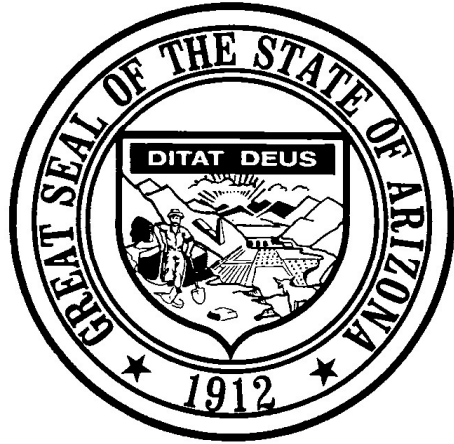
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	\$ 6,768	\$ —	\$ —	\$ 6,768
Cash and pooled investments with State Treasurer	1,522,859	12,339	—	1,535,198
Collateral investment pool	11,564	—	—	11,564
Receivables, net of allowances:				
Taxes	115,725	—	—	115,725
Other	45,352	—	—	45,352
Due from U.S. Government	33,573	—	—	33,573
Due from other funds	311,598	799,371	—	1,110,969
Custodial securities in safekeeping	114,643	—	—	114,643
Inventories, at cost	720	—	—	720
Restricted assets:				
Cash and pooled investments with State Treasurer	328,237	3,147	3,592	334,976
Cash held by trustee	—	55,025	—	55,025
Other	8	—	—	8
Total Assets	\$ 2,491,047	\$ 869,882	\$ 3,592	\$ 3,364,521
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 42,523	\$ —	\$ —	\$ 42,523
Accrued liabilities	68,600	—	—	68,600
Obligations under securities loan agreements	11,564	—	—	11,564
Due to U.S. Government	14,598	—	—	14,598
Due to local governments	388,325	—	—	388,325
Due to others	127,710	—	—	127,710
Due to other funds	23,282	—	—	23,282
Unearned revenue	6,115	—	—	6,115
Total Liabilities	682,717	—	—	682,717
Deferred Inflows of Resources:				
Unavailable revenue	405	—	—	405
Fund Balances:				
Nonspendable	720	—	—	720
Restricted	596,631	869,882	3,592	1,470,105
Committed	1,210,574	—	—	1,210,574
Total Fund Balances	1,807,925	869,882	3,592	2,681,399
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,491,047	\$ 869,882	\$ 3,592	\$ 3,364,521

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	\$ 860,503	\$ —	\$ —	\$ 860,503
Tobacco	238,158	—	—	238,158
Motor vehicle and fuel	218,398	—	—	218,398
Other	111,582	—	—	111,582
Intergovernmental	288,742	—	—	288,742
Licenses, fees, and permits	377,232	—	—	377,232
Hospital and nursing facility assessments	537,236	—	—	537,236
Earnings on investments	98,270	2,589	10	100,869
Sales and charges for services	46,677	—	—	46,677
Fines, forfeitures, and penalties	142,732	—	—	142,732
Gaming	139,176	—	—	139,176
Other	38,281	23	—	38,304
Total Revenues	<u>3,096,987</u>	<u>2,612</u>	<u>10</u>	<u>3,099,609</u>
EXPENDITURES				
Current:				
General government	155,110	4,351	—	159,461
Health and welfare	1,012,841	—	—	1,012,841
Inspection and regulation	156,408	—	—	156,408
Education	1,108,372	—	—	1,108,372
Protection and safety	326,957	—	—	326,957
Transportation	—	—	2,763	2,763
Natural resources	166,963	—	—	166,963
Intergovernmental revenue sharing	9,713	—	—	9,713
Debt service:				
Principal	800	316,935	—	317,735
Interest and other fiscal charges	601	132,005	—	132,606
Capital outlay	32,443	—	—	32,443
Total Expenditures	<u>2,970,208</u>	<u>453,291</u>	<u>2,763</u>	<u>3,426,262</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>126,779</u>	<u>(450,679)</u>	<u>(2,753)</u>	<u>(326,653)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	335,381	1,248,773	—	1,584,154
Transfers out	(174,551)	—	—	(174,551)
Total Other Financing Sources (Uses)	<u>160,830</u>	<u>1,248,773</u>	<u>—</u>	<u>1,409,603</u>
Net Change in Fund Balances	287,609	798,094	(2,753)	1,082,950
Fund Balances - Beginning, as restated	1,520,316	71,788	6,345	1,598,449
Fund Balances - Ending	<u>\$ 1,807,925</u>	<u>\$ 869,882</u>	<u>\$ 3,592</u>	<u>\$ 2,681,399</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, 2021
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	\$ 4,760	\$ —	\$ 1,963	\$ —	\$ —	\$ 15
Cash and pooled investments with State Treasurer	231,415	68,344	282,239	22,718	151,811	230,139
Collateral investment pool	—	—	—	11,564	—	—
Receivables, net of allowances:						
Taxes	5,494	262	7,552	14,962	—	—
Other	1	835	14,755	—	7	6,317
Due from U.S. Government	—	—	33,573	—	—	—
Due from other funds	10,839	6,978	2,804	9,055	1,139	—
Custodial securities in safekeeping	—	114,643	—	—	—	—
Inventories, at cost	720	—	—	—	—	—
Restricted assets:						
Cash and pooled investments with State Treasurer	—	—	2,705	325,532	—	—
Other	—	—	—	8	—	—
Total Assets	<u>\$ 253,229</u>	<u>\$ 191,062</u>	<u>\$ 345,591</u>	<u>\$ 383,839</u>	<u>\$ 152,957</u>	<u>\$ 236,471</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 14,459	\$ 6,240	\$ 7,105	\$ 1,208	\$ 1,525	\$ 3,810
Accrued liabilities	3,092	293	62,574	171	407	1,150
Obligations under securities loan agreements	—	—	—	11,564	—	—
Due to U.S. Government	14,598	—	—	—	—	—
Due to local governments	—	2,530	—	—	402	—
Due to others	—	114,681	1,961	10,667	17	384
Due to other funds	27	74	5,317	17,222	173	264
Unearned revenue	—	—	2,359	—	—	723
Total Liabilities	<u>32,176</u>	<u>123,818</u>	<u>79,316</u>	<u>40,832</u>	<u>2,524</u>	<u>6,331</u>
Deferred Inflows of Resources:						
Unavailable revenue	—	—	405	—	—	—
Fund Balances:						
Nonspendable	720	—	—	—	—	—
Restricted	12,308	—	59,775	343,007	—	7,021
Committed	208,025	67,244	206,095	—	150,433	223,119
Total Fund Balances	<u>221,053</u>	<u>67,244</u>	<u>265,870</u>	<u>343,007</u>	<u>150,433</u>	<u>230,140</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 253,229</u>	<u>\$ 191,062</u>	<u>\$ 345,591</u>	<u>\$ 383,839</u>	<u>\$ 152,957</u>	<u>\$ 236,471</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,768
88,124	21,930	82,509	293,793	21,401	28,436	1,522,859
—	—	—	—	—	—	11,564
—	—	—	87,455	—	—	115,725
3,103	—	—	20,332	—	2	45,352
—	—	—	—	—	—	33,573
2,025	1,394	312	117,052	160,000	—	311,598
—	—	—	—	—	—	114,643
—	—	—	—	—	—	720
—	—	—	—	—	—	328,237
—	—	—	—	—	—	8
<u>\$ 93,282</u>	<u>\$ 23,324</u>	<u>\$ 82,821</u>	<u>\$ 518,632</u>	<u>\$ 181,401</u>	<u>\$ 28,438</u>	<u>\$ 2,491,047</u>

\$ 118	\$ 2,146	\$ 3,783	\$ 2,077	\$ —	\$ 52	\$ 42,523
701	70	66	43	24	9	68,600
—	—	—	—	—	—	11,564
—	—	—	—	—	—	14,598
—	—	—	385,393	—	—	388,325
—	—	—	—	—	—	127,710
205	—	—	—	—	—	23,282
3,033	—	—	—	—	—	6,115
<u>4,057</u>	<u>2,216</u>	<u>3,849</u>	<u>387,513</u>	<u>24</u>	<u>61</u>	<u>682,717</u>
—	—	—	—	—	—	405
—	—	—	—	—	—	720
15,024	—	—	131,119	—	28,377	596,631
74,201	21,108	78,972	—	181,377	—	1,210,574
<u>89,225</u>	<u>21,108</u>	<u>78,972</u>	<u>131,119</u>	<u>181,377</u>	<u>28,377</u>	<u>1,807,925</u>
<u>\$ 93,282</u>	<u>\$ 23,324</u>	<u>\$ 82,821</u>	<u>\$ 518,632</u>	<u>\$ 181,401</u>	<u>\$ 28,438</u>	<u>\$ 2,491,047</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, 2021
(Expressed in Thousands)

	SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	\$ 18,886	\$ 875	\$ 3,019	\$ —	\$ —	\$ —
Tobacco	7,330	—	7,294	223,534	—	—
Motor vehicle and fuel	168,594	36,039	2,931	—	—	—
Other	77,082	1,800	—	—	—	32,700
Intergovernmental	28,164	122	220,739	280	1,223	119
Licenses, fees, and permits	27,305	69,510	33,417	—	27,830	151,256
Hospital and nursing facility assessments	—	—	537,236	—	—	—
Earnings on investments	296	339	177	1,932	300	272
Sales and charges for services	21,489	—	917	—	780	3,722
Fines, forfeitures, and penalties	53,391	515	6,105	—	74,710	1,406
Gaming	—	—	31,080	—	—	37,056
Other	3,489	317	6,579	224	639	1,238
Total Revenues	<u>406,026</u>	<u>109,517</u>	<u>849,494</u>	<u>225,970</u>	<u>105,482</u>	<u>227,769</u>
EXPENDITURES						
Current:						
General government	32,067	1,285	4,168	632	75,302	2,458
Health and welfare	—	125,053	778,408	97,306	—	12,074
Inspection and regulation	1,219	1,414	—	—	—	153,774
Education	—	—	—	140,035	—	—
Protection and safety	326,950	—	—	—	—	7
Natural resources	63,384	454	—	—	—	—
Intergovernmental revenue sharing	—	9,713	—	—	—	—
Debt service:						
Principal	—	—	—	—	—	—
Interest and other fiscal charges	—	—	—	—	—	—
Capital outlay	23,513	854	3,324	—	167	336
Total Expenditures	<u>447,133</u>	<u>138,773</u>	<u>785,900</u>	<u>237,973</u>	<u>75,469</u>	<u>168,649</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(41,107)</u>	<u>(29,256)</u>	<u>63,594</u>	<u>(12,003)</u>	<u>30,013</u>	<u>59,120</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	108,624	15,010	18,175	1,654	7,773	7,008
Transfers out	(77,536)	(2,962)	(48,432)	(1,536)	(4,973)	(30,015)
Total Other Financing Sources (Uses)	<u>31,088</u>	<u>12,048</u>	<u>(30,257)</u>	<u>118</u>	<u>2,800</u>	<u>(23,007)</u>
Net Change in Fund Balances	<u>(10,019)</u>	<u>(17,208)</u>	<u>33,337</u>	<u>(11,885)</u>	<u>32,813</u>	<u>36,113</u>
Fund Balances - Beginning	<u>231,072</u>	<u>84,452</u>	<u>232,533</u>	<u>354,892</u>	<u>117,620</u>	<u>194,027</u>
Fund Balances - Ending	<u>\$ 221,053</u>	<u>\$ 67,244</u>	<u>\$ 265,870</u>	<u>\$ 343,007</u>	<u>\$ 150,433</u>	<u>\$ 230,140</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ —	\$ —	\$ —	\$ 837,723	\$ —	\$ —	\$ 860,503
—	—	—	—	—	—	238,158
1,046	9,613	—	175	—	—	218,398
—	—	—	—	—	—	111,582
34,764	—	2,298	1,033	—	—	288,742
46,833	2,334	9,775	3,500	5,472	—	377,232
—	—	—	—	—	—	537,236
692	85	274	93,808	95	—	98,270
2,559	—	215	16,995	—	—	46,677
208	—	16	—	—	6,381	142,732
8,880	—	—	62,160	—	—	139,176
2,290	306	18,661	2,088	2,248	202	38,281
97,272	12,338	31,239	1,017,482	7,815	6,583	3,096,987
(10)	—	32,805	362	—	6,041	155,110
—	—	—	—	—	—	1,012,841
—	—	1	—	—	—	156,408
—	—	—	968,337	—	—	1,108,372
—	—	—	—	—	—	326,957
84,764	9,311	—	—	9,050	—	166,963
—	—	—	—	—	—	9,713
800	—	—	—	—	—	800
601	—	—	—	—	—	601
3,555	632	62	—	—	—	32,443
89,710	9,943	32,868	968,699	9,050	6,041	2,970,208
7,562	2,395	(1,629)	48,783	(1,235)	542	126,779
10,150	—	98	6,499	160,390	—	335,381
(7,106)	(238)	(435)	(149)	(1,169)	—	(174,551)
3,044	(238)	(337)	6,350	159,221	—	160,830
10,606	2,157	(1,966)	55,133	157,986	542	287,609
78,619	18,951	80,938	75,986	23,391	27,835	1,520,316
\$ 89,225	\$ 21,108	\$ 78,972	\$ 131,119	\$ 181,377	\$ 28,377	\$ 1,807,925

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	\$ 17,346	\$ 13,024
OPERATING LUMP SUM APPROPRIATION	2,098,500	1,839,895
ACUPUNCTURE BOARD OF EXAMINERS		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,865	1,865
OPERATING LUMP SUM APPROPRIATION	180,700	167,122
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	28,351	28,351
OPERATING LUMP SUM APPROPRIATION	1,520,300	735,218
AGRICULTURE, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	57,302	57,302
OPERATING LUMP SUM APPROPRIATION	1,499,100	1,496,089
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
ACA ADULT EXPANSION	85,810,900	82,274,443
ADMIN ADJUSTMENT ACA ADULT EXPANSION	310	310
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	2,435	2,435
ALTCS SERVICES	138,688,692	119,364,126
CRISIS SERVICES	2,250,200	2,250,200
PROPOSITION 204 SERVICES	404,486,300	389,706,688
TRADITIONAL MEDICAID SERVICES	65,627,200	65,627,200
ATHLETIC TRAINING, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,094	1,094
OPERATING LUMP SUM APPROPRIATION	130,500	120,065
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMIN ADJUSTMENT CASE MANAGEMENT SYSTEM UPGRADE	45,126	45,126
ADMIN ADJUSTMENT FEDERALISM UNIT	38,718	38,718
ADMIN ADJUSTMENT FIRST RESPONDER PERSONNEL MENTAL HEALTH SERVICES	100,000	100,000
ADMIN ADJUSTMENT GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	46,377	46,377
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	556,205	556,205
ADMIN ADJUSTMENT PEACE OFFICE EQUIPMENT GRANT	2,493,000	2,493,000
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	10,595	10,595
ADMIN ADJUSTMENT TOBACCO ENFORCEMENT	4,219	4,219
ADMIN ADJUSTMENT VICTIMS RIGHTS	9,884	9,884
ADMIN ADJUSTMENT VOTER FRAUD UNIT	13,846	13,846
CRIMINAL DIVISION OPERATING	950,000	947,247
FEDERALISM UNIT	1,048,900	820,355
GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	1,252,000	899,832
GRANTS FOR OPIOID EDUCATION AND PREVENTION EFFORTS	69,343	31,580
OPERATING LUMP SUM APPROPRIATION	13,328,700	12,802,977
PAD NATIONAL MORTGAGE SETTLEMENT	15,416,711	853,799
SOUTHERN ARIZONA DRUG ENFORCEMENT	319,000	301,204
TOBACCO ENFORCEMENT	745,900	—
VICTIMS RIGHTS	3,783,300	2,466,889
VOTER FRAUD UNIT	530,000	482,482
AUTOMOBILE THEFT AUTHORITY		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	356	356
BARBERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	13,081	13,081
OPERATING LUMP SUM APPROPRIATION	419,200	384,608
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	8,242	8,242
OPERATING LUMP SUM APPROPRIATION	1,818,200	1,718,711

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CHILD SAFETY, DEPARTMENT OF		
ADMIN ADJUSTMENT DCS - CASEWORKERS	59,064	59,064
DCS - CASEWORKERS	217,000	—
DCS IN-HOME MITIGATION	1,459,300	—
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	450,600	425,539
CONTRACTORS, REGISTRAR OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	14,780	14,780
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	375,542
OPERATING LUMP SUM APPROPRIATION	11,672,400	10,296,058
CORPORATION COMMISSION		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	344,669	344,669
ANNUAL REVERSION	18,006,277	18,006,277
CORPORATION FILINGS, SAME DAY SERVICE	417,700	360,818
INVESTIGATE-PROSECUTE SECUR FRD	26,509	—
OPERATING LUMP SUM APPROPRIATION	27,142,700	24,922,767
UTILITY AUDIT STUDY INVEST HEAR	1,140,000	619,950
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	6,584	6,584
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	29,058	29,058
CASH TRANSFER TO BUILDING RENEWAL FUND	2,500,000	2,500,000
COMMUNITY CORRECTIONS	305,500	17,830
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	4,000,000
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	8,000,000	1,870,557
OPERATING LUMP SUM APPROPRIATION	7,092,100	3,616,820
PRIVATE PRISON PER DIEM	27,311,500	27,238,043
COSMETOLOGY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	79,406	79,406
ANNUAL LEAVE PAYOUT	68,400	12,391
OPERATING LUMP SUM APPROPRIATION	1,897,400	1,703,535
CRIMINAL JUSTICE COMMISSION, ARIZONA		
CRIMINAL HISTORY REPOSITORY UPGRADE	1,698,856	553,319
OPERATING LUMP SUM APPROPRIATION	1,292,700	1,112,367
STATE AID TO COUNTY ATTORNEYS	973,700	685,958
VICTIM COMPENSATION - ASSISTANCE	4,229,900	2,621,199
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	358,940	358,940
ADMIN ADJUSTMENT SUPPORT SERVICES FOR THE DEAF-BLIND	1,081	1,081
INTERPRETER CERT AND LICENSURE	248,992	—
OPERATING LUMP SUM APPROPRIATION	4,493,900	3,547,265
SUPPORT SERVICES FOR THE DEAF-BLIND	192,000	521
DENTAL EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	23,822	23,822
OPERATING LUMP SUM APPROPRIATION	1,261,200	1,194,355
ECONOMIC SECURITY, DEPARTMENT OF		
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	3,923	3,923
ADMIN ADJUSTMENT DDD COST EFFECTIVENESS STUDY	1,212,610	1,212,610
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	251,908	251,908
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	662,708	662,708
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SERVICES	30,798	30,798
ADMIN ADJUSTMENT JOBS	265,380	265,380
ADMIN ADJUSTMENT REHABILITATION SERVICES	82,913	82,913
ATTORNEY GENERAL LEGAL SERVICES	98,000	2,440

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DDD COST EFFECTIVENESS STUDY	1,220,000	—
DES OPERATING LUMP SUM	3,006,799	2,182,666
DOMESTIC VIOLENCE PREVENTION	4,100,000	2,447,010
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	637,262
JOBS	1,110,900	—
REHABILITATION SERVICES	654,700	475,007
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY-SCHOOL SAFETY – PROP 301	27,807,331	—
ACHIEVEMENT TESTING - PROP 301	25,406,550	7,700,413
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	700,088	207,260
CLASSROOM SITE FUND	602,511,600	—
FAILING SCHOOL TUTORING-PROP 301	4,121,553	553,649
INSTRUCTIONAL IMPROVEMENT FUND	48,765,400	—
OPERATING LUMP SUM APPROPRIATION - ADMIN	4,405,400	82,048
SCHOOL SAFETY PROGRAM	7,800,000	—
TEACHER CERTIFICATION	2,283,000	1,766,378
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	648,324	648,324
ADMIN ADJUSTMENT SAFE DRINKING WATER PROGRAM	11,065	11,065
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	24,100,000	23,729,229
EV WATER QUALITY FEE FUND DEPOSIT	1,500,000	1,500,000
OPERATING LUMP SUM APPROPRIATION	30,794,900	24,447,583
SAFE DRINKING WATER PROGRAM	1,854,700	1,807,043
SWEEPS	90,436	90,436
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMIN ADJUSTMENT RETIREMENT PAYOUT	8,782	8,782
OPERATING LUMP SUM APPROPRIATION	401,100	362,289
GAME AND FISH DEPARTMENT, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	405,018	405,018
BUILDING RENEWAL	1,239,583	889,793
DAM MAINTENANCE	100,000	—
HATCHERY MAINTENANCE CIP FUND	1,794	172
OPERATING LUMP SUM APPROPRIATION	43,012,400	37,965,216
PITTMAN-ROBERTSON-DINGELL-JOHNSON ACT	3,058,000	3,058,000
PROPERTY MAINTENANCE	634	—
SWEEPS	39,571	39,571
GAMING, DEPARTMENT OF		
ADMIN ADJUSTMENT CASINO OPERATION CERTIFICATION	946	946
ADMIN ADJUSTMENT DIVISION OF RACING - LUMP SUM	1,222	1,222
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	58,537	58,537
ADMIN ADJUSTMENT PROBLEM GAMBLING	57,603	57,603
ARIZONA BREEDERS AWARD	250,000	250,000
CASINO OPERATION CERTIFICATION	2,176,500	2,167,988
DIVISION OF RACING - LUMP SUM	2,318,300	1,533,570
OPERATING LUMP SUM APPROPRIATION	9,199,199	7,177,688
PROBLEM GAMBLING	2,344,300	1,619,453
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	105,959	105,959
ADMIN ADJUSTMENT EMERGENCY MEDICAL SERVICES LOCAL ALLOCATION	19,418	19,418
ADMIN ADJUSTMENT FOLIC ACID	31,027	31,027

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	43,321	43,321
ADMIN ADJUSTMENT HOMELESS PREGNANT WOMEN SERVICES	21,480	21,480
ADMIN ADJUSTMENT NURSING CARE SPECIAL PROJECTS	17,120	17,120
ADMIN ADJUSTMENT RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	150,000	150,000
ADMIN ADJUSTMENT STATE LOAN REPAYMENT PROGRAM	80,130	80,130
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	22,744,900	19,736,134
ALZHEIMER DISEASE RESEARCH	1,000,000	1,000,000
ARIZONA STATE HOSPITAL - OPERATING	310,000	310,000
BIOMEDICAL RESEARCH SUPPORT	2,000,000	1,500,625
EMERGENCY MEDICAL SERVICES LOCAL ALLOCATION	442,000	327,812
FOLIC ACID	400,000	369,585
GENOMICS-BASED MEDICAL RESEARCH	2,500	—
HIGH RISK PERINATAL SERVICES	450,000	281,938
HOMELESS PREGNANT WOMEN SERVICES	100,000	49,980
NEWBORN SCREENING PROGRAM	7,308,400	6,645,604
NURSING CARE SPECIAL PROJECTS	100,000	51,243
OPIOID ABUSE PREVENTION CAMPAIGN	24,829	—
RADIATION REGULATION	2,360,200	2,332,596
RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	300,000	225,000
STATE LOAN REPAYMENT PROGRAM	1,000,000	846,083
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	436	436
OPERATING LUMP SUM APPROPRIATION	46,600	38,489
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	332,500	332,500
INDUSTRIAL COMMISSION OF ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	166,653	166,653
OPERATING LUMP SUM APPROPRIATION	20,593,100	19,616,362
RELIEF	15,276	15,276
INSURANCE, DEPARTMENT OF		
ADMIN ADJUSTMENT BDA - OPERATING LUMP SUM APPROPRIATION	23,034	23,034
ARIZONA VEHICLE THEFT TASK FORCE	3,650,000	3,650,000
LOCAL GRANTS	957,700	956,922
OPERATING LUMP SUM APPROPRIATION	4,880,000	4,754,154
REIMBURSABLE PROGRAMS	50,000	—
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	14,828	14,828
OPERATING LUMP SUM APPROPRIATION	546,200	523,469
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	230,600	162,190
NRCED CENTERS	30,000	30,000
LEGISLATIVE COUNCIL		
TELECOMMUNICATION FUND FOR THE DEAF	250,000	—
MESSAGE THERAPY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	5,712	5,712
OPERATING LUMP SUM APPROPRIATION	486,100	470,588
MEDICAL EXAMINERS BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	145,013	145,013
MEDICAL BOARD LICENSURE COMPACT	50,000	—
OPERATING LUMP SUM APPROPRIATION	7,062,100	6,601,780
PERFORMANCE BASED INCENTIVE PROGRAM	165,600	147,758
MINE INSPECTOR, STATE		
ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION	1,692	1,692

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
AGGREGATE MINED LAND RECLAMATION	112,900	38,490
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	11,539	11,539
OPERATING LUMP SUM APPROPRIATION	197,600	149,935
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA		
OPERATING LUMP SUM APPROPRIATION	200,000	—
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	15,770	15,770
OPERATING LUMP SUM APPROPRIATION	470,400	462,499
NURSING, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	21,179	21,179
CERTIFIED NURSING PROGRAM	538,400	531,094
OPERATING LUMP SUM APPROPRIATION	4,389,100	4,351,071
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,966	3,966
OPERATING LUMP SUM APPROPRIATION	204,700	193,838
OPTICIANS, STATE BOARD OF DISPENSING		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,534	1,534
OPERATING LUMP SUM APPROPRIATION	159,700	144,132
OPTOMETRY, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,947	2,947
OPERATING LUMP SUM APPROPRIATION	248,200	215,756
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	9,312	9,312
OPERATING LUMP SUM APPROPRIATION	1,038,000	1,036,653
PARENTS COMMISSION ON DRUG EDUCATION AND PREVENTION, ARIZONA		
PARENTS COMM ON MIDDLE AND HIGH SCHOOL PREVENTION EDUCATION	300,000	—
PHARMACY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	31,659	31,659
AZ POISON AND DRUG INFORMATION CENTER	200,000	200,000
CONTROLLED SUB PRESCRIP MONITORING PRGRM	500,000	500,000
ONE TIME FUNDING LEAVE PAYOUT	26,685	—
OPERATING LUMP SUM APPROPRIATION	2,639,600	2,410,389
PRESCRIBER REPORT CARD	50,000	50,000
PHYSICAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	10,698	10,698
OPERATING LUMP SUM APPROPRIATION	513,900	493,318
PODIATRY EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,344	1,344
OPERATING LUMP SUM APPROPRIATION	171,600	145,314
RELIEF	2,800	2,800
POSTSECONDARY EDUCATION, COMMISSION FOR		
AZ MINORITY ED POLICY ANALYSIS CENTER	6,500	6,500
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHIP	1,098,700	1,098,700
OPERATING LUMP SUM APPROPRIATION	192,600	75,179
TWELVE PLUS PARTNERSHIP	1,568	500
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,440	1,440
OPERATING LUMP SUM APPROPRIATION	436,300	372,405
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	8,612	8,612
OPERATING LUMP SUM APPROPRIATION	529,900	501,786

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PUBLIC SAFETY, DEPARTMENT OF		
ACTIC	700,000	680,269
ADMIN ADJUSTMENT ACTIC	57,653	57,653
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,309,724	1,309,724
ADMIN ADJUSTMENT PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	470	470
GIITEM	10,100	10,100
LOOP 2020 RADIO TOWER	265,677	250,670
MICROWAVE COMMUNICATION SYSTEM UPGRADE	1,186,341	—
MOTOR VEHICLE FUEL	1,070,400	1,070,400
OPERATING LUMP SUM APPROPRIATION	237,472,200	230,021,922
PEACE OFFICER TRAINING EQUIPMENT	1,047,800	—
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL MAINTENANCE	203,000	—
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL PURCHASE	1,706,636	837,106
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	652,800	605,462
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,890,000	1,753,074
SWEEPS	39,698,000	39,698,000
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	14,298	14,298
OPERATING LUMP SUM APPROPRIATION	1,243,900	1,021,006
PROFESSIONAL WITNESSES	355,520	215,634
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	21,167	21,167
OPERATING LUMP SUM APPROPRIATION	333,300	327,975
REVENUE, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	736	736
OPERATING LUMP SUM APPROPRIATION	694,700	637,158
SUPREME COURT		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	99,995	99,995
ADMIN ADJUSTMENT STATE AID	28,057	28,057
ADULT INTENSIVE PROBATION	1,535,200	714,684
ADULT STANDARD PROBATION	3,774,100	1,761,720
AUTOMATION	13,538,900	8,764,397
CENTRALIZED SERVICE PAYMENTS	449,900	79,520
COMMUNITY PUNISHMENT	2,310,300	1,101,221
COURT APPOINTED SPECIAL ADVOCATE	3,544,900	3,515,685
COURTHOUSE SECURITY	750,000	749,102
INTERSTATE COMPACT	92,800	86,699
JUVENILE CRIME REDUCTION	3,327,000	766,439
JUVENILE STANDARD PROBATION	150,000	—
OPERATING LUMP SUM	355,100	250,893
OPERATING LUMP SUM APPROPRIATION	3,209,400	2,345,207
STATE AID	5,735,800	3,616,957
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	25,450	25,450
OPERATING LUMP SUM APPROPRIATION	2,263,100	1,834,077
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	—
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,364	3,364
OPERATING LUMP SUM APPROPRIATION	618,300	519,453
WATER RESOURCES, DEPARTMENT OF		
ASSURED - ADEQUATE WATER SUPPLY ADMIN	276,700	213,129
LOWER COLORADO RIVER LITIGATION EXPENSES	1,647,693	215,493

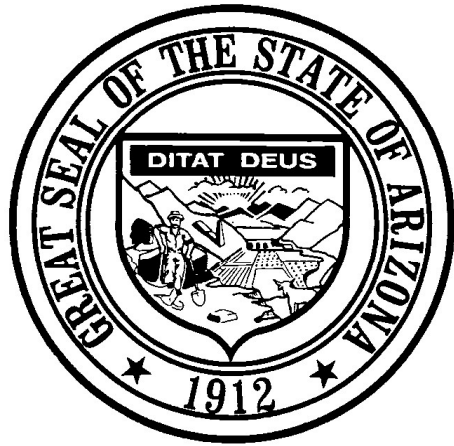
(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	<u>1,690,100</u>	<u>1,664,966</u>
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	\$ 2,345,054,773	\$ 1,399,607,143
Less:		
Department of Education's appropriations for Basic State Aid Entitlement, School Safety Program, Operating Lump Sum Appropriation - Admin, Classroom Site Fund, and Instructional Improvement Fund that were duplicate expenditure authorizations.	<u>(747,057,500)</u>	<u>—</u>
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	\$ <u>1,597,997,273</u>	\$ <u>1,399,607,143</u>

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 LAND ENDOWMENTS FUND
 FOR THE YEAR ENDED JUNE 30, 2021
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF		
CAPITOL MALL AIR HANDLER UNITS	\$ 844,890	\$ 319,619
CAPITOL MALL ELEVATOR REPLACEMENT	2,661,138	1,987,678
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	247,061	247,061
INMATE HEALTH CARE CONTRACTED SERVICES	1,500,000	1,500,000
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	4,000,000	47,033
OPERATING LUMP SUM APPROPRIATION	1,903,300	1,825,387
PRIVATE PRISON PER DIEM	2,062,500	1,989,258
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
PHOENIX DAY SCHOOL FOR THE DEAF	5,520,860	5,518,334
PRESCHOOL-OUTREACH PROGRAMS	3,378,046	2,955,456
TUCSON CAMPUS	4,489,394	4,487,949
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	300,612,600	300,554,984
GENERAL ACCOUNTING OFFICE		
COUNTY SHERIFF REENTRY PLANNING	500,000	500,000
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	74,931	74,931
ARIZONA STATE HOSPITAL - OPERATING	650,000	601,829
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	342,417	342,417
OPERATING LUMP SUM APPROPRIATION	4,017,000	3,680,750
RELIEF	317	317
LAND DEPARTMENT, STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	76,927	76,927
FIRE SUPPRESSION	800,000	800,000
OPERATING LUMP SUM APPROPRIATION	6,520,100	5,433,053
PIONEERS' HOME, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	24,271	24,271
ADMIN ADJUSTMENT PRESCRIPTION DRUGS	6,417	6,417
OPERATING LUMP SUM APPROPRIATION	6,596,000	6,594,556
PRESCRIPTION DRUGS	200,000	200,000
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	\$ 347,028,169	\$ 339,768,227



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.

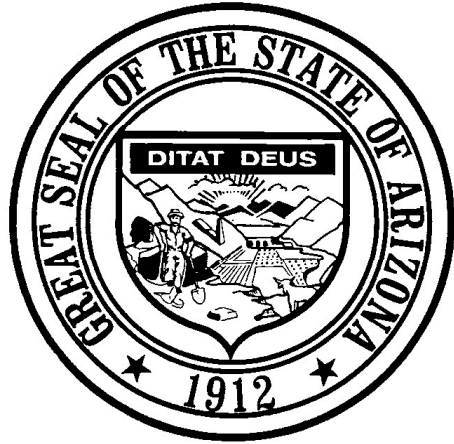
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds and certificates of participation issued by the State of Arizona's School Facilities Board and the retirement of previous issuances.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2021
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
ASSETS					
Cash and pooled investments with State Treasurer	\$ —	\$ —	\$ 3,000	\$ 9,339	\$ 12,339
Due from other funds	266,706	—	532,665	—	799,371
Restricted assets:					
Cash and pooled investments with State Treasurer	—	86	3,061	—	3,147
Cash held by trustee	—	—	8,407	46,618	55,025
Total Assets	\$ 266,706	\$ 86	\$ 547,133	\$ 55,957	\$ 869,882
FUND BALANCES					
Fund Balances:					
Restricted	\$ 266,706	\$ 86	\$ 547,133	\$ 55,957	\$ 869,882
Total Fund Balances	\$ 266,706	\$ 86	\$ 547,133	\$ 55,957	\$ 869,882

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
REVENUES					
Earnings on investments	\$ 1,998	\$ 572	\$ —	\$ 19	\$ 2,589
Other	—	—	23	—	23
Total Revenues	1,998	572	23	19	2,612
EXPENDITURES					
Current:					
General government	—	—	4,351	—	4,351
Debt service:					
Principal	22,245	225,595	69,095	—	316,935
Interest and other fiscal charges	12,265	88,283	31,457	—	132,005
Total Expenditures	34,510	313,878	104,903	—	453,291
Excess (Deficiency) of Revenues					
Over Expenditures	(32,512)	(313,306)	(104,880)	19	(450,679)
OTHER FINANCING SOURCES (USES)					
Transfers in	295,440	313,209	635,095	5,029	1,248,773
Total Other Financing					
Sources (Uses)	295,440	313,209	635,095	5,029	1,248,773
Net Change in Fund Balances	262,928	(97)	530,215	5,048	798,094
Fund Balances - Beginning	3,778	183	16,918	50,909	71,788
Fund Balances - Ending	\$ 266,706	\$ 86	\$ 547,133	\$ 55,957	\$ 869,882



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, 2021
 (Expressed in Thousands)

DEPARTMENT OF
 TRANSPORTATION
 FINANCED

ASSETS

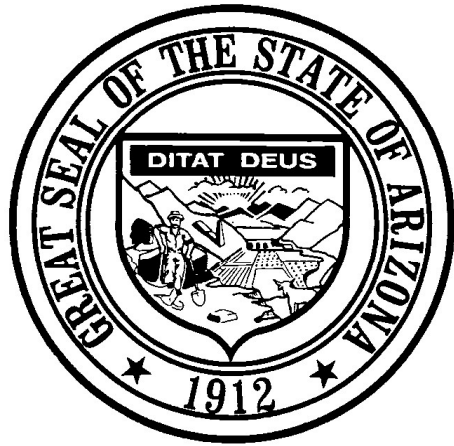
Restricted assets:	
Cash and pooled investments with State Treasurer	\$ 3,592
Total Assets	<u>\$ 3,592</u>

FUND BALANCES

Fund Balances:	
Restricted	\$ 3,592
Total Fund Balances	<u>3,592</u>
Total Fund Balances	<u>\$ 3,592</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
REVENUES	
Earnings on investments	\$ 10
Total Revenues	<u>10</u>
EXPENDITURES	
Current:	
Transportation	2,763
Total Expenditures	<u>2,763</u>
(Deficiency) of Revenues	
Over Expenditures	<u>(2,753)</u>
Net Change in Fund Balances	(2,753)
Fund Balances - Beginning	<u>6,345</u>
Fund Balances - Ending	<u><u>\$ 3,592</u></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 and the State Home for Veterans Trust Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2021
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
ASSETS				
Current Assets:				
Cash	\$ —	\$ 2	\$ 60	\$ 27,948
Cash and pooled investments with State Treasurer	139,595	11,438	3,088	1,249
Receivables, net of allowances:				
Interest	—	—	—	1,011
Other	13,672	4,169	10	1,319
Inventories, at cost	7,334	5,894	—	—
Other current assets	—	205	—	—
Total Current Assets	<u>160,601</u>	<u>21,708</u>	<u>3,158</u>	<u>31,527</u>
Noncurrent Assets:				
Investments	—	—	—	369,250
Net OPEB asset	—	37	14	—
Other noncurrent assets	9,862	—	—	—
Capital assets:				
Land and other non-depreciable	938	924	70	2,988
Buildings, equipment, and other depreciable, net of accumulated depreciation	29,979	5,765	4,868	1,569
Total Noncurrent Assets	<u>40,779</u>	<u>6,726</u>	<u>4,952</u>	<u>373,807</u>
Total Assets	<u>201,380</u>	<u>28,434</u>	<u>8,110</u>	<u>405,334</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	1,236	1,683	510	—
Related to OPEB	701	1,013	397	—
Total Deferred Outflows of Resources	<u>1,937</u>	<u>2,696</u>	<u>907</u>	<u>—</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 5,051	\$ 2,172	\$ 21	\$ 1,042
Payable for securities purchased	—	—	—	2,992
Accrued liabilities	—	707	23	—
Due to others	70,323	—	—	—
Due to other funds	87,491	—	—	—
Unearned revenue	—	173	—	—
Current portion of accrued insurance losses	—	—	—	10,923
Current portion of other long-term liabilities	455	706	132	—
Total Current Liabilities	<u>163,320</u>	<u>3,758</u>	<u>176</u>	<u>14,957</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	—	—	214,617
Net pension liability	6,588	8,942	3,306	—
Net OPEB liability	2,211	3,464	962	—
Other long-term liabilities	—	—	4	—
Total Noncurrent Liabilities	<u>8,799</u>	<u>12,406</u>	<u>4,272</u>	<u>214,617</u>
Total Liabilities	<u>172,119</u>	<u>16,164</u>	<u>4,448</u>	<u>229,574</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	110	74	103	—
Related to OPEB	171	452	94	—
Total Deferred Inflows of Resources	<u>281</u>	<u>526</u>	<u>197</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	30,917	6,689	4,938	4,557
Unrestricted (deficit)	—	7,751	(566)	171,203
Total Net Position	<u>\$ 30,917</u>	<u>\$ 14,440</u>	<u>\$ 4,372</u>	<u>\$ 175,760</u>

HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM			OTHER	TOTAL
\$	—	\$	—	\$ 28,010
	1,224		14,136	170,730
	—		—	1,011
	—		3,146	22,316
	—		—	13,228
	—		—	205
	<u>1,224</u>		<u>17,282</u>	<u>235,500</u>
	—		—	369,250
	—		87	138
	—		—	9,862
	—		4,535	9,455
	—		5,085	47,266
	—		9,707	435,971
	<u>1,224</u>		<u>26,989</u>	<u>671,471</u>
	—		4,078	7,507
	—		2,019	4,130
	—		6,097	11,637
\$	—	\$	1,207	\$ 9,493
	—		—	2,992
	—		226	956
	—		—	70,323
	—		—	87,491
	—		—	173
	—		—	10,923
	—		669	1,962
	—		2,102	184,313
	—		—	214,617
	—		20,805	39,641
	—		7,450	14,087
	—		19	23
	—		28,274	268,368
	—		30,376	452,681
	—		474	761
	—		842	1,559
	—		1,316	2,320
	—		9,620	56,721
	<u>1,224</u>		<u>(8,226)</u>	<u>171,386</u>
\$	<u>1,224</u>	\$	<u>1,394</u>	\$ <u>228,107</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, 2021
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
OPERATING REVENUES				
Sales and charges for services	\$ 1,438,953	\$ 35,066	\$ 1,564	\$ —
Other	284	—	9	—
Total Operating Revenues	<u>1,439,237</u>	<u>35,066</u>	<u>1,573</u>	<u>—</u>
OPERATING EXPENSES				
Cost of sales and benefits	1,111,588	27,872	61	4,646
Personal services	7,068	4,880	2,243	—
Contractual services	15,168	—	217	—
Depreciation and amortization	4,696	1,454	569	291
Insurance	39	—	147	—
Other	3,022	—	1,332	—
Total Operating Expenses	<u>1,141,581</u>	<u>34,206</u>	<u>4,569</u>	<u>4,937</u>
Operating Income (Loss)	<u>297,656</u>	<u>860</u>	<u>(2,996)</u>	<u>(4,937)</u>
NON-OPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	—	5	—	—
Investment income	126	37	15	71,802
Other non-operating revenue	—	—	—	2,605
Distributions	(14,977)	—	—	—
Other non-operating expense	—	—	—	(4,898)
Total Non-Operating Revenues (Expenses)	<u>(14,851)</u>	<u>42</u>	<u>15</u>	<u>69,509</u>
Income (Loss) Before Transfers	<u>282,805</u>	<u>902</u>	<u>(2,981)</u>	<u>64,572</u>
Transfers in	—	—	1,013	—
Transfers out	<u>(272,856)</u>	<u>(1,000)</u>	<u>(36)</u>	<u>(11)</u>
Change in Net Position	9,949	(98)	(2,004)	64,561
Total Net Position - Beginning	<u>20,968</u>	<u>14,538</u>	<u>6,376</u>	<u>111,199</u>
Total Net Position - Ending	<u>\$ 30,917</u>	<u>\$ 14,440</u>	<u>\$ 4,372</u>	<u>\$ 175,760</u>

HIGHWAY
EXPANSION
& EXTENSION

LOAN PROGRAM	OTHER	TOTAL
\$ —	\$ 29,645	\$ 1,505,228
—	—	293
—	29,645	1,505,521
—	1	1,144,168
—	20,828	35,019
—	6,862	22,247
—	344	7,354
—	322	508
—	12,472	16,826
—	40,829	1,226,122
—	(11,184)	279,399
—	—	5
6	68	72,054
—	—	2,605
—	—	(14,977)
—	—	(4,898)
6	68	54,789
6	(11,116)	334,188
—	—	1,013
—	—	(273,903)
6	(11,116)	61,298
1,218	12,510	166,809
\$ 1,224	\$ 1,394	\$ 228,107

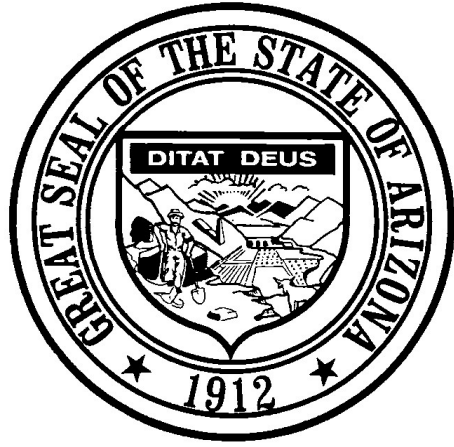
STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 548,546	\$ 34,447	\$ 1,564	\$ —
Payments to suppliers, prize winners, claimants, or insurance companies	(219,046)	(14,690)	(1,867)	(15,805)
Payments to employees	(6,802)	(19,430)	(2,119)	—
Other receipts	—	—	9	6,361
Net Cash Provided (Used) by Operating Activities	<u>322,698</u>	<u>327</u>	<u>(2,413)</u>	<u>(9,444)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	—	—	1,013	—
Distributions	(14,977)	—	—	—
Transfers to other funds	(211,127)	(1,000)	(36)	(11)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(226,104)</u>	<u>(1,000)</u>	<u>977</u>	<u>(11)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	—	5	—	—
Acquisition and construction of capital assets	(14,645)	(343)	—	—
Net Cash (Used) by Capital and Related Financing Activities	<u>(14,645)</u>	<u>(338)</u>	<u>—</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	—	—	—	134,848
Interest and dividends from investments	115	37	15	6,084
Purchase of investments	—	—	—	(141,569)
Net Cash Provided (Used) by Investing Activities	<u>115</u>	<u>37</u>	<u>15</u>	<u>(637)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	82,064	(974)	(1,421)	(10,092)
Cash and Cash Equivalents - Beginning	57,531	12,414	4,569	39,289
Cash and Cash Equivalents - Ending	<u>\$ 139,595</u>	<u>\$ 11,440</u>	<u>\$ 3,148</u>	<u>\$ 29,197</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 297,656	\$ 860	\$ (2,996)	\$ (4,937)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	4,696	1,454	569	291
Provision for uncollectible accounts	—	106	—	—
Miscellaneous income	—	—	—	3,153
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	11,590	(100)	—	(5)
(Increase) in inventories, at cost	(2,005)	(1,621)	—	—
Decrease in other assets	635	93	—	—
(Increase) in net OPEB asset	—	(23)	(9)	—
(Increase) in deferred pension outflows of resources	(449)	(860)	(137)	—
(Increase) in deferred OPEB outflows of resources	(145)	(58)	(56)	—
Increase (decrease) in accounts payable	(913)	(113)	(110)	(156)
Increase (decrease) in accrued liabilities	10,617	(12)	(81)	—
Increase in unearned revenue	—	173	—	—
(Decrease) in accrued insurance losses	—	—	—	(7,790)
Increase in net pension liability	933	1,738	458	—
Increase (decrease) in net OPEB liability	429	(462)	185	—
Increase (decrease) in other liabilities	—	(38)	(30)	—
(Decrease) in deferred pension inflows of resources	(298)	(553)	(201)	—
(Decrease) in deferred OPEB inflows of resources	(48)	(257)	(5)	—
Net Cash Provided (Used) by Operating Activities	<u>\$ 322,698</u>	<u>\$ 327</u>	<u>\$ (2,413)</u>	<u>\$ (9,444)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other funds	\$ —	\$ —	\$ —	\$ —
Increase in fair value of investments	—	—	—	64,555
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64,555</u>

HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM			OTHER	TOTAL
\$	—	\$	29,812	\$ 614,369
	—		(19,531)	(270,939)
	—		(20,896)	(49,247)
	—		—	6,370
	—		(10,615)	300,553
	—		—	1,013
	—		—	(14,977)
	—		—	(212,174)
	—		—	(226,138)
	—		—	5
	—		(86)	(15,074)
	—		(86)	(15,069)
	—		—	134,848
	6		68	6,325
	—		—	(141,569)
	6		68	(396)
	6		(10,633)	58,950
	1,218		24,769	139,790
\$	1,224	\$	14,136	\$ 198,740

\$	—	\$	(11,184)	\$ 279,399
	—		344	7,354
	—		—	106
	—		—	3,153
	—		167	11,652
	—		—	(3,626)
	—		—	728
	—		(51)	(83)
	—		(1,175)	(2,621)
	—		(611)	(870)
	—		126	(1,166)
	—		(604)	9,920
	—		—	173
	—		—	(7,790)
	—		2,007	5,136
	—		1,368	1,520
	—		9	(59)
	—		(898)	(1,950)
	—		(113)	(423)
\$	—	\$	(10,615)	\$ 300,553

\$	—	\$	13,007	\$ 13,007
	—		—	64,555
\$	—	\$	13,007	\$ 77,562



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, 2021
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
ASSETS				
Current Assets:				
Cash and pooled investments with State Treasurer	\$ 105,742	\$ 3,525	\$ 59,108	\$ 1,214
Receivables, net of allowances:				
Other	40	1,137	38,923	292
Due from other funds	—	—	711	—
Inventories, at cost	—	2,513	—	—
Other current assets	6,345	—	12,743	—
Total Current Assets	<u>112,127</u>	<u>7,175</u>	<u>111,485</u>	<u>1,506</u>
Noncurrent Assets:				
Net OPEB asset	59	—	11	3
Capital assets:				
Buildings, equipment, and other depreciable, net of accumulated depreciation	22	66,659	123	14
Total Noncurrent Assets	<u>81</u>	<u>66,659</u>	<u>134</u>	<u>17</u>
Total Assets	<u>112,208</u>	<u>73,834</u>	<u>111,619</u>	<u>1,523</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	2,516	2,386	537	155
Related to OPEB	939	1,216	223	63
Total Deferred Outflows of Resources	<u>3,455</u>	<u>3,602</u>	<u>760</u>	<u>218</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	2,296	606	4,208	—
Accrued liabilities	135	146	33	12
Due to U.S. Government	2,094	—	—	—
Due to other funds	—	712	—	—
Current portion of accrued insurance losses	70,364	—	76,165	—
Current portion of other long-term liabilities	736	758	212	67
Total Current Liabilities	<u>75,625</u>	<u>2,222</u>	<u>80,618</u>	<u>79</u>
Noncurrent Liabilities:				
Accrued insurance losses	370,544	—	—	—
Net pension liability	14,172	13,001	2,848	809
Net OPEB liability	3,269	4,615	793	221
Other long-term liabilities	21	—	—	—
Total Noncurrent Liabilities	<u>388,006</u>	<u>17,616</u>	<u>3,641</u>	<u>1,030</u>
Total Liabilities	<u>463,631</u>	<u>19,838</u>	<u>84,259</u>	<u>1,109</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	375	406	65	18
Related to OPEB	411	1,096	93	27
Total Deferred Inflows of Resources	<u>786</u>	<u>1,502</u>	<u>158</u>	<u>45</u>
NET POSITION				
Net investment in capital assets	22	66,659	123	14
Unrestricted (deficit)	(348,776)	(10,563)	27,839	573
Total Net Position	<u>\$ (348,754)</u>	<u>\$ 56,096</u>	<u>\$ 27,962</u>	<u>\$ 587</u>

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 10,746	\$ 7,188	\$ 2,830	\$ 33,029	\$ 223,382
1,069	—	320	19	41,800
1,668	—	106	2	2,487
—	—	—	—	2,513
852	—	—	—	19,940
<u>14,335</u>	<u>7,188</u>	<u>3,256</u>	<u>33,050</u>	<u>290,122</u>
21	—	1	60	155
617	—	12,083	244	79,762
638	—	12,084	304	79,917
<u>14,973</u>	<u>7,188</u>	<u>15,340</u>	<u>33,354</u>	<u>370,039</u>
927	17	40	2,629	9,207
380	9	18	964	3,812
<u>1,307</u>	<u>26</u>	<u>58</u>	<u>3,593</u>	<u>13,019</u>
1,098	—	323	354	8,885
55	—	2	150	533
—	—	—	—	2,094
—	—	—	—	712
—	—	—	—	146,529
407	10,551	13	938	13,682
<u>1,560</u>	<u>10,551</u>	<u>338</u>	<u>1,442</u>	<u>172,435</u>
—	—	—	—	370,544
5,061	92	233	14,449	50,665
1,345	31	63	3,345	13,682
—	161,255	—	26	161,302
<u>6,406</u>	<u>161,378</u>	<u>296</u>	<u>17,820</u>	<u>596,193</u>
<u>7,966</u>	<u>171,929</u>	<u>634</u>	<u>19,262</u>	<u>768,628</u>
115	2	5	344	1,330
163	4	8	420	2,222
<u>278</u>	<u>6</u>	<u>13</u>	<u>764</u>	<u>3,552</u>
617	—	12,083	244	79,762
7,419	(164,721)	2,668	16,677	(468,884)
<u>\$ 8,036</u>	<u>\$ (164,721)</u>	<u>\$ 14,751</u>	<u>\$ 16,921</u>	<u>\$ (389,122)</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	\$ 110,017	\$ 25,370	\$ 905,385	\$ 1,752
Other	2	—	—	1
Total Operating Revenues	<u>110,019</u>	<u>25,370</u>	<u>905,385</u>	<u>1,753</u>
OPERATING EXPENSES				
Cost of sales and benefits	—	13,967	827,935	285
Personal services	11,472	11,660	40,361	506
Contractual services	24,767	331	15,944	316
Depreciation and amortization	6	13,623	14	14
Insurance	51,588	—	3,152	15
Other	1,177	1,621	1,141	144
Total Operating Expenses	<u>89,010</u>	<u>41,202</u>	<u>888,547</u>	<u>1,280</u>
Operating Income (Loss)	<u>21,009</u>	<u>(15,832)</u>	<u>16,838</u>	<u>473</u>
NON-OPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of capital assets	—	781	—	—
Investment income	—	20	—	—
Other non-operating revenue	—	—	—	1
Other non-operating expense	(738)	—	—	—
Total Non-Operating Revenues (Expenses)	<u>(738)</u>	<u>801</u>	<u>—</u>	<u>1</u>
Income (Loss) Before Contributions and Transfers	20,271	(15,031)	16,838	474
Capital grants and contributions	—	13,007	—	—
Transfers in	16	208	711	—
Transfers out	(3,063)	—	—	(53)
Change in Net Position	17,224	(1,816)	17,549	421
Total Net Position - Beginning, as restated	<u>(365,978)</u>	<u>57,912</u>	<u>10,413</u>	<u>166</u>
Total Net Position - Ending	<u>\$ (348,754)</u>	<u>\$ 56,096</u>	<u>\$ 27,962</u>	<u>\$ 587</u>

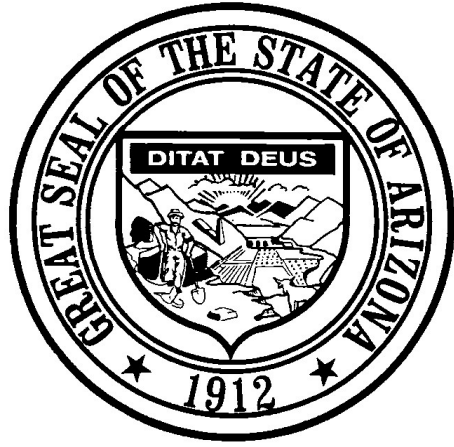
AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 27,570	\$ 16,889	\$ 5,866	\$ 32,327	\$ 1,125,176
10	—	231	4,513	4,757
<u>27,580</u>	<u>16,889</u>	<u>6,097</u>	<u>36,840</u>	<u>1,129,933</u>
18,417	27,782	2,936	—	891,322
4,917	67	108	13,592	82,683
250	2	8	6,657	48,275
593	—	4,230	139	18,619
313	—	203	3,703	58,974
3,566	—	175	12,093	19,917
<u>28,056</u>	<u>27,851</u>	<u>7,660</u>	<u>36,184</u>	<u>1,119,790</u>
<u>(476)</u>	<u>(10,962)</u>	<u>(1,563)</u>	<u>656</u>	<u>10,143</u>
—	—	(385)	—	396
—	—	—	—	20
—	—	495	—	496
—	—	—	—	(738)
<u>—</u>	<u>—</u>	<u>110</u>	<u>—</u>	<u>174</u>
(476)	(10,962)	(1,453)	656	10,317
—	—	2,545	—	15,552
—	—	—	—	935
<u>(341)</u>	<u>—</u>	<u>—</u>	<u>(2,692)</u>	<u>(6,149)</u>
(817)	(10,962)	1,092	(2,036)	20,655
<u>8,853</u>	<u>(153,759)</u>	<u>13,659</u>	<u>18,957</u>	<u>(409,777)</u>
<u>\$ 8,036</u>	<u>\$ (164,721)</u>	<u>\$ 14,751</u>	<u>\$ 16,921</u>	<u>\$ (389,122)</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	\$ 109,980	\$ 25,614	\$ 883,083	\$ 1,752
Payments to suppliers or insurance companies	(74,945)	(16,429)	(867,875)	(816)
Payments to employees	(11,818)	(13,567)	(40,477)	(874)
Payments to retirees	—	—	—	—
Other receipts	2	—	—	1
Other payments	(738)	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>22,481</u>	<u>(4,382)</u>	<u>(25,269)</u>	<u>63</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	16	—	711	—
Transfers to other funds	(3,063)	—	—	(53)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(3,047)</u>	<u>—</u>	<u>711</u>	<u>(53)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	9	1,443	—	—
Transfers from other funds	—	208	—	—
Acquisition and construction of capital assets	—	(245)	(26)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>9</u>	<u>1,406</u>	<u>(26)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	—	20	—	—
Net Cash Provided by Investing Activities	<u>—</u>	<u>20</u>	<u>—</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	19,443	(2,956)	(24,584)	10
Cash and Cash Equivalents - Beginning, as restated	86,299	6,481	83,692	1,204
Cash and Cash Equivalents - Ending	<u>\$ 105,742</u>	<u>\$ 3,525</u>	<u>\$ 59,108</u>	<u>\$ 1,214</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 21,009	\$ (15,832)	\$ 16,838	\$ 473
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	6	13,623	14	14
Miscellaneous income (expense)	(738)	—	—	1
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(2)	245	(21,581)	—
(Increase) decrease in due from other funds	—	—	(711)	—
(Increase) decrease in inventories, at cost	—	(694)	—	—
(Increase) in other assets	(1,768)	—	(1,114)	—
(Increase) in net OPEB asset	(35)	—	(6)	(1)
(Increase) in deferred pension outflows of resources	(1,033)	(1,190)	(277)	(76)
(Increase) decrease in deferred OPEB outflows of resources	(281)	(348)	(67)	(8)
Increase (decrease) in accounts payable	(331)	141	(17,814)	(56)
(Decrease) in accrued liabilities	(328)	(518)	(82)	(25)
(Decrease) in due to U.S. Government	(2,739)	—	—	—
Increase (decrease) in accrued insurance losses	7,425	—	(779)	—
Increase (decrease) in net pension liability	1,726	667	416	(131)
Increase (decrease) in net OPEB liability	573	896	135	(17)
Increase in other liabilities	93	28	22	5
(Decrease) in deferred pension inflows of resources	(1,064)	(1,149)	(251)	(104)
(Decrease) in deferred OPEB inflows of resources	(32)	(251)	(12)	(12)
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,481</u>	<u>\$ (4,382)</u>	<u>\$ (25,269)</u>	<u>\$ 63</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other funds	\$ —	\$ 13,007	\$ —	\$ —
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ 13,007</u>	<u>\$ —</u>	<u>\$ —</u>

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 29,418	\$ 16,889	\$ 5,990	\$ 32,374	\$ 1,105,100
(22,847)	(2)	(3,488)	(23,212)	(1,009,614)
(5,279)	(78)	(426)	(13,525)	(86,044)
—	(15,033)	—	—	(15,033)
10	—	726	4,505	5,244
—	—	—	—	(738)
<u>1,302</u>	<u>1,776</u>	<u>2,802</u>	<u>142</u>	<u>(1,085)</u>
—	—	—	—	727
(341)	—	—	(2,692)	(6,149)
<u>(341)</u>	<u>—</u>	<u>—</u>	<u>(2,692)</u>	<u>(5,422)</u>
—	—	—	—	1,452
—	—	—	—	208
(1)	—	(1,953)	—	(2,225)
<u>(1)</u>	<u>—</u>	<u>(1,953)</u>	<u>—</u>	<u>(565)</u>
—	—	—	—	20
—	—	—	—	20
960	1,776	849	(2,550)	(7,052)
9,786	5,412	1,981	35,579	230,434
<u>\$ 10,746</u>	<u>\$ 7,188</u>	<u>\$ 2,830</u>	<u>\$ 33,029</u>	<u>\$ 223,382</u>

\$ (476)	\$ (10,962)	\$ (1,563)	\$ 656	\$ 10,143
593	—	4,230	139	18,619
—	—	495	—	(242)
(58)	—	107	74	(21,215)
1,918	—	17	2	1,226
—	—	—	161	(533)
(55)	—	—	—	(2,937)
(12)	—	—	(37)	(91)
(462)	(8)	(14)	(1,283)	(4,343)
(108)	(3)	8	(328)	(1,135)
(246)	—	(166)	(920)	(19,392)
(160)	—	(6)	(394)	(1,513)
—	—	—	—	(2,739)
—	—	—	—	6,646
613	7	(190)	2,464	5,572
203	2	(55)	782	2,519
37	12,749	—	43	12,977
(463)	(9)	(50)	(1,214)	(4,304)
(22)	—	(11)	(3)	(343)
<u>\$ 1,302</u>	<u>\$ 1,776</u>	<u>\$ 2,802</u>	<u>\$ 142</u>	<u>\$ (1,085)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,545</u>	<u>\$ —</u>	<u>\$ 15,552</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,545</u>	<u>\$ —</u>	<u>\$ 15,552</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. Also included in the Other Employee Benefit Trust Funds is the Arizona Smart Save which is comprised of a deferred compensation plan and a supplemental defined contribution plan.

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.

The Arizona Smart Save is comprised of the State of Arizona 457(b) Deferred Compensation Plan and the State of Arizona 401(a) Supplemental Defined Contribution Plan which are available for participation by eligible State of Arizona employees.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2021
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ASSETS					
Cash	\$ 265,557	\$ 961,616	\$ 15,692	\$ 481,050	\$ 114,571
Receivables, net of allowances:					
Accrued interest and dividends	31,231	10,097	315	2,021	481
Securities sold	41,369	560	17	112	27
Futures contracts	3,917	—	—	—	—
Contributions	90,131	37,512	1,993	8,542	2,346
Due from other funds	—	—	—	—	—
Loans	—	—	—	—	—
Other	2,028	3,621	3	—	—
Total receivables	<u>168,676</u>	<u>51,790</u>	<u>2,328</u>	<u>10,675</u>	<u>2,854</u>
Investments, at fair value:					
Short-term investments	922,093	—	—	—	—
Fixed income securities	13,344,893	—	—	—	—
Fixed earnings investments	—	—	—	—	—
Equity	25,981,977	7,202,341	224,546	1,441,550	343,333
Core bonds	—	468,048	14,592	93,680	22,312
Private credit	—	1,200,856	37,439	240,352	57,244
Real estate	7,540,974	—	—	—	—
Diversifying strategies	—	1,225,966	38,221	245,378	58,441
Collateral investment pool	914	251,535	7,842	50,345	11,991
Mutual funds	—	—	—	—	—
Other investments	—	456,233	14,224	91,315	21,749
Total investments	<u>47,790,851</u>	<u>10,804,979</u>	<u>336,864</u>	<u>2,162,620</u>	<u>515,070</u>
Policyholder account value of Universal					
Life Insurance contracts	—	—	—	—	—
Property and equipment, net of accumulated depreciation	—	2,579	172	372	88
Total Assets	<u>48,225,084</u>	<u>11,820,964</u>	<u>355,056</u>	<u>2,654,717</u>	<u>632,583</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	—	811	25	161	38
LIABILITIES					
Accounts payable and other current liabilities	9,070	741	352	2,739	652
Securities purchased payable	5,409	5,745	179	1,150	274
Obligation under securities loan agreements	914	251,535	7,842	50,345	11,991
Futures contracts payable	3,087	—	—	—	—
Due to other funds	4,381	—	—	—	—
Net pension liability	—	6,670	217	1,352	322
Total Liabilities	<u>22,861</u>	<u>264,691</u>	<u>8,590</u>	<u>55,586</u>	<u>13,239</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	—	292	9	59	14
NET POSITION					
Restricted for:					
Pension benefits	48,202,223	11,556,792	346,482	2,599,233	619,368
Other post-employment benefits	—	—	—	—	—
Total Net Position	<u>\$ 48,202,223</u>	<u>\$ 11,556,792</u>	<u>\$ 346,482</u>	<u>\$ 2,599,233</u>	<u>\$ 619,368</u>

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY FUND	HEALTH BENEFIT SUPPLEMENT FUND					ARIZONA SMART SAVE	TOTAL	
	ASRS	ASRS	PSPRS	EORP	CORP			AOC
\$ 1,025	\$ 11,554	\$ 33,803	\$ 1,206	\$ 26,071	\$ 2,790	\$ —	\$ 1,914,935	
120	1,359	357	26	110	11	—	46,128	
160	1,800	19	1	6	1	—	44,072	
15	170	—	—	—	—	—	4,102	
1,205	1,298	101	—	33	—	277	143,438	
1,007	3,374	—	—	—	—	—	4,381	
—	—	—	—	—	—	17,763	17,763	
6,767	18,539	—	—	—	—	—	30,958	
<u>9,274</u>	<u>26,540</u>	<u>477</u>	<u>27</u>	<u>149</u>	<u>12</u>	<u>18,040</u>	<u>290,842</u>	
3,548	63,266	—	—	—	—	14,770	1,003,677	
51,352	580,638	—	—	—	—	—	13,976,883	
—	—	—	—	—	—	429,726	429,726	
99,982	1,130,480	254,575	18,342	78,126	8,361	—	36,783,613	
—	—	16,544	1,192	5,077	543	—	621,988	
—	—	42,445	3,058	13,026	1,394	—	1,595,814	
29,019	328,109	—	—	—	—	—	7,898,102	
—	—	43,333	3,122	13,299	1,423	—	1,629,183	
4	40	8,891	641	2,728	292	—	335,223	
—	—	—	—	—	—	1,398,901	1,398,901	
—	—	16,127	1,162	4,948	529	1,406	607,693	
<u>183,905</u>	<u>2,102,533</u>	<u>381,915</u>	<u>27,517</u>	<u>117,204</u>	<u>12,542</u>	<u>1,844,803</u>	<u>66,280,803</u>	
—	—	—	—	—	—	3,040	3,040	
—	—	—	—	—	—	—	3,211	
<u>194,204</u>	<u>2,140,627</u>	<u>416,195</u>	<u>28,750</u>	<u>143,424</u>	<u>15,344</u>	<u>1,865,883</u>	<u>68,492,831</u>	
—	—	—	—	—	—	—	1,035	
145	409	—	—	—	—	—	14,108	
21	235	203	14	62	7	—	13,299	
4	40	8,891	641	2,728	292	—	335,223	
12	134	—	—	—	—	—	3,233	
—	—	—	—	—	—	—	4,381	
—	—	—	—	—	—	—	8,561	
<u>182</u>	<u>818</u>	<u>9,094</u>	<u>655</u>	<u>2,790</u>	<u>299</u>	<u>—</u>	<u>378,805</u>	
—	—	—	—	—	—	—	374	
—	—	—	—	—	—	—	63,324,098	
<u>194,022</u>	<u>2,139,809</u>	<u>407,101</u>	<u>28,095</u>	<u>140,634</u>	<u>15,045</u>	<u>1,865,883</u>	<u>4,790,589</u>	
<u>\$ 194,022</u>	<u>\$ 2,139,809</u>	<u>\$ 407,101</u>	<u>\$ 28,095</u>	<u>\$ 140,634</u>	<u>\$ 15,045</u>	<u>\$ 1,865,883</u>	<u>\$ 68,114,687</u>	

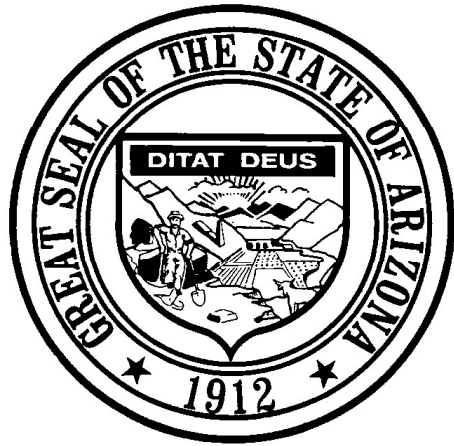
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ADDITIONS:					
Member contributions	\$ 1,321,694	\$ 136,876	\$ 3,229	\$ 33,410	\$ 9,372
Employer contributions	1,311,380	1,428,807	40,271	191,758	39,181
Health insurance contributions	—	—	—	—	—
Non-employer entity contributions	—	500,000	5,000	500,000	—
Contributions from other plans	745	—	—	—	—
Member purchase of service credit	14,176	9,502	—	268	153
Court fees	—	—	9,472	—	—
Investment income:					
Net increase in fair value of investments	9,847,982	2,227,079	71,978	432,002	127,220
Interest, dividends, and other	403,641	156,497	2,884	24,110	7,100
Securities lending income	4,022	501	16	97	28
Total investment income	10,255,645	2,384,077	74,878	456,209	134,348
Less investment expenses:					
Investment activity expenses	193,754	50,495	1,659	9,876	2,908
Securities lending expenses	414	(13)	(1)	(2)	(1)
Net investment income	10,061,477	2,333,595	73,220	446,335	131,441
Other additions:					
Other revenues	102	201	—	—	62
Total Additions	12,709,574	4,408,981	131,192	1,171,771	180,209
DEDUCTIONS:					
Retirement, disability, and survivor benefits	3,414,422	933,944	70,857	145,479	37,723
Health insurance subsidy	—	—	—	—	—
Refunds to withdrawing members, including interest	232,537	12,762	29	16,962	1,592
Distributions to participants	—	—	—	—	—
Life insurance premiums	—	—	—	—	—
Administrative expense	27,104	11,004	326	2,059	609
Other deductions	874	277	—	549	15
Total Deductions	3,674,937	957,987	71,212	165,049	39,939
Net increase in Fiduciary Net Position	9,034,637	3,450,994	59,980	1,006,722	140,270
Net Position - Beginning, as restated	39,167,586	8,105,798	286,502	1,592,511	479,098
Net Position - Ending	\$ 48,202,223	\$ 11,556,792	\$ 346,482	\$ 2,599,233	\$ 619,368

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY		HEALTH BENEFIT SUPPLEMENT FUND					ARIZONA	TOTAL
FUND	ASRS	ASRS	PSPRS	EORP	CORP	AOC	SMART SAVE	
\$ 19,778	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 54,329	\$ 1,578,688
20,001	42,816	—	—	—	—	—	—	3,074,214
—	—	5,364	—	—	31	611	—	6,006
—	—	—	—	—	—	—	—	1,005,000
—	—	—	—	—	—	—	12,004	12,749
21	49	—	—	—	—	—	—	24,169
—	—	—	—	—	—	—	—	9,472
37,880	427,826	84,856	5,834	29,450	3,043	353,667	13,648,817	
1,557	17,576	6,378	234	1,643	170	12,258	634,048	
16	175	19	1	7	1	—	4,883	
39,453	445,577	91,253	6,069	31,100	3,214	365,925	14,287,748	
748	8,418	1,802	134	673	70	1,049	271,586	
2	18	(1)	—	—	—	—	416	
38,703	437,141	89,452	5,935	30,427	3,144	364,876	14,015,746	
—	18,479	—	—	—	—	—	18,844	
78,503	498,485	94,816	5,935	30,458	3,755	431,209	19,744,888	
44,142	—	—	—	—	—	—	4,646,567	
—	124,382	16,907	1,030	3,839	562	—	146,720	
—	—	—	—	—	—	—	263,882	
—	—	—	—	—	—	97,514	97,514	
—	—	—	—	—	—	88	88	
1,497	1,179	368	26	125	13	—	44,310	
122	—	—	—	—	—	—	1,837	
45,761	125,561	17,275	1,056	3,964	575	97,602	5,200,918	
32,742	372,924	77,541	4,879	26,494	3,180	333,607	14,543,970	
161,280	1,766,885	329,560	23,216	114,140	11,865	1,532,276	53,570,717	
\$ 194,022	\$ 2,139,809	\$ 407,101	\$ 28,095	\$ 140,634	\$ 15,045	\$ 1,865,883	\$ 68,114,687	



PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds account for and report resources held in trust or trust equivalent arrangements which benefit individuals.

The Family College Savings Program accounts for individual savings accounts held with financial institutions outside the State of Arizona that are exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary.

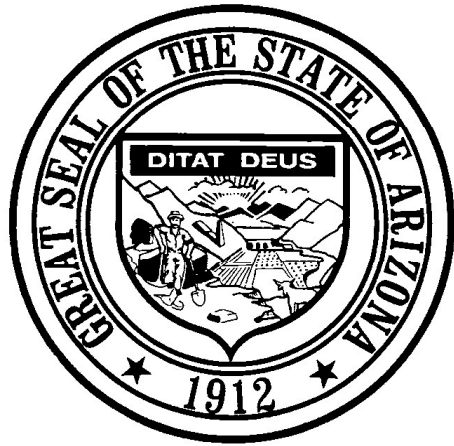
The Development Disabilities Client Investment accounts for monies belonging to individuals enrolled with the Department of Economic Security's Division of Development Disabilities (DDD) who need assistance in handling their funds. The DDD is the representative payee for these individuals and is authorized to administer their funds on their behalf.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2021
(Expressed in Thousands)

	FAMILY COLLEGE SAVINGS PROGRAM	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	TOTAL
ASSETS			
Cash	\$ 191	\$ 3,977	\$ 4,168
Cash and pooled investments with State Treasurer	—	1,572	1,572
Receivables, net of allowances:			
Accrued interest and dividends	599	—	599
Securities sold	9,908	—	9,908
Capital shares sold	418	—	418
Distributions	448	—	448
Other	88	—	88
Total receivables	<u>11,461</u>	<u>—</u>	<u>11,461</u>
Investments, at fair value:			
Short-term investments	150,618	—	150,618
Gold bullion	2,021	—	2,021
Mutual funds	1,609,396	—	1,609,396
Registered investment companies	39,525	—	39,525
Total investments	<u>1,801,560</u>	<u>—</u>	<u>1,801,560</u>
Other assets	16	—	16
Total Assets	<u>1,813,228</u>	<u>5,549</u>	<u>1,818,777</u>
LIABILITIES			
Accounts payable and other current liabilities	88	—	88
Securities purchased payable	10,296	—	10,296
Management fee payable	381	—	381
Capital shares redeemed payable	854	—	854
Cash collateral on securities loaned	589	—	589
Written options	48	—	48
Swap agreements	62	—	62
Due to others	—	1,262	1,262
Other liabilities	5	—	5
Total Liabilities	<u>12,323</u>	<u>1,262</u>	<u>13,585</u>
NET POSITION			
Restricted for:			
Individuals	1,800,905	4,287	1,805,192
Total Net Position	<u>\$ 1,800,905</u>	<u>\$ 4,287</u>	<u>\$ 1,805,192</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	FAMILY COLLEGE SAVINGS PROGRAM	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	TOTAL
ADDITIONS:			
Other contributions	\$ —	\$ 16,484	\$ 16,484
Investment income:			
Net increase in fair value of investments	337,173	—	337,173
Interest, dividends, and other	25,813	—	25,813
Total investment income	<u>362,986</u>	<u>—</u>	<u>362,986</u>
Less investment expenses:			
Investment activity expenses	7,134	—	7,134
Net investment income	<u>355,852</u>	<u>—</u>	<u>355,852</u>
Capital share and individual account transactions:			
Shares sold	594,181	—	594,181
Reinvested distributions	31,011	—	31,011
Shares redeemed	(542,113)	—	(542,113)
Net capital share and individual account transactions	<u>83,079</u>	<u>—</u>	<u>83,079</u>
Total Additions	<u>438,931</u>	<u>16,484</u>	<u>455,415</u>
DEDUCTIONS:			
Distributions to shareholders	31,653	—	31,653
Other deductions	—	14,621	14,621
Total Deductions	<u>31,653</u>	<u>14,621</u>	<u>46,274</u>
Net increase in Fiduciary Net Position	407,278	1,863	409,141
Net Position - Beginning, as restated	<u>1,393,627</u>	<u>2,424</u>	<u>1,396,051</u>
Net Position - Ending	<u>\$ 1,800,905</u>	<u>\$ 4,287</u>	<u>\$ 1,805,192</u>



CUSTODIAL FUNDS

Custodial Funds account for and report resources held by the State in a purely custodial capacity for individuals, organizations, or other governmental units. These funds do not have a trust or trust equivalent arrangement that meet GASB criteria.

The Consumer Restitution fund consists of monies collected by the Attorney General and the Corporation Commission as a result of court ordered judgments for the purpose of compensating victims of economic loss resulting from violations of consumer protection laws.

The Prisoner Spendable Accounts fund accounts for the savings of prisoners of the Department of Corrections, Rehabilitation & Reentry.

The Child Support fund accounts for court-ordered child support payments that flow through the Department of Economic Security.

The Registrar of Contractors fund consists of monies collected by the Registrar of Contractors from contractors applying for licenses which may be withdrawn, if there are no outstanding claims against them, two years after the termination of the license.

The Condemnation Fund consists of monies received from other governmental units as offers to purchase condemned property in the State of Arizona which are distributed to property owners upon court ordered judgment. The monies are held by the State Treasurer's Office.

The Custodial Securities Held with Treasurer consist of securities held in safekeeping with the State Treasurer by various State agencies.

The External Investment Pool accounts for assets held by the State Treasurer for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2021
 (Expressed in Thousands)

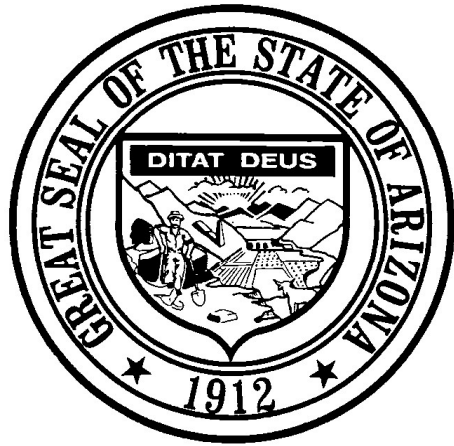
	CONSUMER RESTITUTION	PRISONER SPENDABLE ACCOUNTS	CHILD SUPPORT	REGISTRAR OF CONTRACTORS
ASSETS				
Cash	\$ —	\$ 20,049	\$ 10,228	\$ 5,957
Cash and pooled investments with State Treasurer	9,879	16,678	—	1,901
Receivables, net of allowances:				
Accrued interest and dividends	—	—	—	—
Investments, at fair value				
Fixed income securities	—	—	—	—
Collateral investment pool	—	—	—	—
Total investments	—	—	—	—
Due from others	—	—	71,505	—
Custodial securities in safekeeping	—	—	—	—
Total Assets	9,879	36,727	81,733	7,858
LIABILITIES				
Securities purchased payable	—	—	—	—
Management fee payable	—	—	—	—
Obligations under securities loan agreements	—	—	—	—
Due to others	—	3	7,534	—
Total Liabilities	—	3	7,534	—
NET POSITION				
Restricted for:				
Pool participants	—	—	—	—
Individuals, organizations, and other governments	9,879	36,724	74,199	7,858
Total Net Position	\$ 9,879	\$ 36,724	\$ 74,199	\$ 7,858

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	EXTERNAL INVESTMENT POOL	TOTAL
\$ —	\$ —	\$ —	\$ 36,234
11,593	—	5,321	45,372
—	—	3,000	3,000
—	—	5,144,638	5,144,638
—	—	15,548	15,548
—	—	5,160,186	5,160,186
—	—	—	71,505
—	312,557	—	312,557
11,593	312,557	5,168,507	5,628,854
—	—	1,802	1,802
—	—	198	198
—	—	15,548	15,548
—	—	—	7,537
—	—	17,548	25,085
—	—	5,150,959	5,150,959
11,593	312,557	—	452,810
\$ 11,593	\$ 312,557	\$ 5,150,959	\$ 5,603,769

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	CONSUMER RESTITUTION	PRISONER SPENDABLE ACCOUNTS	CHILD SUPPORT	REGISTRAR OF CONTRACTORS
ADDITIONS:				
Investment income:				
Decrease in fair value of investments	\$ —	\$ —	\$ —	\$ —
Interest, dividends, and other	44	—	—	—
Securities lending income	—	—	—	—
Total investment income	<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>
Less investment expenses:				
Investment activity expenses	—	—	—	—
Securities lending expenses	—	—	—	—
Net investment income	<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capital share and individual account transactions:				
Shares sold	—	—	—	—
Reinvested distributions	—	—	—	—
Shares redeemed	—	—	—	—
Net capital share and individual account transactions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other additions:				
Collections for restitutions	5,122	—	—	—
Collections for inmates	—	108,477	—	—
Collections for child support	—	—	790,631	—
Deposits from applicants	—	—	—	170
Collections from condemnation proceedings	—	—	—	—
Other revenues	463	—	—	—
Total other additions	<u>5,585</u>	<u>108,477</u>	<u>790,631</u>	<u>170</u>
Total Additions	<u>5,629</u>	<u>108,477</u>	<u>790,631</u>	<u>170</u>
DEDUCTIONS:				
Dividends to investors	—	—	—	—
Other deductions	—	—	—	43
Distributions to individuals, organizations, and other governments	5,868	93,365	809,665	181
Total Deductions	<u>5,868</u>	<u>93,365</u>	<u>809,665</u>	<u>224</u>
Net increase (decrease) in Fiduciary Net Position	(239)	15,112	(19,034)	(54)
Net Position - Beginning, as restated	10,118	21,612	93,233	7,912
Net Position - Ending	<u>\$ 9,879</u>	<u>\$ 36,724</u>	<u>\$ 74,199</u>	<u>\$ 7,858</u>

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	EXTERNAL INVESTMENT POOL	TOTAL
\$ —	\$ —	\$ (10,218)	\$ (10,218)
57	—	18,497	18,598
—	—	116	116
<u>57</u>	<u>—</u>	<u>8,395</u>	<u>8,496</u>
—	—	2,461	2,461
—	—	33	33
<u>57</u>	<u>—</u>	<u>5,901</u>	<u>6,002</u>
—	—	6,266,539	6,266,539
—	—	15,664	15,664
—	—	<u>(5,520,614)</u>	<u>(5,520,614)</u>
—	—	<u>761,589</u>	<u>761,589</u>
—	—	—	5,122
—	—	—	108,477
—	—	—	790,631
—	356,950	—	357,120
2,146	—	—	2,146
—	—	—	463
<u>2,146</u>	<u>356,950</u>	<u>—</u>	<u>1,263,959</u>
<u>2,203</u>	<u>356,950</u>	<u>767,490</u>	<u>2,031,550</u>
—	—	5,926	5,926
—	—	—	43
<u>3,847</u>	<u>372,560</u>	<u>—</u>	<u>1,285,486</u>
<u>3,847</u>	<u>372,560</u>	<u>5,926</u>	<u>1,291,455</u>
(1,644)	(15,610)	761,564	740,095
<u>13,237</u>	<u>328,167</u>	<u>4,389,395</u>	<u>4,863,674</u>
<u>\$ 11,593</u>	<u>\$ 312,557</u>	<u>\$ 5,150,959</u>	<u>\$ 5,603,769</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 Department of Insurance and Financial Institutions 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, 2021
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY
ASSETS				
Current Assets:				
Cash	\$ —	\$ 6,534	\$ —	\$ 11,661
Cash and pooled investments with State Treasurer	9,994	—	106,907	89,642
Short-term investments	—	—	—	—
Restricted investments held by trustee	1,170	—	—	—
Receivables, net of allowances:				
Loans and notes	—	—	—	191
Other	1,574	27	—	2,847
Due from primary government	—	1,812	—	—
Other current assets	521	121	—	45
Total Current Assets	<u>13,259</u>	<u>8,494</u>	<u>106,907</u>	<u>104,386</u>
Noncurrent Assets:				
Restricted assets:				
Cash held by trustee	—	52,315	—	—
Investments held by trustee	1,805	—	—	—
Loans and notes receivable, net of allowances	—	17,968	—	276
Investments	—	—	—	—
Other receivables, net of allowances	—	—	—	—
Other noncurrent assets	22,163	—	—	—
Capital assets:				
Land and other non-depreciable	—	46,939	—	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	137	76,438	—	717
Total Noncurrent Assets	<u>24,105</u>	<u>193,660</u>	<u>—</u>	<u>993</u>
Total Assets	<u>37,364</u>	<u>202,154</u>	<u>106,907</u>	<u>105,379</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	121	—	—	—
Related to OPEB	30	—	—	—
Loss on debt refundings	—	3,387	—	—
Total Deferred Outflows of Resources	<u>151</u>	<u>3,387</u>	<u>—</u>	<u>—</u>

DEPARTMENT OF
INSURANCE AND
FINANCIAL
INSTITUTIONS
GUARANTY FUNDS

TOTAL

\$	23,472	\$	41,667
	119		206,662
	175,314		175,314
	—		1,170
	—		191
	7,017		11,465
	—		1,812
	11		698
	<u>205,933</u>		<u>438,979</u>
	—		52,315
	—		1,805
	—		18,244
	49,793		49,793
	131,264		131,264
	—		22,163
	—		46,939
	—		77,292
	<u>181,057</u>		<u>399,815</u>
	<u>386,990</u>		<u>838,794</u>
	10		131
	15		45
	—		3,387
	<u>25</u>		<u>3,563</u>

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2021
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 4,570	\$ 9,658	\$ —	\$ 1,129
Accrued liabilities	587	281	—	512
Unearned revenue	—	1,156	—	923
Current portion of accrued insurance losses	—	—	—	—
Current portion of long-term debt	560	6,209	—	—
Total Current Liabilities	<u>5,717</u>	<u>17,304</u>	<u>—</u>	<u>2,564</u>
Noncurrent Liabilities:				
Unearned revenue	—	7,707	—	—
Accrued insurance losses	—	—	—	—
Net pension liability	1,019	—	—	—
Net OPEB liability	127	—	—	—
Long-term debt	24,915	104,841	80,000	—
Total Noncurrent Liabilities	<u>26,061</u>	<u>112,548</u>	<u>80,000</u>	<u>—</u>
Total Liabilities	<u>31,778</u>	<u>129,852</u>	<u>80,000</u>	<u>2,564</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	60	—	—	—
Related to OPEB	17	—	—	—
Total Deferred Inflows of Resources	<u>77</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	137	51,357	—	717
Restricted for:				
Debt service	2,976	8,037	—	—
Loans and other financial assistance	—	—	—	32,606
Other	—	—	—	2,728
Unrestricted	2,547	16,295	26,907	66,764
Total Net Position	<u>\$ 5,660</u>	<u>\$ 75,689</u>	<u>\$ 26,907</u>	<u>\$ 102,815</u>

DEPARTMENT OF
INSURANCE AND
FINANCIAL
INSTITUTIONS
GUARANTY FUNDS

TOTAL

\$	49	\$	15,406
	64		1,444
	—		2,079
	18,294		18,294
	—		6,769
	<u>18,407</u>		<u>43,992</u>
	—		7,707
	233,839		233,839
	442		1,461
	80		207
	—		209,756
	<u>234,361</u>		<u>452,970</u>
	<u>252,768</u>		<u>496,962</u>
	45		105
	<u>12</u>		<u>29</u>
	<u>57</u>		<u>134</u>
	—		52,211
	—		11,013
	—		32,606
	134,190		136,918
	—		112,513
\$	<u>134,190</u>	\$	<u>345,261</u>

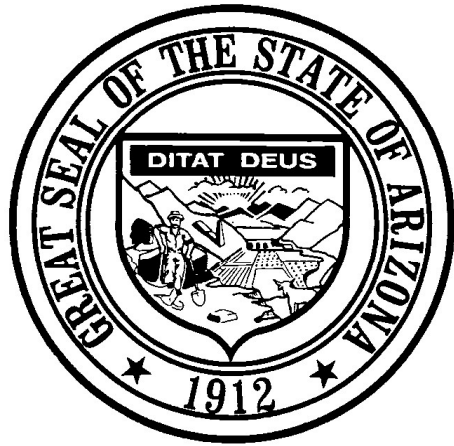
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Power Authority	\$ 39,546	\$ 39,402	\$ —
Rio Nuevo	11,763	1,289	—
Arizona Public School Credit Enhancement	—	710	—
Arizona Commerce Authority	39,751	2,075	11,974
Department of Insurance and Financial Institutions Guaranty Funds	12,492	33,000	—
Total	<u>\$ 103,552</u>	<u>\$ 76,476</u>	<u>\$ 11,974</u>

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY	DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS GUARANTY FUNDS	TOTAL
\$ (144)	\$ —	\$ —	\$ —	\$ —	\$ (144)
—	(10,474)	—	—	—	(10,474)
—	—	710	—	—	710
—	—	—	(25,702)	—	(25,702)
—	—	—	—	20,508	20,508
114	290	15	184	3,660	4,263
—	—	—	335	—	335
—	9,323	—	19,675	—	28,998
—	408	—	—	—	408
(30)	(453)	725	(5,508)	24,168	18,902
5,690	76,142	26,182	108,323	110,022	326,359
<u>\$ 5,660</u>	<u>\$ 75,689</u>	<u>\$ 26,907</u>	<u>\$ 102,815</u>	<u>\$ 134,190</u>	<u>\$ 345,261</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, 2021

(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
ASSETS				
Cash and cash equivalent investments	\$ 3,994	\$ 7,019	\$ 4,557	\$ 695
Receivables:				
Pledges receivable	9,325	27,729	—	—
Other receivables	435	2,329	48,219	222
Total receivables	<u>9,760</u>	<u>30,058</u>	<u>48,219</u>	<u>222</u>
Investments:				
Investments in securities	265,366	—	—	22,645
Other investments	15,486	—	—	—
Total investments	<u>280,852</u>	<u>—</u>	<u>—</u>	<u>22,645</u>
Property and equipment, net of accumulated depreciation	—	—	5,014	—
Other assets	127	178	1,996	78
Total Assets	<u>294,733</u>	<u>37,255</u>	<u>59,786</u>	<u>23,640</u>
LIABILITIES				
Accounts payable and accrued liabilities	348	204	60	195
Liability under endowment trust agreements	48,743	—	—	—
Long-term debt	—	—	—	—
Deferred revenue	5,216	—	12,188	151
Other liabilities	2,258	—	2,792	25
Total Liabilities	<u>56,565</u>	<u>204</u>	<u>15,040</u>	<u>371</u>
NET ASSETS				
With donor restrictions	227,207	33,544	—	84
Without donor restrictions	10,961	3,507	44,746	23,185
Total Net Assets	<u>\$ 238,168</u>	<u>\$ 37,051</u>	<u>\$ 44,746</u>	<u>\$ 23,269</u>

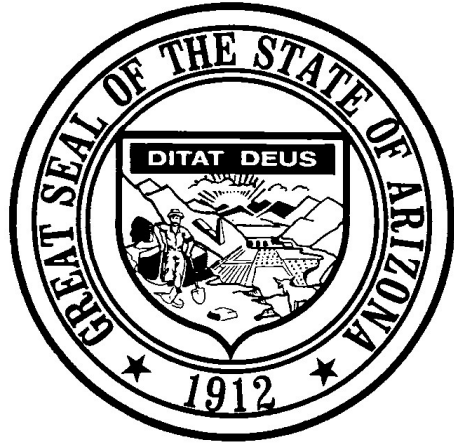
ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 22,287	\$ 1,244	\$ 8,994	\$ 695	\$ 550	\$ 50,035
—	884	—	—	—	37,938
6,401	—	223	939	88	58,856
6,401	884	223	939	88	96,794
—	15,338	—	8,972	—	312,321
—	195	—	32	—	15,713
—	15,533	—	9,004	—	328,034
11,530	—	32,194	91	—	48,829
11,859	7	3,804	97	—	18,146
52,077	17,668	45,215	10,826	638	541,838
7,395	13	1,751	12	145	10,123
—	—	—	—	—	48,743
4,574	—	5,201	7	37	9,819
5,548	—	1,748	997	337	26,185
11,585	—	22	—	—	16,682
29,102	13	8,722	1,016	519	111,552
24	14,103	—	193	—	275,155
22,951	3,552	36,493	9,617	119	155,131
\$ 22,975	\$ 17,655	\$ 36,493	\$ 9,810	\$ 119	\$ 430,286

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2021

(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
REVENUES				
Contributions	\$ 15,329	\$ 10,150	\$ —	\$ 1,151
Rental revenue	—	—	11,324	—
Sales and services	—	98	—	603
Net investment income	48,805	15	—	4,374
Grants and aid	—	—	—	—
Other revenues	4,170	91	67	—
Total Revenues	<u>68,304</u>	<u>10,354</u>	<u>11,391</u>	<u>6,128</u>
EXPENSES				
Program services:				
Payments to Universities	—	5,240	3,792	—
Leasing related expenses	—	—	—	—
Payments on behalf of Universities	—	—	—	—
Other program services	18,970	—	—	—
Management and general expenses	1,312	754	1,161	2,281
Fundraising expenses	4,814	—	—	—
Interest	—	—	73	—
Depreciation and amortization	—	—	403	—
Other expenses	—	750	149	58
Total Expenses	<u>25,096</u>	<u>6,744</u>	<u>5,578</u>	<u>2,339</u>
Increase (decrease) in Net Assets, before loss	43,208	3,610	5,813	3,789
Loss of uncollectible pledges	—	(4,840)	—	—
Loss on sale of capital assets	—	—	—	—
Increase (decrease) in Net Assets	43,208	(1,230)	5,813	3,789
Net Assets - Beginning	<u>194,960</u>	<u>38,281</u>	<u>38,933</u>	<u>19,480</u>
Net Assets - Ending	<u>\$ 238,168</u>	<u>\$ 37,051</u>	<u>\$ 44,746</u>	<u>\$ 23,269</u>

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 4,610	\$ 3,343	\$ —	\$ 140	\$ 136	\$ 34,859
—	—	14,864	—	—	26,188
1,604	—	—	1,396	1,178	4,879
—	3,419	29	1,316	—	57,958
63,622	—	—	—	—	63,622
9,959	39	522	471	—	15,319
<u>79,795</u>	<u>6,801</u>	<u>15,415</u>	<u>3,323</u>	<u>1,314</u>	<u>202,825</u>
—	—	—	—	35	9,067
—	—	14,394	—	—	14,394
—	1,890	—	755	620	3,265
—	—	—	—	—	18,970
65,980	61	1,181	81	404	73,215
—	53	—	3	—	4,870
—	—	—	—	—	73
—	—	—	—	—	403
—	—	—	—	—	957
<u>65,980</u>	<u>2,004</u>	<u>15,575</u>	<u>839</u>	<u>1,059</u>	<u>125,214</u>
13,815	4,797	(160)	2,484	255	77,611
—	—	—	—	—	(4,840)
(587)	—	—	—	—	(587)
13,228	4,797	(160)	2,484	255	72,184
9,747	12,858	36,653	7,326	(136)	358,102
<u>\$ 22,975</u>	<u>\$ 17,655</u>	<u>\$ 36,493</u>	<u>\$ 9,810</u>	<u>\$ 119</u>	<u>\$ 430,286</u>



STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

This part of the State of Arizona's Annual Comprehensive 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, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020, as restated	2019, as restated	2018, as restated (14)	2017, as restated
GOVERNMENTAL ACTIVITIES:					
Net investment in capital assets (5,8)	\$ 23,656,057	\$ 22,951,428	\$ 22,109,991	\$ 21,486,658	\$ 20,583,563
Restricted (3,12)	11,135,752	8,903,600	8,136,654	7,552,460	7,368,184
Unrestricted (6,8,11,15,18,19)	(436,606)	(3,657,975)	(4,017,629)	(5,437,227)	(5,848,655)
Total Governmental Activities Net Position	\$ 34,355,203	\$ 28,197,053	\$ 26,229,016	\$ 23,601,891	\$ 22,103,092
BUSINESS-TYPE ACTIVITIES:					
Net investment in capital assets (4,8,9)	\$ 2,314,765	\$ 2,291,691	\$ 2,073,576	\$ 1,994,555	\$ 1,879,901
Restricted (7,13,16,17)	1,032,376	823,013	1,792,982	1,669,917	1,332,162
Unrestricted (2,4,6,8,9,10,11,16)	146,399	(146,714)	131,878	(17,239)	27,301
Total Business-type Activities Net Position	\$ 3,493,540	\$ 2,967,990	\$ 3,998,436	\$ 3,647,233	\$ 3,239,364
PRIMARY GOVERNMENT:					
Net investment in capital assets (4,5,9)	\$ 25,970,822	\$ 25,243,119	\$ 24,183,567	\$ 23,481,213	\$ 22,463,464
Restricted (3,7,12,13,16,17)	12,168,128	9,726,613	9,929,636	9,222,377	8,700,346
Unrestricted (2,4,6,8,9,10,11,15,16,18,19)	(290,207)	(3,804,689)	(3,885,751)	(5,454,466)	(5,821,354)
Total Primary Government Net Position	\$ 37,848,743	\$ 31,165,043	\$ 30,227,452	\$ 27,249,124	\$ 25,342,456

- (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.
- (19) Fiscal year 2020 unrestricted net position has been restated due to implementation of GASB Statement No. 84.

Fiscal Year				
2016, as restated	2015, as restated	2014, as restated	2013, as restated	2012, as restated
\$ 19,722,730	\$ 18,790,889	\$ 18,053,540	\$ 17,410,055	\$ 16,940,512
6,856,271	7,170,289	6,829,299	6,116,083	5,447,576
(5,205,689)	(5,685,921)	(5,841,106)	(2,527,441)	(3,351,315)
<u>\$ 21,373,312</u>	<u>\$ 20,275,257</u>	<u>\$ 19,041,733</u>	<u>\$ 20,998,697</u>	<u>\$ 19,036,773</u>
\$ 1,761,694	\$ 1,642,507	\$ 1,581,436	\$ 1,526,777	\$ 1,483,416
1,191,605	895,616	723,590	531,972	496,444
288,164	215,120	(51,586)	1,049,391	810,810
<u>\$ 3,241,463</u>	<u>\$ 2,753,243</u>	<u>\$ 2,253,440</u>	<u>\$ 3,108,140</u>	<u>\$ 2,790,670</u>
\$ 21,484,424	\$ 20,433,396	\$ 19,634,976	\$ 18,936,832	\$ 18,423,928
8,047,876	8,065,905	7,552,889	6,648,055	5,944,020
(4,917,525)	(5,470,801)	(5,892,692)	(1,478,050)	(2,540,505)
<u>\$ 24,614,775</u>	<u>\$ 23,028,500</u>	<u>\$ 21,295,173</u>	<u>\$ 24,106,837</u>	<u>\$ 21,827,443</u>

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020 (7)	2019 (7)	2018, as restated (8)	2017 (7)
EXPENSES					
Governmental Activities:					
General government	\$ 1,779,607	\$ 1,194,320	\$ 793,504	\$ 933,641	\$ 862,738
Health and welfare (5)	22,636,105	18,201,947	16,873,025	16,254,160	15,661,167
Inspection and regulation	192,692	194,800	149,976	156,149	163,416
Education	8,257,299	7,854,849	7,161,842	6,538,614	6,369,100
Protection and safety	1,891,198	1,853,972	1,601,975	1,954,842	1,662,550
Transportation	1,094,831	971,909	842,112	834,697	799,882
Natural resources	279,965	238,873	235,835	230,505	216,318
Intergovernmental revenue sharing	4,418,998	3,874,998	3,708,063	3,480,014	3,349,498
Interest on long-term debt	95,967	140,206	172,071	153,914	193,099
Total Governmental Activities Expenses	<u>40,646,662</u>	<u>34,525,874</u>	<u>31,538,403</u>	<u>30,536,536</u>	<u>29,277,768</u>
Business-type Activities:					
Universities (4)	5,904,889	5,882,039	5,476,780	5,166,157	4,893,271
Unemployment Compensation (2)	8,513,331	5,889,387	—	—	—
Industrial Commission Special Fund (6)	—	—	—	—	—
Lottery (2)	—	—	—	—	—
Other	1,245,997	988,092	1,178,051	1,156,810	1,105,470
Total Business-type Activities Expenses	<u>15,664,217</u>	<u>12,759,518</u>	<u>6,654,831</u>	<u>6,322,967</u>	<u>5,998,741</u>
Total Primary Government Expenses (5)	<u>\$ 56,310,879</u>	<u>\$ 47,285,392</u>	<u>\$ 38,193,234</u>	<u>\$ 36,859,503</u>	<u>\$ 35,276,509</u>
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	\$ 261,066	\$ 230,511	\$ 279,469	\$ 218,721	\$ 195,805
Health and welfare	712,588	563,157	508,029	490,929	447,334
Inspection and regulation	207,081	176,051	176,676	163,278	170,043
Transportation	213,971	209,658	215,860	166,221	149,297
Other activities	270,352	278,703	267,491	263,412	267,315
Operating grants and contributions (9)	23,952,916	17,169,249	15,659,663	15,042,818	14,732,701
Capital grants and contributions	690,050	566,951	519,021	718,794	716,455
Total Governmental Activities					
Program Revenues	<u>26,308,024</u>	<u>19,194,280</u>	<u>17,626,209</u>	<u>17,064,173</u>	<u>16,678,950</u>
Business-type Activities:					
Charges for services:					
Universities	2,891,038	2,974,123	2,907,908	2,799,919	2,708,519
Lottery (2)	—	—	—	—	—
Other activities	2,060,726	1,591,127	1,628,240	1,598,155	1,461,686
Operating grants and contributions	10,325,015	6,223,027	1,659,758	1,573,533	1,488,002
Capital grants and contributions	41,836	106,734	27,255	20,699	27,368
Total Business-type Activities					
Program Revenues	<u>15,318,615</u>	<u>10,895,011</u>	<u>6,223,161</u>	<u>5,992,306</u>	<u>5,685,575</u>
Total Primary Government					
Program Revenues	<u>\$ 41,626,639</u>	<u>\$ 30,089,291</u>	<u>\$ 23,849,370</u>	<u>\$ 23,056,479</u>	<u>\$ 22,364,525</u>
NET (EXPENSE) REVENUE					
Governmental activities	\$ (14,338,638)	\$ (15,331,594)	\$ (13,912,194)	\$ (13,472,363)	\$ (12,598,818)
Business-type activities	(345,602)	(1,864,507)	(431,670)	(330,661)	(313,166)
Total Primary Government Net (Expense)	<u>\$ (14,684,240)</u>	<u>\$ (17,196,101)</u>	<u>\$ (14,343,864)</u>	<u>\$ (13,803,024)</u>	<u>\$ (12,911,984)</u>

Fiscal Year

2016 (7)	2015 (7)	2014 (7)	2013, as restated	2012, as restated
\$ 807,320	\$ 923,659	\$ 763,830	\$ 836,431	\$ 840,189
15,152,650	14,296,714	12,768,332	12,168,426	11,992,408
168,719	159,874	160,797	161,480	151,937
6,136,303	5,859,267	5,573,656	5,372,267	5,331,848
1,585,620	1,568,732	1,408,049	1,400,413	1,380,999
858,958	786,028	791,006	754,510	808,967
208,563	204,939	200,868	204,179	213,339
3,176,183	2,966,400	2,778,299	2,685,378	2,473,881
210,326	230,871	279,525	355,975	350,483
<u>28,304,642</u>	<u>26,996,484</u>	<u>24,724,362</u>	<u>23,939,059</u>	<u>23,544,051</u>
4,637,567	4,378,481	4,078,053	3,888,145	3,629,568
—	—	—	—	1,069,531
—	—	36,895	38,614	83,290
—	—	—	—	496,830
1,014,941	1,041,261	1,130,299	1,329,816	113,347
<u>5,652,508</u>	<u>5,419,742</u>	<u>5,245,247</u>	<u>5,256,575</u>	<u>5,392,566</u>
<u>\$ 33,957,150</u>	<u>\$ 32,416,226</u>	<u>\$ 29,969,609</u>	<u>\$ 29,195,634</u>	<u>\$ 28,936,617</u>
\$ 196,179	\$ 188,356	\$ 188,943	\$ 188,462	\$ 189,175
423,690	411,914	222,173	138,605	135,345
166,075	157,624	157,149	156,164	150,557
143,697	113,163	113,267	119,862	108,877
261,428	252,989	255,391	247,776	263,548
13,532,247	13,200,146	12,172,836	11,588,834	11,357,470
870,644	706,089	546,680	651,999	778,572
<u>15,593,960</u>	<u>15,030,281</u>	<u>13,656,439</u>	<u>13,091,702</u>	<u>12,983,544</u>
2,519,048	2,303,791	2,056,307	1,892,356	1,752,509
—	—	—	—	646,675
1,468,139	1,345,566	1,325,046	1,289,456	584,240
1,452,562	1,320,612	1,343,922	1,570,854	1,705,773
11,911	43,321	41,250	15,210	53,571
<u>5,451,660</u>	<u>5,013,290</u>	<u>4,766,525</u>	<u>4,767,876</u>	<u>4,742,768</u>
<u>\$ 21,045,620</u>	<u>\$ 20,043,571</u>	<u>\$ 18,422,964</u>	<u>\$ 17,859,578</u>	<u>\$ 17,726,312</u>
\$ (12,710,682)	\$ (11,966,203)	\$ (11,067,923)	\$ (10,847,357)	\$ (10,560,507)
(200,848)	(406,452)	(478,722)	(488,699)	(649,798)
<u>\$ (12,911,530)</u>	<u>\$ (12,372,655)</u>	<u>\$ (11,546,645)</u>	<u>\$ (11,336,056)</u>	<u>\$ (11,210,305)</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020	2019 (7)	2018, as restated (8)	2017 (7)
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Sales	\$ 9,523,611	\$ 8,193,712	\$ 7,673,015	\$ 7,194,123	\$ 6,775,704
Income	6,672,112	5,852,309	5,579,102	4,946,644	4,500,902
Tobacco	299,821	295,163	287,875	298,369	316,073
Property	42,583	42,601	42,208	55,112	46,798
Motor vehicle and fuel	2,502,442	2,256,884	2,202,693	1,950,380	1,875,392
Other	769,964	684,256	701,912	638,988	655,363
Unrestricted investment earnings	35,056	145,654	165,228	42,463	50,009
Unrestricted grants and contributions	33,083	28,539	29,964	35,324	35,032
Gain on sale of trust land	806,188	13,595	201,327	161,953	47,503
Miscellaneous general revenues (3)	300,749	339,967	245,486	178,298	117,933
Transfers	(488,821)	(577,672)	(495,502)	(530,492)	(529,455)
Total Governmental Activities	20,496,788	17,275,008	16,633,308	14,971,162	13,891,254
Business-type Activities:					
Sales taxes	85,891	81,701	81,418	75,642	72,696
Unrestricted investment earnings	117,450	92,528	136,913	50,825	81,363
Unrestricted grants and contributions	—	10	—	—	—
Miscellaneous general revenues	173,400	79,277	77,764	79,617	79,726
Contributions to permanent endowments	5,590	2,873	6,838	5,702	3,276
Extraordinary items	—	—	—	—	—
Transfers	488,821	577,672	495,502	530,492	529,455
Total Business-type Activities	871,152	834,061	798,435	742,278	766,516
Total Primary Government	\$ 21,367,940	\$ 18,109,069	\$ 17,431,743	\$ 15,713,440	\$ 14,657,770
CHANGE IN NET POSITION					
Governmental activities	\$ 6,158,150	\$ 1,943,414	\$ 2,721,114	\$ 1,498,799	\$ 1,292,436
Business-type activities	525,550	(1,030,446)	366,765	411,617	453,350
Total Primary Government	\$ 6,683,700	\$ 912,968	\$ 3,087,879	\$ 1,910,416	\$ 1,745,786

- (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) - (19) 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				
2016 (7)	2015 (7)	2014 (7)	2013, as restated	2012, as restated
\$ 6,455,837	\$ 6,290,950	\$ 5,948,055	\$ 6,518,480	\$ 6,296,151
4,511,674	4,430,602	3,963,197	3,974,998	3,706,698
318,902	314,522	314,313	316,050	317,369
51,735	52,241	41,215	27,429	30,656
1,823,998	1,694,779	1,650,579	1,592,911	1,581,909
616,580	560,920	547,481	531,186	522,510
58,250	87,115	79,215	18,705	79,190
115,097	39,847	37,926	45,746	40,678
75,042	97,231	83,695	174,095	125,479
247,462	232,658	176,035	144,403	265,214
(465,840)	(601,539)	(578,361)	(534,722)	(576,846)
<u>13,808,737</u>	<u>13,199,326</u>	<u>12,263,350</u>	<u>12,809,281</u>	<u>12,389,008</u>
69,927	64,757	63,669	57,490	55,309
68,795	37,839	108,296	62,017	49,501
548	—	107	5	3,468
65,143	138,931	78,837	148,743	155,757
5,472	5,740	6,561	3,192	3,270
—	—	3,900	—	—
<u>465,840</u>	<u>601,539</u>	<u>578,361</u>	<u>534,722</u>	<u>576,846</u>
<u>675,725</u>	<u>848,806</u>	<u>839,731</u>	<u>806,169</u>	<u>844,151</u>
<u>\$ 14,484,462</u>	<u>\$ 14,048,132</u>	<u>\$ 13,103,081</u>	<u>\$ 13,615,450</u>	<u>\$ 13,233,159</u>
\$ 1,098,055	\$ 1,233,123	\$ 1,195,427	\$ 1,961,924	\$ 1,828,501
474,877	442,354	361,009	317,470	194,353
<u>\$ 1,572,932</u>	<u>\$ 1,675,477</u>	<u>\$ 1,556,436</u>	<u>\$ 2,279,394</u>	<u>\$ 2,022,854</u>

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020, as restated	2019	2018, as restated	2017, as restated
GENERAL FUND:					
Nonspendable	\$ 14,473	\$ 15,710	\$ 6,617	\$ 11,632	\$ 9,990
Restricted (5)	582,364	475,563	339,116	44,401	133,472
Committed	284,818	257,556	150,050	113,204	93,343
Unassigned (3,6,8)	1,919,752	1,316,305	685,583	—	(258,262)
Total General Fund	\$ 2,801,407	\$ 2,065,134	\$ 1,181,366	\$ 169,237	\$ (21,457)
ALL OTHER GOVERNMENTAL FUNDS:					
Nonspendable (7)	\$ 7,671,204	\$ 5,853,677	\$ 6,062,682	\$ 5,934,995	\$ 5,603,620
Restricted (2)	2,347,011	1,418,680	1,659,621	1,482,258	1,479,706
Committed	1,867,450	1,428,352	1,225,528	1,060,444	964,570
Unassigned (4,8)	226	(1,587)	—	(14,491)	(18,752)
Total All Other Governmental Funds	\$ 11,885,891	\$ 8,699,122	\$ 8,947,831	\$ 8,463,206	\$ 8,029,144

- (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) In fiscal year 2018, negative unassigned fund balance for the General Fund was reduced against restricted and committed fund balance.
- (7) Fiscal year 2018 nonspendable fund balance has been restated due to correction of error of investment earnings for the Land Endowments Fund.
- (8) Fiscal year 2020 unassigned fund balance has been restated due to the implementation of GASB 84.

Fiscal Year

2016	2015, as restated	2014	2013	2012, as restated
\$ 9,669	\$ 9,168	\$ 9,600	\$ 844	\$ 891
91,833	241,919	124,390	192,187	246,977
126,484	99,145	79,837	73,237	109,469
(78,903)	(325,380)	(189,238)	156,935	(437,035)
<u>\$ 149,083</u>	<u>\$ 24,852</u>	<u>\$ 24,589</u>	<u>\$ 423,203</u>	<u>\$ (79,698)</u>
\$ 5,124,432	\$ 5,181,556	\$ 4,878,682	\$ 4,160,485	\$ 3,472,005
1,488,010	1,573,453	1,741,674	1,860,872	1,762,356
937,949	825,740	734,446	661,110	514,085
(21,325)	(27,562)	(29,744)	(26,266)	(33,861)
<u>\$ 7,529,066</u>	<u>\$ 7,553,187</u>	<u>\$ 7,325,058</u>	<u>\$ 6,656,201</u>	<u>\$ 5,714,585</u>

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020 (3)	2019	2018, as restated	2017, as restated
REVENUES					
Taxes:					
Sales	\$ 9,530,013	\$ 8,125,114	\$ 7,655,588	\$ 7,173,126	\$ 6,732,684
Income	6,699,521	5,771,734	5,498,061	4,892,382	4,473,790
Tobacco	299,821	295,163	287,875	298,369	316,073
Property	42,583	42,601	42,208	55,112	46,798
Motor vehicle and fuel	2,502,442	2,256,884	2,202,693	1,950,380	1,875,392
Other	769,964	684,256	701,912	638,988	655,363
Intergovernmental (4)	22,904,553	17,711,033	15,602,794	15,040,118	14,731,475
Licenses, fees, and permits	721,938	687,754	650,484	582,918	573,867
Hospital and nursing facility assessments	537,236	360,157	316,040	318,199	292,049
Earnings on investments (5)	1,876,937	172,496	489,398	559,956	639,717
Sales and charges for services	243,485	245,191	261,538	243,820	229,099
Fines, forfeitures, and penalties	163,394	164,995	220,513	156,666	136,161
Gaming	148,056	112,448	99,679	95,367	89,310
Tobacco settlement	105,683	94,283	98,938	101,761	101,522
Proceeds from sale of trust land	336,536	126,416	141,616	119,122	179,028
Other (2)	347,439	370,818	285,136	213,776	167,229
Total Revenues	<u>47,229,601</u>	<u>37,221,343</u>	<u>34,554,473</u>	<u>32,440,060</u>	<u>31,239,557</u>
EXPENDITURES					
Current:					
General government	2,767,295	1,239,781	871,251	814,922	787,284
Health and welfare	23,038,244	18,293,758	16,783,865	16,182,335	15,813,515
Inspection and regulation	193,109	194,784	160,878	160,254	160,362
Education	8,252,938	7,853,935	7,169,071	6,541,180	6,364,016
Protection and safety	1,727,987	1,704,608	1,594,892	1,521,638	1,487,181
Transportation	1,059,282	925,703	852,491	752,575	732,029
Natural resources	260,072	223,537	225,242	216,169	198,567
Intergovernmental revenue sharing	4,418,998	3,874,998	3,708,063	3,480,014	3,349,498
Debt service:					
Principal	379,546	703,731	489,522	561,195	639,779
Interest and other fiscal charges	147,897	177,427	208,954	213,992	229,932
Capital outlay	577,636	850,937	867,114	933,204	894,210
Total Expenditures	<u>42,823,004</u>	<u>36,043,199</u>	<u>32,931,343</u>	<u>31,377,478</u>	<u>30,656,373</u>
Excess of Revenues Over Expenditures	<u>4,406,597</u>	<u>1,178,144</u>	<u>1,623,130</u>	<u>1,062,582</u>	<u>583,184</u>

Fiscal Year

	2016	2015 (3)	2014	2013	2012, as restated
\$	6,450,967	\$ 6,281,286	\$ 5,933,824	\$ 6,530,609	\$ 6,312,870
	4,513,219	4,398,928	4,012,603	4,034,631	3,715,082
	318,902	314,522	314,313	316,050	317,369
	51,735	52,241	41,215	27,429	30,656
	1,823,998	1,694,779	1,650,579	1,592,911	1,581,909
	616,580	560,920	547,481	531,186	522,510
	14,166,387	13,606,650	11,752,711	11,592,676	11,843,908
	542,064	486,331	475,833	476,972	477,344
	299,608	291,324	91,578	—	—
	175,444	295,125	739,859	499,919	190,055
	188,667	193,553	185,682	182,075	188,806
	159,647	152,728	171,161	181,216	168,240
	91,748	89,512	86,326	86,507	85,535
	98,907	99,975	100,765	149,125	101,067
	91,022	123,483	86,319	225,659	137,405
	264,474	254,522	208,858	169,119	297,065
	<u>29,853,369</u>	<u>28,895,879</u>	<u>26,399,107</u>	<u>26,596,084</u>	<u>25,969,821</u>
	714,313	843,159	750,163	812,770	838,776
	15,074,454	14,388,149	12,643,455	12,216,622	12,029,530
	165,009	158,495	161,318	160,636	153,947
	6,132,751	5,857,390	5,572,414	5,369,538	5,332,141
	1,456,651	1,402,225	1,360,387	1,349,146	1,351,251
	815,811	700,080	687,798	683,607	745,306
	189,614	189,302	193,043	194,714	202,677
	3,176,183	2,966,400	2,778,299	2,685,168	2,473,535
	517,389	560,497	493,592	412,617	386,027
	249,704	270,872	312,024	329,773	344,903
	814,002	783,926	829,630	765,339	769,716
	<u>29,305,881</u>	<u>28,120,495</u>	<u>25,782,123</u>	<u>24,979,930</u>	<u>24,627,809</u>
	<u>547,488</u>	<u>775,384</u>	<u>616,984</u>	<u>1,616,154</u>	<u>1,342,012</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, 2021
(Expressed in Thousands)

	Fiscal Year				
	2021	2020 (3)	2019	2018, as restated	2017, as restated
OTHER FINANCING SOURCES (USES)					
Transfers in	1,927,454	921,711	993,164	858,631	866,241
Transfers out	(2,411,061)	(1,496,902)	(1,486,841)	(1,375,640)	(1,303,531)
Proceeds from sale of capital assets	52	1,591	343	3,524	1,294
Capital lease and installment purchase contracts	—	—	1,034	—	43,248
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	—
Refunding grant anticipation notes issued	—	—	—	—	90,410
Payment to refunded bond escrow agent	—	(782,272)	—	—	(389,350)
Payment to refunded certificates of participation escrow agent	—	(480,097)	—	(31,345)	—
Payment to refunded grant anticipation notes escrow agent	—	—	—	—	(112,128)
Premium on debt issued	—	88,080	41,449	12,839	117,390
Total Other Financing Sources (Uses)	<u>(483,555)</u>	<u>(566,254)</u>	<u>(126,376)</u>	<u>(437,826)</u>	<u>(253,646)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 3,923,042</u>	<u>\$ 611,890</u>	<u>\$ 1,496,754</u>	<u>\$ 624,756</u>	<u>\$ 329,538</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	1.20%	2.50%	2.20%	2.50%	2.90%

- (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 (3) - (4) and (8) 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

2016	2015 (3)	2014	2013	2012, as restated
914,817	856,446	904,261	782,420	821,072
(1,367,979)	(1,392,301)	(1,397,332)	(1,256,408)	(1,323,778)
1,203	259	900	1,636	1,815
3,579	1,025	113,914	15,158	8,166
—	783	29,130	51,550	9,541
—	—	—	194,295	259,460
—	—	—	—	—
—	—	—	—	—
—	754,285	—	837,340	455,900
427,540	—	305,675	62,630	—
—	—	—	—	43,825
(62,630)	(900,813)	—	(954,372)	(560,228)
(422,841)	—	(310,059)	(42,096)	—
—	—	—	—	—
58,933	149,554	6,770	136,210	90,753
(447,378)	(530,762)	(346,741)	(171,637)	(193,474)
<u>\$ 100,110</u>	<u>\$ 244,622</u>	<u>\$ 270,243</u>	<u>\$ 1,444,517</u>	<u>\$ 1,148,538</u>
2.70%	3.00%	3.20%	3.10%	3.10%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

CLASSIFICATION (5)	Fiscal Year					
	2021	2020	2019	2018	2017	2016
Transporting (2)	\$ 121,844	\$ 34,563	\$ 31,542	\$ 31,022	\$ 39,944	\$ 56,139
Mining, oil and gas	215,159	187,408	164,066	154,510	140,648	154,947
Mining severance	1,424,405	508,177	690,060	982,475	735,086	607,840
Utilities	10,766,675	9,814,962	10,315,450	10,337,793	9,920,286	10,031,989
Communications	1,387,554	1,771,025	1,917,973	2,067,005	2,000,877	2,306,786
Private car and pipelines	50,796	32,944	33,457	30,131	22,117	2,577
Publishing	32,570	35,343	56,071	84,595	87,179	105,270
Job printing	185,316	164,660	241,963	219,210	237,887	236,324
Restaurants and bars	15,248,826	14,471,700	15,232,888	14,347,556	13,571,567	12,715,254
Amusements	879,532	1,303,261	1,482,455	1,445,107	1,323,661	1,342,700
Commercial lease (3)	—	—	—	(4)	50	2
Personal property rentals	4,994,986	4,893,667	4,762,330	4,276,040	3,947,160	3,689,976
Contracting	17,977,829	15,817,234	13,610,523	11,801,258	10,252,613	9,601,228
Retail	86,248,389	74,712,427	71,664,595	67,429,685	63,922,406	61,614,309
Remote seller/marketplace facilitator (8)	8,333,376	3,485,993	—	—	—	—
MRRA amount (7)	213,124	218,938	177,361	167,434	155,624	160,125
Medical marijuana (10)	297,829	—	—	—	—	—
Adult use marijuana (11)	195,211	—	—	—	—	—
Hotel/motel	2,460,567	2,805,265	3,646,904	3,342,980	3,058,663	2,819,143
Online lodging marketplace (9)	597,916	355,669	—	—	—	—
Rental occupancy tax (6)	(1)	—	(1)	—	—	(503)
Use tax	9,061,233	7,744,065	7,316,160	6,590,501	6,069,074	5,703,365
Use tax-utilities	1,852	1,642	945	2,512	34,764	38,945
Total	\$ 160,694,988	\$ 138,358,943	\$ 131,344,742	\$ 123,309,810	\$ 115,519,606	\$ 111,186,416
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 2012 and 2013 and 5.6% for fiscal years 2014 through 2021. For fiscal years 2012 through 2021, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2012 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 2012 and 2013, and 5.5% for fiscal years 2014 through 2021. 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) Rental occupancy was repealed effective November 1, 2006.
- (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.
- (10) The Medical Marijuana was previously reported as part of the Retail category. Beginning with the January 2021 period, medical marijuana is reported in a separate category.
- (11) The Adult Use Marijuana revenue is for a partial year, with the tax beginning in January 2021.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2021 and prior.

Fiscal Year				
	2015	2014	2013	2012
\$	57,588	\$ 54,981	\$ 41,324	\$ 52,137
	111,808	116,678	115,775	105,614
	994,478	1,047,580	1,193,176	1,623,111
	9,856,234	9,923,490	9,900,238	9,474,521
	2,565,400	2,965,233	3,061,730	3,190,962
	6,498	5,616	6,250	1,186
	106,357	101,751	84,673	92,505
	259,672	321,225	235,349	252,603
	12,053,486	11,085,652	10,544,419	9,996,825
	1,252,514	1,096,945	1,051,581	1,037,059
	6	2	2	1
	3,453,882	3,355,048	3,254,822	3,257,588
	10,653,405	11,269,503	10,092,876	9,543,335
	58,463,542	55,257,510	51,276,108	48,178,714
	—	—	—	—
	26,816	—	—	—
	—	—	—	—
	—	—	—	—
	2,675,510	2,334,373	2,221,059	2,156,864
	—	—	—	—
	—	—	—	(3)
	5,659,094	4,749,508	5,186,464	5,302,844
	48,070	62,511	10,283	10,022
\$	108,244,360	\$ 103,747,606	\$ 98,276,129	\$ 94,275,888
	5.60%	5.60%	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)

CLASSIFICATION	Fiscal Year 2021		Fiscal Year 2012	
	Tax	Percentage	Tax	Percentage
	Collections	of Total	Collections	of Total
Transporting	\$ 6,092	0.07 %	\$ 2,604	0.05 %
Non-metal mining, oil and gas	6,724	0.08	3,300	0.06
Mining severance	35,610	0.40	40,578	0.78
Utilities	538,334	6.02	473,726	9.06
Communications	69,378	0.78	159,548	3.05
Private car and pipelines	2,540	0.03	59	—
Publishing	1,629	0.02	4,625	0.09
Job printing	9,266	0.10	12,630	0.24
Restaurants and bars	762,441	8.52	499,841	9.56
Amusements	43,977	0.49	51,853	0.99
Personal property rentals	249,749	2.79	162,875	3.12
Contracting	898,891	10.05	477,165	9.13
Retail	4,312,420	48.20	2,408,948	46.08
Remote seller/marketplace facilitator	416,669	4.66	—	—
MRRA amount (2)	10,656	0.12	—	—
Medical marijuana (4)	14,891	0.17	—	—
Adult use marijuana (5)	9,761	0.11	—	—
Hotel/motel	135,331	1.51	118,628	2.27
Online lodging marketplace	32,885	0.37	—	—
Use tax utilities	93	—	501	0.01
Use tax	449,766	5.03	263,724	5.04
License fees	528	0.01	542	0.01
Jet fuel tax (3)	(18)	—	3,810	0.07
Jet fuel use tax (3)	12	—	732	0.01
Non sufficient funds	344	—	53	—
Telecommunications service assistance	—	—	(156)	—
Mandatory EFT fees	1,301	0.01	338	0.01
Education tax (1)	935,934	10.46	542,395	10.37
Total	\$ 8,945,204	100.00 %	\$ 5,228,319	100.00 %

- (1) 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 severances, hotel/motel, remote seller/marketplace 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.
- (2) MRRA - Maintenance, Repair, Replacement or Alteration projects
- (3) Effective August 1, 2017, the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund.
- (4) The Medical marijuana was previously reported as part of the Retail category. Beginning with the January 2021 period, medical marijuana is reported in a separate category.
- (5) The Adult use marijuana revenue is for a partial year, with the tax beginning in January 2021.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2021 and 2012.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY (3)
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

<u>CLASSIFICATION</u>	Calendar Year Ended December 31					
	2020	2019	2018	2017	2016	2015
Farm earnings	\$ 1,955,431	\$ 1,414,478	\$ 1,212,473	\$ 1,419,760	\$ 1,507,900	\$ 1,415,111
Forestry and fishing	592,113	546,416	545,429	540,082	529,625	506,621
Mining	1,589,884	1,720,261	2,019,322	1,613,180	1,380,107	1,464,407
Utilities	2,339,164	2,230,482	2,008,498	1,881,264	1,819,729	1,667,979
Construction	16,799,386	15,448,953	13,775,022	12,234,880	10,710,515	9,882,558
Manufacturing	18,514,762	17,725,796	16,347,679	15,185,035	14,605,316	14,305,185
Wholesale trade	10,933,154	10,371,288	10,178,593	9,667,443	9,153,822	8,896,260
Retail trade	16,391,662	15,123,398	14,697,516	14,246,666	13,703,359	13,485,864
Transportation and warehousing	8,756,541	8,172,788	7,521,505	6,728,463	6,383,150	6,026,083
Information	6,648,602	6,400,743	5,428,509	4,681,043	4,608,789	4,351,625
Finance and insurance	20,711,705	18,388,259	17,166,937	15,957,166	14,418,856	13,195,100
Real estate, rental, and leasing	7,485,197	7,145,513	6,163,921	5,555,190	5,761,036	5,198,817
Professional and technical services	19,384,915	18,434,370	17,315,139	16,008,289	15,085,296	14,530,837
Managing companies/enterprises	3,904,791	3,559,543	3,221,893	3,548,046	3,307,049	3,232,425
Administrative and waste services	14,560,110	14,212,090	13,547,576	12,743,860	11,878,298	11,547,195
Educational services	3,887,151	3,767,294	3,477,733	3,364,384	3,302,114	3,203,401
Health care and social assistance	30,508,709	28,505,159	26,929,381	25,331,448	23,890,338	22,552,364
Arts, entertainment, and recreation	2,231,782	2,733,239	2,899,889	2,816,514	2,619,504	2,376,549
Accommodation and food services	8,249,558	9,358,733	9,116,229	8,395,269	7,659,975	7,178,313
Other services, except public administration	7,745,143	7,845,980	7,615,036	7,235,089	6,983,120	6,763,970
Government and government enterprises	36,493,540	34,842,349	33,808,454	32,585,085	31,369,866	30,876,106
Other (1)	128,775,331	106,076,778	100,735,452	96,166,754	91,407,383	88,158,770
Total	\$ 368,458,631	\$ 334,023,910	\$ 315,732,186	\$ 297,904,910	\$ 282,085,147	\$ 270,815,540
Average effective rate (2)	1.77%	1.36%	1.59%	1.53%	1.46%	1.47%

- (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 2011 through 2019 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

	2014	2013	2012	2011
\$	1,064,736	\$ 1,289,530	\$ 881,044	\$ 1,166,829
	450,122	410,413	413,431	402,679
	1,567,360	1,535,771	1,502,892	1,280,116
	1,659,154	1,575,092	1,529,337	1,573,611
	9,419,581	8,936,081	8,118,792	8,108,091
	13,808,974	13,491,102	13,380,267	12,460,753
	8,547,894	8,379,655	8,559,568	7,991,859
	13,146,907	12,141,782	12,146,323	11,656,655
	5,559,475	5,144,768	5,131,165	4,878,063
	4,132,456	3,618,183	3,127,135	2,942,316
	12,133,895	11,729,712	10,810,316	9,956,813
	4,487,239	3,978,669	2,554,638	1,983,914
	13,841,425	13,297,525	12,960,670	12,551,489
	3,187,130	2,936,240	2,609,040	2,338,045
	10,978,476	10,355,952	9,563,967	9,145,822
	3,115,225	2,949,383	2,998,261	2,775,797
	21,447,106	20,769,650	20,196,102	19,644,652
	2,400,656	2,112,394	1,878,111	1,491,117
	6,560,676	6,521,538	6,217,391	5,749,296
	6,570,188	6,080,178	6,005,102	5,503,582
	29,853,609	29,595,243	28,887,169	28,692,183
	83,339,988	76,903,463	78,338,337	75,406,405
\$	<u>257,272,272</u>	<u>\$ 243,752,324</u>	<u>\$ 237,809,058</u>	<u>\$ 227,700,087</u>
	1.46%	1.42%	1.43%	1.36%

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

	Calendar Year Ended December 31				
	2020	2019	2018	2017	2016
<u>AVERAGE EFFECTIVE RATE (3)</u>					
Personal Income Tax Revenue (1)	\$ 6,534,602	\$ 4,531,546	\$ 5,010,333	\$ 4,545,242	\$ 4,131,621
Personal Income (2)	368,458,631	334,023,910	315,732,186	297,904,910	282,085,147
Average Effective Rate (3)	1.77%	1.36%	1.59%	1.53%	1.46%
<u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u>					
\$0 - \$27	2.59%	2.59%	2.59-2.88%	2.59-2.88%	2.59-2.88%
\$27 - \$55	3.34%	3.34%	3.36%	3.36%	3.36%
\$55 - \$164	4.17%	4.17%	4.24%	4.24%	4.24%
\$164 and over	4.50%	4.50%	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 2011 through 2019 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) Income ranges 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 2018 AND 2011 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2018			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u>				
\$50 and under	1,985,033	62.32%	\$ 550,871	10.82%
\$50 - \$100	680,362	21.36%	918,288	18.04%
\$100 - \$500	494,432	15.52%	2,201,111	43.25%
\$500 and over	25,508	0.80%	1,419,063	27.89%
Total	3,185,335	100.00%	\$ 5,089,333	100.00%

- (1) The taxable year 2018 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 2018, filed from January 2019 forward (or 2011, filed from January 2012 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

	2015	2014	2013	2012	2011
\$	3,968,883	\$ 3,761,764	\$ 3,463,266	\$ 3,398,902	\$ 3,099,177
	270,815,540	257,272,272	243,752,324	237,809,058	227,700,087
	1.47%	1.46%	1.42%	1.43%	1.36%
	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, 2011

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,821,103	68.13%	\$ 426,558	14.17%
541,104	20.24%	690,581	22.94%
298,888	11.18%	1,209,916	40.19%
12,025	0.45%	683,357	22.70%
<u>2,673,120</u>	<u>100.00%</u>	<u>\$ 3,010,412</u>	<u>100.00%</u>

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year				
	2021	2020	2019	2018	2017
GOVERNMENTAL ACTIVITIES:					
Revenue bonds	\$ 1,872,630	\$ 2,100,710	\$ 2,366,595	\$ 2,371,765	\$ 2,640,330
Grant anticipation notes	184,460	204,220	223,885	177,420	129,475
Certificates of participation	839,825	958,270	1,393,865	1,585,995	1,804,395
Direct Placement	4,005	4,010	—	—	—
Capital lease obligations (3)	123,489	136,745	152,153	189,581	215,084
Installment purchase contracts	—	—	—	—	—
Notes payable	—	—	—	—	22,179
Premiums and discounts on debt	395,907	452,932	444,111	453,713	516,456
Deferred amount on refundings (2)	—	—	—	—	—
Total Governmental Activities	3,420,316	3,856,887	4,580,609	4,778,474	5,327,919
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	3,616,395	3,243,430	3,296,480	3,109,245	3,010,525
Certificates of participation	289,610	307,510	451,831	502,636	557,506
Direct Placement	247,785	239,605	—	—	—
Capital lease obligations	107,091	117,336	124,952	131,134	134,399
Installment purchase contracts	21	42	62	769	1,460
Notes payable	—	13,542	13,999	—	—
Premiums and discounts on debt	460,199	410,283	361,083	342,647	325,412
Deferred amount on refundings (2)	—	—	—	—	—
Total Business-type Activities	4,721,101	4,331,748	4,248,407	4,086,431	4,029,302
Total Primary Government	\$ 8,141,417	\$ 8,188,635	\$ 8,829,016	\$ 8,864,905	\$ 9,357,221
Debt as a Percentage of					
Personal Income (1)	2.2%	2.5%	2.8%	3.0%	3.3%
Amount of Debt per Capita (1)	\$ 1,097	\$ 1,123	\$ 1,232	\$ 1,258	\$ 1,347

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 2021 contains data for the calendar year ending December 31, 2020.
- (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					
2016	2015	2014, as restated	2013	2012	
\$ 2,899,875	\$ 3,141,190	\$ 3,406,195	\$ 3,606,720	\$ 3,593,420	
147,320	194,670	247,710	296,240	335,230	
1,891,460	2,030,805	2,200,675	2,360,595	2,495,825	
—	—	—	—	—	
334,909	408,784	423,513	360,316	391,184	
176	349	—	—	177	
22,179	22,179	89,865	105,817	55,666	
492,349	492,048	427,865	474,747	396,465	
—	—	—	(19,945)	(813)	
<u>5,788,268</u>	<u>6,290,025</u>	<u>6,795,823</u>	<u>7,184,490</u>	<u>7,267,154</u>	
2,701,665	2,675,430	2,302,035	2,237,710	1,942,755	
600,556	637,986	676,345	714,735	756,980	
—	—	—	—	—	
141,117	168,960	132,957	135,519	163,637	
2,114	2,805	4,098	5,758	8,397	
—	—	—	—	12,643	
268,474	231,178	130,315	123,051	87,993	
—	—	—	(46,096)	(33,391)	
<u>3,713,926</u>	<u>3,716,359</u>	<u>3,245,750</u>	<u>3,170,677</u>	<u>2,939,014</u>	
<u>\$ 9,502,194</u>	<u>\$ 10,006,384</u>	<u>\$ 10,041,573</u>	<u>\$ 10,355,167</u>	<u>\$ 10,206,168</u>	
3.5%	3.9%	4.1%	4.4%	4.5%	
\$ 1,391	\$ 1,486	\$ 1,513	\$ 1,579	\$ 1,577	

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(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
2021	\$ 3,148,936	\$ 251,915	\$ 148,000	\$ 103,915	4.70 %
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

- (1) For fiscal years 2012 through 2021, projections are based upon the University's fiscal years 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, and 2023-2025 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, 2021
(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
2021	\$ 2,197,778	\$ 175,822	\$ 98,900	\$ 76,922	4.50 %
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

- (1) For fiscal years 2012 through 2021, projections are based upon the University's fiscal years 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, and 2023-2025 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, 2021
(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
2021	\$ 568,750	\$ 45,500	\$ 36,400	\$ 9,100	6.40 %
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

- (1) For fiscal years 2012 through 2021, projections are based upon the University's fiscal years 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, and 2023-2025 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, 2021
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ 749,986	\$ 92,545	\$ 47,652	\$ 140,197	5.35
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	524,291	60,540	78,198	138,738	3.78
2012	369,826	67,885	71,113	138,998	2.66

- (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.

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, 2021
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ 371,847	\$ 113,290	\$ 30,423	\$ 143,713	2.59
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	262,969	65,585	38,001	103,586	2.54
2015	254,921	70,940	32,652	103,592	2.46
2014	243,829	58,600	44,988	103,588	2.35
2013	227,832	55,870	47,721	103,591	2.20
2012	216,221	55,460	48,129	103,589	2.09

(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 (3)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ —	\$ —	\$ —	\$ —	—
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

- (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.
- (3) The School Facilities Board State School Improvement Revenue Bonds were paid off in fiscal year 2020.

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, 2021
(Expressed in Thousands)

Fiscal Year	Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ —	\$ —	\$ —	\$ —	—
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

- (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, 2021
(Expressed in Thousands)

Fiscal Year	Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ 282,242	\$ 22,245	\$ 12,265	\$ 34,510	8.18
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

- (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, 2021
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service					
		Net Payments				Total	Coverage
		Principal	Interest	(Receipts) On Swap Agreements			
2021	\$ 1,928,224	\$ 51,480	\$ 76,719	\$ 2,664	\$ 130,863	14.73	
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	

(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, 2021
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
				2021	\$ 1,713,216	\$ 1,612,848	
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

- (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, 2021
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2021	\$ 335,155	\$ 14,160	\$ 17,481	\$ 31,641	10.59
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	8,015	20,310	28,325	10.73
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

- (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 2013 gross revenue was revised by NAU in fiscal year 2014.
(3) Fiscal year 2015 gross revenue was revised by NAU in fiscal year 2016.

STATE OF ARIZONA
SCHEDULE 22
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate
December 31 2020	\$ 7,421,401	\$ 368,458,631	\$ 49,648	6.7
2019	7,291,843	334,023,910	45,808	4.5
2018	7,164,228	315,732,186	44,071	4.9
2017	7,048,088	297,904,910	42,267	4.7
2016	6,944,767	282,085,147	40,618	5.0
2015	6,832,810	270,815,540	39,635	5.5
2014	6,732,873	257,272,272	38,211	6.2
2013	6,634,690	243,752,324	36,739	7.0
2012	6,556,344	237,809,058	36,272	7.9
2011	6,473,416	227,700,087	35,175	8.6

- (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, 2020 (1)				Calendar Year Ended December 31, 2011			
	Total Full-Time Count of Employees	Rank	Percentage of Total State Employment	%	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	%
Banner Health	42,065	1	1.18	%	24,825	3	0.82	%
State of Arizona	40,113	2	1.12		49,800	1	1.64	
Wal-Mart Stores, Inc.	33,460	3	0.94		30,634	2	1.01	
Wells Fargo & Co.	17,217	4	0.48		13,308	5	0.44	
City of Phoenix	14,170	5	0.40		15,100	4	0.50	
Maricopa County	13,302	6	0.37		12,792	7	0.42	
Arizona State University	12,866	7	0.36		11,185	9	0.37	
University of Arizona	12,263	8	0.34		—	—	—	
Intel Corp.	12,190	9	0.34		—	—	—	
Honor Health	9,869	10	0.28		—	—	—	
Bank of America	—	—	—		13,300	6	0.44	
Raytheon Missile Systems	—	—	—		11,500	8	0.38	
Apollo Group Inc.	—	—	—		11,000	10	0.36	
Total	207,515		5.81	%	193,444		6.38	%

(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 Annual Comprehensive Financial Report 2021

STATE OF ARIZONA
SCHEDULE 24
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2021

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	98.8	98.8	98.8	98.8	98.8	98.8
Arizona State Retirement System	240.9	240.9	245.9	250.9	250.9	250.9
Department of Revenue	880.8	880.8	880.8	880.8	880.8	880.8
All other	2,456.4	2,452.4	2,325.4	2,321.4	2,280.4	2,331.6
Health and welfare:						
Department of Economic Security (2)	4,377.8	4,377.8	4,323.8	4,289.4	4,218.0	4,147.7
Department of Child Safety (2)	3,193.1	3,193.1	3,193.1	3,193.1	3,057.1	3,057.1
Arizona Health Care Cost Containment System	2,339.3	2,339.3	2,339.3	2,326.3	2,326.3	2,214.3
Department of Health Services	1,125.0	1,130.5	1,100.0	1,065.5	1,036.5	1,176.7
All other	1,211.6	948.6	947.6	959.6	961.6	961.6
Inspection and regulation	1,555.7	1,548.7	1,534.2	1,563.7	1,651.4	1,656.4
Education:						
Universities	17,538.6	17,538.6	17,680.4	17,239.3	16,721.0	15,635.7
All other	913.9	894.9	889.9	844.9	843.9	843.9
Protection and safety:						
Department of Corrections, Rehabilitation & Reentry	9,566.0	9,566.0	9,556.0	9,541.0	9,540.0	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	2,014.7	1,966.7	1,945.7	1,908.7	1,907.7
All other	95.1	101.1	99.1	98.6	98.6	98.6
Department of Transportation	4,554.0	4,554.0	4,552.0	4,552.0	4,552.0	4,548.0
Natural resources	801.2	801.2	795.2	795.2	733.5	733.5
Total	53,701.4	53,419.9	53,266.7	52,704.7	51,898.0	50,815.8

- (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			
2015	2014	2013	2012
98.8	98.8	97.8	104.0
246.9	246.9	233.9	236.0
880.8	861.8	860.3	935.0
2,308.6	2,229.6	2,214.4	2,427.6
3,882.6	5,654.1	5,453.5	3,726.0
3,045.1	—	—	—
2,208.3	2,217.3	2,217.3	1,407.3
1,176.7	1,176.7	1,176.7	1,513.3
949.6	946.6	946.6	1,098.5
1,650.4	1,643.9	1,649.8	1,801.2
15,635.7	15,607.7	15,478.7	16,964.2
840.9	838.9	834.4	886.5
9,534.0	9,384.0	10,118.2	10,015.2
738.5	738.5	738.5	1,001.7
1,907.7	1,904.7	1,903.7	2,139.8
97.6	95.6	90.1	112.6
4,548.0	4,548.0	4,548.0	4,548.0
730.5	716.5	716.5	930.2
<u>50,480.7</u>	<u>48,909.6</u>	<u>49,278.4</u>	<u>49,847.1</u>

STATE OF ARIZONA
SCHEDULE 25
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2021

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
<u>FUNCTIONS/PROGRAMS</u>						
General government:						
Number of tax returns received (in millions)	6.8	6.1	6.4	6.4	6.0	5.9
Health and welfare:						
Arizona Health Care Cost Containment System membership (2)	2,236,003	1,994,632	1,872,169	1,849,093	1,922,724	1,849,578
Average monthly number of recipients of temporary assistance for needy families	15,640	14,430	14,154	16,195	18,762	22,171
Average monthly number of persons receiving food stamp benefits	930,130	831,903	824,197	875,241	946,184	980,536
Inspection and regulation:						
Nonfatal occupational injuries and illnesses:						
Total recordable cases (in thousands) (3)	N/A	74.7	69.6	67.2	64.4	65.0
Incident rate per 100 full-time workers (3)	N/A	3.2	3.1	3.0	3.1	3.1
Education:						
Public school enrollment, grades K-12 (4)	1,097,762	1,128,939	1,120,146	1,093,867	1,110,425	1,105,592
Protection and safety:						
Number of miles patrolled by the Highway Patrol	N/A	19,076,187	20,262,923	19,976,488	18,771,511	19,843,962
State prison adult inmate population	35,954	40,151	42,312	42,113	42,200	42,902
Transportation:						
Number of registered vehicles (5)	7,444,032	7,828,255	7,863,112	8,518,715	8,247,514	7,970,946
Number of driver licenses issued (6)	5,873,322	5,678,867	5,369,964	5,285,723	5,165,719	5,083,085
Natural resources:						
Game and Fish Department's license and tag sales (7)	N/A	670,781	552,770	530,500	519,555	524,781
Universities:						
University full-time equivalent students (8)	190,600	184,561	176,594	170,861	165,536	158,681
Unemployment compensation:						
Number of initial unemployment claims filed (9)	443,841	873,422	197,855	214,590	223,084	223,141

N/A = Not available

- (1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which 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 2021 contains data for the calendar year ending December 31, 2020. 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 2021 contains data from the October 1, 2020 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 2021 contains data for the calendar year ending December 31, 2020. 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 2021 contains data for the fall 2020 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, Arizona State University, Northern Arizona University, University of Arizona, and the U.S. Department of Labor.

Fiscal Year			
2015	2014	2013	2012
5.7	5.7	5.5	5.4
1,709,550	1,508,690	1,318,650	1,314,210
27,272	32,888	39,050	39,194
1,027,845	1,070,674	1,116,068	1,123,068
65.4	70.6	66.5	67.9
3.2	3.5	3.4	3.5
1,098,701	1,084,276	1,077,703	1,066,740
19,280,016	19,222,811	18,914,572	19,465,944
42,611	41,773	40,273	39,877
7,694,309	7,453,046	7,180,797	6,823,906
4,979,520	1,188,903	1,159,695	1,184,630
726,285	822,923	848,617	815,488
148,819	141,264	136,884	134,051
229,770	257,951	261,418	288,097

STATE OF ARIZONA
 SCHEDULE 26
CAPITAL ASSET STATISTICS BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS
 FISCAL YEAR ENDED JUNE 30, 2021

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
<u>FUNCTIONS/PROGRAMS</u>							
Protection and safety:							
Number of adult prison facilities (2)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	9,449	6,822	6,822	6,775	6,780	6,822	6,800
Number of bridges (1)	4,920	4,900	4,860	4,855	4,810	4,858	4,798
Natural resources:							
State Trust acres	9,186,793	9,207,861	9,207,430	9,215,392	9,215,795	9,216,213	9,217,704
Universities:							
Number of facilities (3)	1,251	1,242	1,238	1,251	1,267	1,268	1,258
Gross square feet (in thousands) (3)	50,322	49,247	48,693	48,248	47,437	44,665	46,054

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. In fiscal year 2021, new equipment was used resulting in a revision of center lane miles.
- (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		
2014	2013	2012
10	10	10
6,800	6,751	6,751
4,787	4,754	4,754
9,223,617	9,223,873	9,302,256
1,212	1,705	1,711
44,658	41,141	39,933

ACKNOWLEDGMENTS

The Annual Comprehensive Financial Report was prepared by the Department of Administration, General Accounting Office, Financial Reporting Section:

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Special acknowledgment goes to:

All fiscal and accounting personnel throughout the Arizona State government, whose dedicated efforts and cooperation contributed to the compilation of financial information that appears in the report.