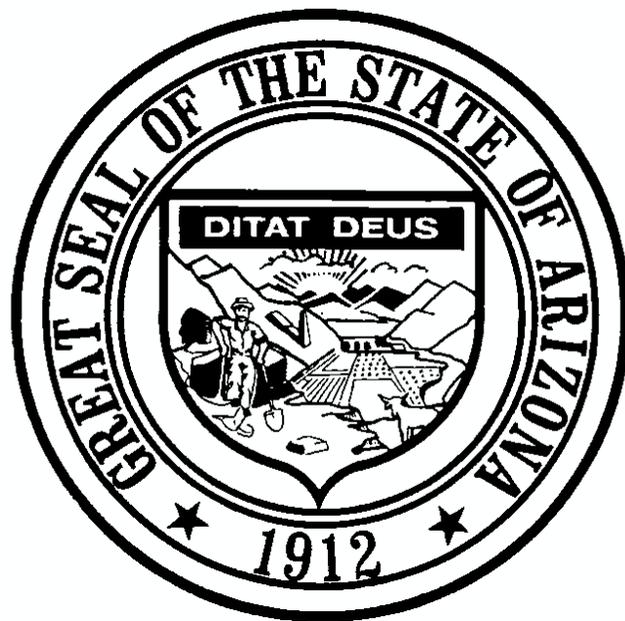
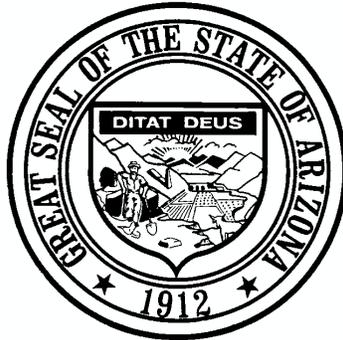


STATE OF ARIZONA

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



Douglas A. Ducey
GOVERNOR



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



STATE OF ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

INTRODUCTORY SECTION
 (Not Covered by the Independent Auditors' Report)

	Page
<u>Letter of Transmittal</u>	<u>1</u>
<u>Certificate of Achievement for Excellence in Financial Reporting</u>	<u>9</u>
<u>Arizona State Government Organization</u>	<u>10</u>
<u>Principal State Officials</u>	<u>11</u>

FINANCIAL SECTION

<u>INDEPENDENT AUDITORS' REPORT</u>	<u>17</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	<u>23</u>

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

<u>Statement of Net Position</u>	<u>39</u>
<u>Universities - Affiliated Component Units - Statement of Financial Position</u>	<u>43</u>
<u>Statement of Activities</u>	<u>44</u>
<u>Universities - Affiliated Component Units - Statement of Activities</u>	<u>46</u>

Governmental Funds Financial Statements:

<u>Balance Sheet</u>	<u>48</u>
<u>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</u>	<u>50</u>
<u>Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>52</u>
<u>Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities</u>	<u>54</u>

Proprietary Funds Financial Statements:

<u>Statement of Net Position</u>	<u>56</u>
<u>Statement of Revenues, Expenses and Changes in Fund Net Position</u>	<u>58</u>
<u>Statement of Cash Flows</u>	<u>60</u>

Fiduciary Funds Financial Statements:

<u>Statement of Fiduciary Net Position</u>	<u>62</u>
<u>Statement of Changes in Fiduciary Net Position</u>	<u>63</u>

Component Units Financial Statements:

<u>Combining Statement of Net Position</u>	<u>64</u>
<u>Combining Statement of Activities</u>	<u>66</u>

Universities - Affiliated Component Units Financial Statements:

<u>Combining Statement of Financial Position</u>	<u>68</u>
<u>Combining Statement of Activities</u>	<u>69</u>

<u>Notes to the Financial Statements</u>	<u>70</u>
--	---------------------------

REQUIRED SUPPLEMENTARY INFORMATION

<u>Budgetary Comparison Schedule, Expenditures - General Fund</u>	<u>157</u>
<u>Budgetary Comparison Schedule, Expenditures - Transportation and Aviation Planning, Highway Maintenance and Safety Fund</u>	<u>171</u>
<u>Notes to Required Supplementary Information - Budgetary Comparison Schedules</u>	<u>172</u>
<u>Infrastructure Assets</u>	<u>174</u>
<u>Schedule of the State's Proportionate Share of the Net Pension Liability - Arizona State Retirement System</u> ...	<u>178</u>
<u>Schedule of the State's Proportionate Share of the Net Pension Liability - Elected Officials' Retirement Plan</u> ...	<u>180</u>

STATE OF ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONTINUED

	Page
<u>Schedule of the State's Proportionate Share of the Net Pension Liability, as a Nonemployer Contributing Entity - Elected Officials' Retirement Plan</u>	<u>180</u>
<u>Schedule of Changes in the State's Net Pension Liability and Related Ratios - PSPRS Department of Public Safety</u>	<u>182</u>
<u>Schedule of Changes in the State's Net Pension Liability and Related Ratios - CORP Department of Corrections, Rehabilitation & Reentry</u>	<u>184</u>
<u>Schedule of State Pension Contributions - Arizona State Retirement System</u>	<u>186</u>
<u>Schedule of State Pension Contributions - Elected Officials' Retirement Plan</u>	<u>188</u>
<u>Schedule of State Pension Contributions, as a Nonemployer Contributing Entity - Elected Officials' Retirement Plan</u>	<u>188</u>
<u>Schedule of State Pension Contributions - PSPRS Department of Public Safety</u>	<u>190</u>
<u>Schedule of State Pension Contributions - CORP Department of Corrections, Rehabilitation & Reentry</u>	<u>190</u>
<u>Notes to Required Supplementary Information - Pension Plan Schedules</u>	<u>192</u>
<u>Schedule of Changes in the State's Total OPEB Liability and Related Ratios - Arizona Department of Administration</u>	<u>193</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Non-major Governmental Funds:

<u>Combining Balance Sheet</u>	<u>198</u>
<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>199</u>

Non-major Special Revenue Funds:

<u>Combining Balance Sheet</u>	<u>202</u>
<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>204</u>
<u>Budgetary Comparison Schedule, Expenditures</u>	<u>206</u>

Land Endowments Fund:

<u>Budgetary Comparison Schedule, Expenditures</u>	<u>213</u>
--	----------------------------

Non-major Debt Service Funds:

<u>Combining Balance Sheet</u>	<u>216</u>
<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>217</u>

Non-major Capital Projects Fund:

<u>Combining Balance Sheet</u>	<u>220</u>
<u>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>221</u>

Non-major Proprietary Funds:

Non-major Enterprise Funds:

<u>Combining Statement of Net Position</u>	<u>224</u>
<u>Combining Statement of Revenues, Expenses and Changes in Fund Net Position</u>	<u>226</u>
<u>Combining Statement of Cash Flows</u>	<u>228</u>

Internal Service Funds:

<u>Combining Statement of Net Position</u>	<u>232</u>
<u>Combining Statement of Revenues, Expenses and Changes in Fund Net Position</u>	<u>234</u>
<u>Combining Statement of Cash Flows</u>	<u>236</u>

Fiduciary Funds:

Pension and Other Employee Benefit Trust Funds:

<u>Combining Statement of Fiduciary Net Position</u>	<u>240</u>
<u>Combining Statement of Changes in Fiduciary Net Position</u>	<u>242</u>

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONCLUDED

<i>Investment Trust Funds:</i>	Page
<u>Combining Statement of Fiduciary Net Position</u>	<u>246</u>
<u>Combining Statement of Changes in Fiduciary Net Position</u>	<u>248</u>
<i>Agency Funds:</i>	
<u>Combining Statement of Assets and Liabilities</u>	<u>253</u>
<u>Combining Statement of Changes in Assets and Liabilities</u>	<u>254</u>
Non-major Component Units:	
<u>Combining Statement of Net Position</u>	<u>258</u>
<u>Combining Statement of Activities</u>	<u>262</u>
Non-major Universities - Affiliated Component Units:	
<u>Combining Statement of Financial Position</u>	<u>266</u>
<u>Combining Statement of Activities</u>	<u>268</u>

STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

Financial Trends:	
<u>Schedule 1 - Net Position by Component for the Last Ten Fiscal Years</u>	<u>274</u>
<u>Schedule 2 - Changes in Net Position for the Last Ten Fiscal Years</u>	<u>276</u>
<u>Schedule 3 - Fund Balances, Governmental Funds for the Last Ten Fiscal Years</u>	<u>280</u>
<u>Schedule 4 - Changes in Fund Balances, Governmental Funds for the Last Ten Fiscal Years</u>	<u>282</u>
Revenue Capacity:	
<u>Schedule 5 - Net Taxable Sales by Classification for the Last Ten Fiscal Years</u>	<u>286</u>
<u>Schedule 6 - Sales Tax Revenue Payers by Classification, Current Year and Nine Years Ago</u>	<u>289</u>
<u>Schedule 7 - Personal Income by Industry for the Last Ten Calendar Years</u>	<u>290</u>
<u>Schedule 8 - Personal Income Tax Rates for the Last Ten Calendar Years</u>	<u>292</u>
<u>Schedule 9 - Personal Income Tax Filers and Liability by Income Level for the Taxable Years 2017 and 2010</u>	<u>292</u>
Debt Capacity:	
<u>Schedule 10 - Ratios of Outstanding Debt by Type for the Last Ten Fiscal Years</u>	<u>294</u>
<u>Schedule 11 - Legal Debt Margin Information, Arizona State University, for the Last Ten Fiscal Years</u>	<u>296</u>
<u>Schedule 12 - Legal Debt Margin Information, University of Arizona, for the Last Ten Fiscal Years</u>	<u>296</u>
<u>Schedule 13 - Legal Debt Margin Information, Northern Arizona University, for the Last Ten Fiscal Years</u>	<u>297</u>
<u>Schedule 14 - Pledged-Revenue Coverage, Arizona Transportation Board Highway Revenue Bonds for the Last Ten Fiscal Years</u>	<u>297</u>
<u>Schedule 15 - Pledged-Revenue Coverage, Arizona Transportation Board Transportation Excise Tax Revenue Bonds for the Last Ten Fiscal Years</u>	<u>298</u>
<u>Schedule 16 - Pledged-Revenue Coverage, School Facilities Board State School Improvement Revenue Bonds for the Last Ten Fiscal Years</u>	<u>298</u>
<u>Schedule 17 - Pledged-Revenue Coverage, School Facilities Board State School Trust Revenue Bonds for the Last Ten Fiscal Years</u>	<u>299</u>
<u>Schedule 18 - Pledged-Revenue Coverage, Lottery Revenue Bonds for the Last Ten Fiscal Years</u>	<u>299</u>
<u>Schedule 19 - Pledged-Revenue Coverage, Arizona State University Revenue Bonds for the Last Ten Fiscal Years</u>	<u>300</u>
<u>Schedule 20 - Pledged-Revenue Coverage, University of Arizona Revenue Bonds for the Last Ten Fiscal Years</u>	<u>300</u>
<u>Schedule 21 - Pledged-Revenue Coverage, Northern Arizona University Revenue Bonds for the Last Ten Fiscal Years</u>	<u>301</u>

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS (CONCLUDED)

STATISTICAL SECTION - CONCLUDED

Demographic and Economic Information:	Page
<u>Schedule 22 - Demographic and Economic Statistics for the Last Ten Calendar Years</u>	<u>301</u>
<u>Schedule 23 - Principal Employers, Current Year and Nine Years Ago</u>	<u>303</u>
Operating Information:	
<u>Schedule 24 - State Employees by Function for the Last Ten Fiscal Years</u>	<u>304</u>
<u>Schedule 25 - Operating Indicators by Function for the Last Ten Fiscal Years</u>	<u>306</u>
<u>Schedule 26 - Capital Asset Statistics by Function for the Last Ten Fiscal Years.....</u>	<u>308</u>

INTRODUCTORY SECTION

INTRODUCTORY SECTION



Douglas A. Ducey
Governor

Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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

August 4, 2021

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

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Arizona for the fiscal year ended June 30, 2020. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

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

INTERNAL CONTROLS

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

INDEPENDENT AUDIT

An annual financial audit of the financial reporting entity of the State is completed each year by the Arizona Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, A.R.S. § 41-1279.03 requires at least a biennial single audit by the Arizona Auditor General. The Single Audit will be issued as a separate report.

FINANCIAL REPORTING ENTITY OF THE STATE

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

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

ARIZONA

The State of Arizona was admitted to the Union as the 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.

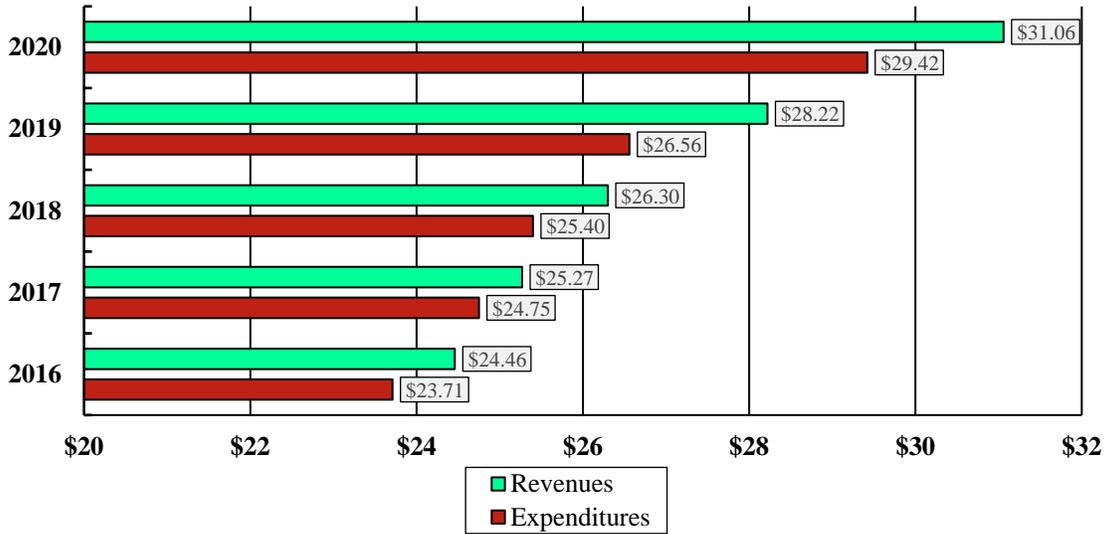
BUDGETARY CONTROLS

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.

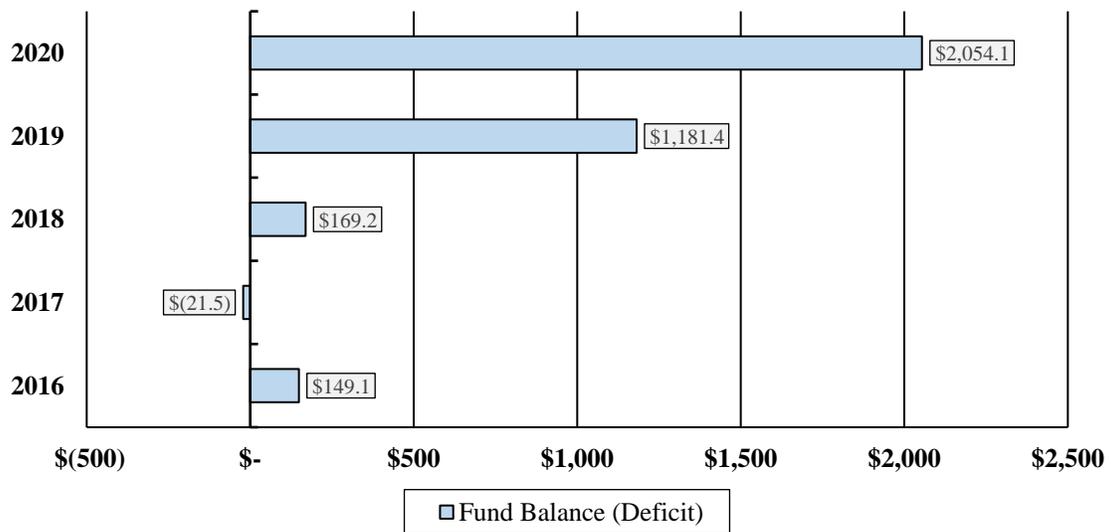
Graph 1
General Fund Revenues and Expenditures for the last 5 fiscal years
(Dollars in billions)



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

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

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



ECONOMIC CONDITION AND OUTLOOK

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

The employment projections estimation methodology is described below:

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

Industry projection methodology included and excluded data as follows:

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

Economic assumptions influencing the projections are as follows:

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

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

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

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

Arizona Supersector Employment (2020 to 2022)

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

Impact of COVID-19 on economic activity:

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

MAJOR INITIATIVES

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

- The fiscal year 2020 budget continued delivering on the promise of a 20% teacher salary increase by school year 2020 (fiscal year 2021) with \$165 million for this initiative for a total of \$645 million by fiscal year 2021. Additionally, the budget continued the second-year phase in with \$136 million for the restoration of per-pupil funding to the long suspended additional assistance formula that supports soft capital items like textbooks and technology, along with personnel. The budget contemplated full restoration of additional assistance totaling \$371 million by fiscal year 2023.
- A \$26 million General Fund appropriation was approved for Developmental Disability provider rate increases. This funding reduced the discrepancy between current provider rates and the benchmark provider rates.
- The budget also included \$30 million to expand the Results-Based Funding program to schools with free and reduced-price lunch eligibility rates of less than 60% and with spring 2018 AzMerit test results in the top 13% versus top 10% for FY 2019. For schools with FRPL eligibility rates of 60% or more, it expands program eligibility in FY 2020 to schools with spring 2018 AzMerit test results in the top 27% versus top 10% in FY 2019. This program is designed to recognize and assist high-performing schools expand and replicate their successful models by using the funding to increase teacher salaries, hire instructional aides for math and English, provide additional professional development opportunities for teachers, and make other investments to improve student performance.
- To ensure the safety of Arizona’s children across school campuses, \$20 million was provided to enable more schools to participate in the School Safety Program which provides grants for schools for public safety employees, counselors, and social workers. This targeted funding increases behavioral and mental health resources for schools across the state.
- The School Facilities Board received a funding increase of \$25 million to fund school building initiatives, for a total of \$112.6 million. Of the \$112.6 million, \$36.7 million was directed to complete six schools and the remaining \$75.9 million was provided to begin construction on ten new schools or school expansions in districts across the State. Approximately \$80 million was dedicated to school building renewal projects to help maintain school facilities.
- Higher education received a \$95 million increase in funding to expand Arizona Teachers Academy, increase the capacity of the Aviation Technology Center at Pima Community College, double the enrollment capacity at Maricopa County Community College Districts’ healthcare professional training facility, support public university operational and capital improvements, expand the University of Arizona’s medical school, aid rural community colleges, and increase STEM and Workforce Development Aid for Maricopa and Pima districts.

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the sixteenth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

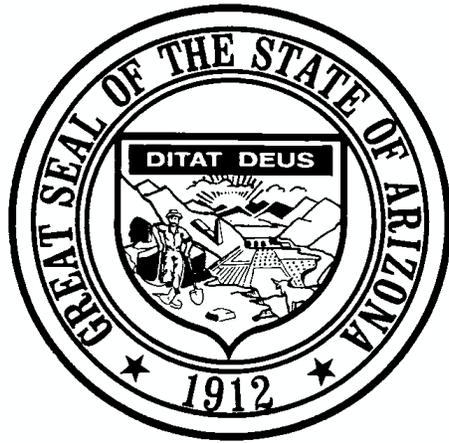
We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency,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



Andy Tobin
Director



Ashley D. Ruiz
State Comptroller





Government Finance Officers Association

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

Presented to

State of Arizona

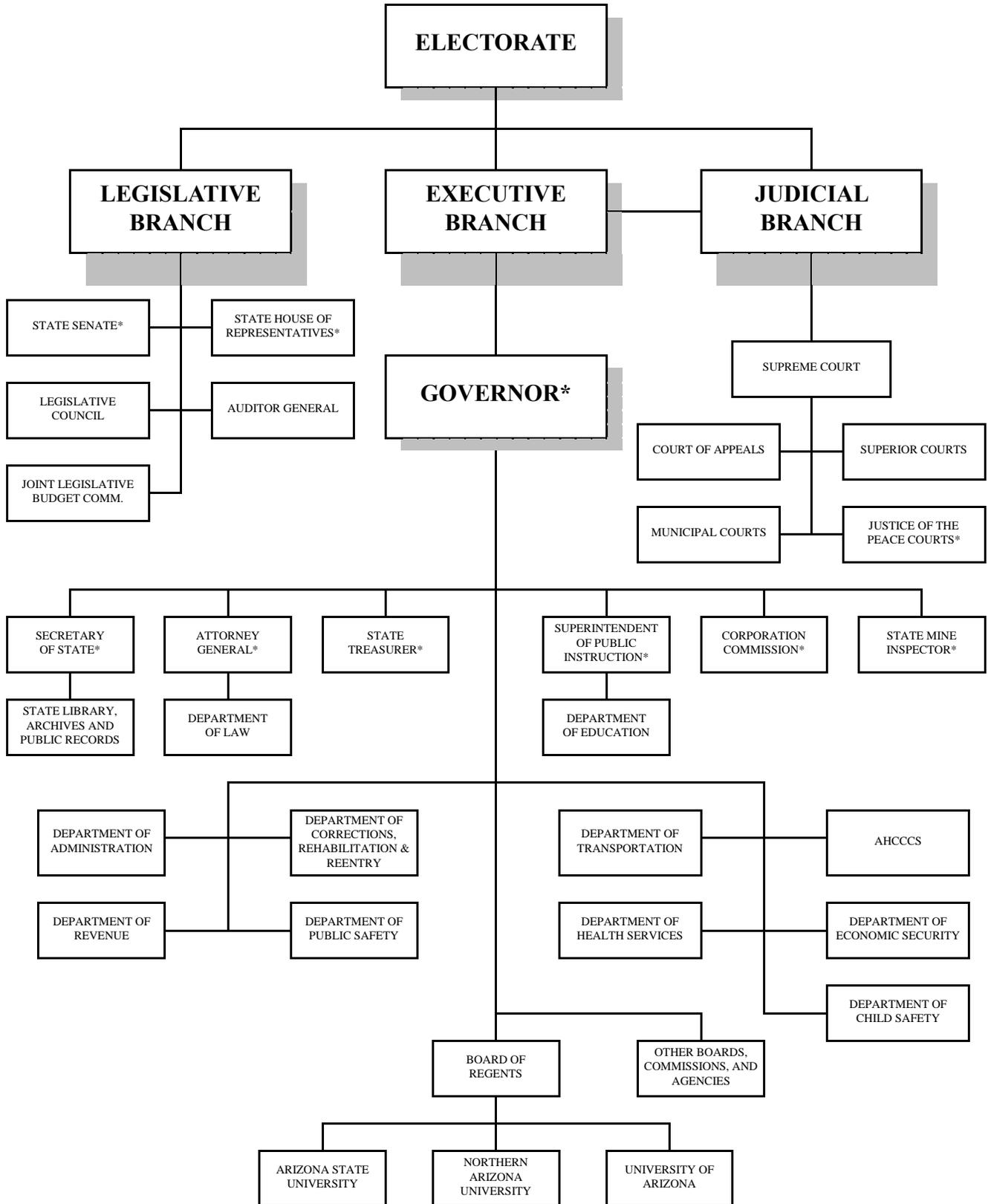
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

ARIZONA STATE GOVERNMENT ORGANIZATION



*ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2020

ELECTED OFFICIALS

Douglas A. Ducey, Governor

Senator Karen Fann, President of the Senate

Representative Russell Bowers, Speaker of the House

Katie Hobbs, Secretary of State

Mark Brnovich, Attorney General

Joe Hart, State Mine Inspector

Kimberly Yee, State Treasurer

Kathy Hoffman, Superintendent of Public Instruction

Bob Burns, Chairman - Corporation Commission -
through December, 2020

Boyd Dunn, Commissioner - Corporation Commission -
through December, 2020

Lea Márquez Peterson, Commissioner - Corporation
Commission – through December, 2020

Lea Márquez Peterson, Chairwoman - Corporation
Commission - current

Justin Olson, Commissioner - Corporation Commission

Sandra Kennedy, Commissioner - Corporation Commission

Jim O'Connor, Commissioner – Corporation Commission

Anna Tovar, Commissioner – Corporation Commission

APPOINTED OFFICIALS

Executive Officials

Andy Tobin, Director - Department of Administration

David Shinn, Director - Department of Corrections
Rehabilitation & Reentry

Michael Wischart, Director - Department of Economic
Security

Mike Faust, Director - Department of Child Safety

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

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

Colonel Heston Silbert, Director - Department of Public
Safety

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

Jami Snyder, Director – Arizona Health Care Cost
Containment System

John S. Halikowski, Director - Department of Transportation

Judicial Officials

Robert M. Brutinel, Chief Justice - Supreme Court

Legislative Officials

Michael E. Braun, Executive Director - Legislative Council

Richard Stavneak, Director - Joint Legislative Budget
Committee

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

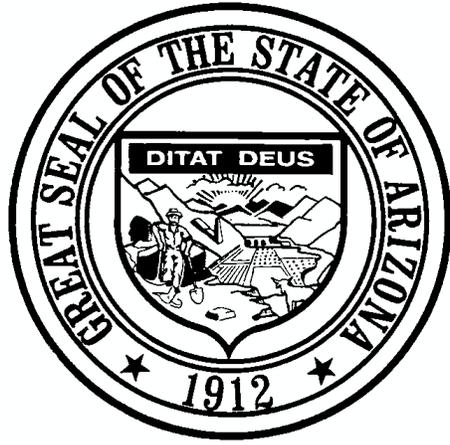
University Officials

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

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

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

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



FINANCIAL SECTION

FINANCIAL SECTION

**INDEPENDENT
AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

The Honorable Doug Ducey, Governor
State of Arizona

The Honorable Karen Fann, President
Arizona State Senate

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

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

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement systems and plans, and discretely presented component units, are based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Of the aggregate discretely presented component units, the other auditors did not audit in accordance with *Government Auditing Standards*, the financial statements of the Arizona Power Authority and the Universities-Affiliated Component Units, except for those of the Arizona State University Preparatory Academy, Inc.

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

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

Opinions

Basis for qualified opinion on the Unemployment Compensation Fund

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

Qualified opinion on the Unemployment Compensation Fund

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

Unmodified opinions

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

Other matters

Required supplementary information

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

Required supplementary information	Pages
Management's discussion and analysis	23 - 35
Budgetary comparison schedules	157 - 173
Infrastructure assets	174 - 176
Schedules of the State's proportionate share of the net pension liability— 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
Schedule of changes in the State's total OPEB liability and related ratios	193

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

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

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

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

Other reporting required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 4, 2021

MANAGEMENT'S
DISCUSSION
AND
ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

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

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$10.7 billion, an increase of \$611.9 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$5.9 billion, \$3.1 billion, and \$1.7 billion, respectively, the State's unassigned fund balance had a surplus of \$76.1 million, or 0.7% of combined fund balances.
- The Land Endowments Fund reported fund balance at fiscal year-end of \$5.8 billion, a decrease of \$223.6 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net position at fiscal year-end of \$2.9 billion, a decrease of \$1.0 billion during the year.

Long-term Debt:

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

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 39**.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position (pages 39-41) presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The Statement of Financial Position (page 43) presents the State's Universities-affiliated component units' assets and liabilities, with the difference between the two reported as net assets.

The Statements of Activities (pages 44-46) present information showing how the State's net position/net assets changed during the most recent fiscal year. All changes in net position/net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide statements report three activities:

- *Governmental Activities* - Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* - The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's three universities are examples of business-type activities.
- *Discretely Presented Component Units* - Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. The Arizona Finance Authority, the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Arizona Commerce Authority, Insurance Department Guaranty Funds, and the Arizona Public School Credit Enhancement are discretely presented component units reported by the State. The State has included component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), as adopted by the Financial Accounting Standards Board. These organizations include the Arizona State University Enterprise Partners, the University of Arizona Foundation, the Arizona Capital Facilities Finance Corporation, and other non-major component units affiliated with the Universities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the Governmental Accounting Standards Board (GASB), and include a statement of financial position (**page 43**) and a statement of activities (**page 46**). See **pages 71-75 and 139-153** for more information on discretely presented component units.

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

The fund financial statements begin on **page 48** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 198** begins the individual fund data for the non-major funds. The State's funds are divided into three categories - governmental, proprietary, and fiduciary - each category uses different accounting approaches.

- *Governmental funds* - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules (**pages 50 and 54-55**) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 48-49 and 52-53 of this report.

- *Proprietary funds* - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public - such as the State's Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the proprietary fund financial statements on **pages 57-58**.

Proprietary fund financial statements can be found on pages 56-61 of this report.

- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on **page 62**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 62 and 63 of this report.

Notes to the Financial Statements

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

Notes to the financial statements begins on page 71 of this report.

Required Supplementary Information

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

Required supplementary information begins on page 157 of this report.

Other Supplementary Information

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

Other supplementary information begins on page 198 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

State of Arizona-Primary Government Net Position as of June 30, 2020 and 2019 (expressed in thousands)

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

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

The largest portion of the State's net position (81.1%) represents net investment in capital assets of \$25.2 billion. Additions to roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$841.4 million. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

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

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

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

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

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

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

Change in Net Position

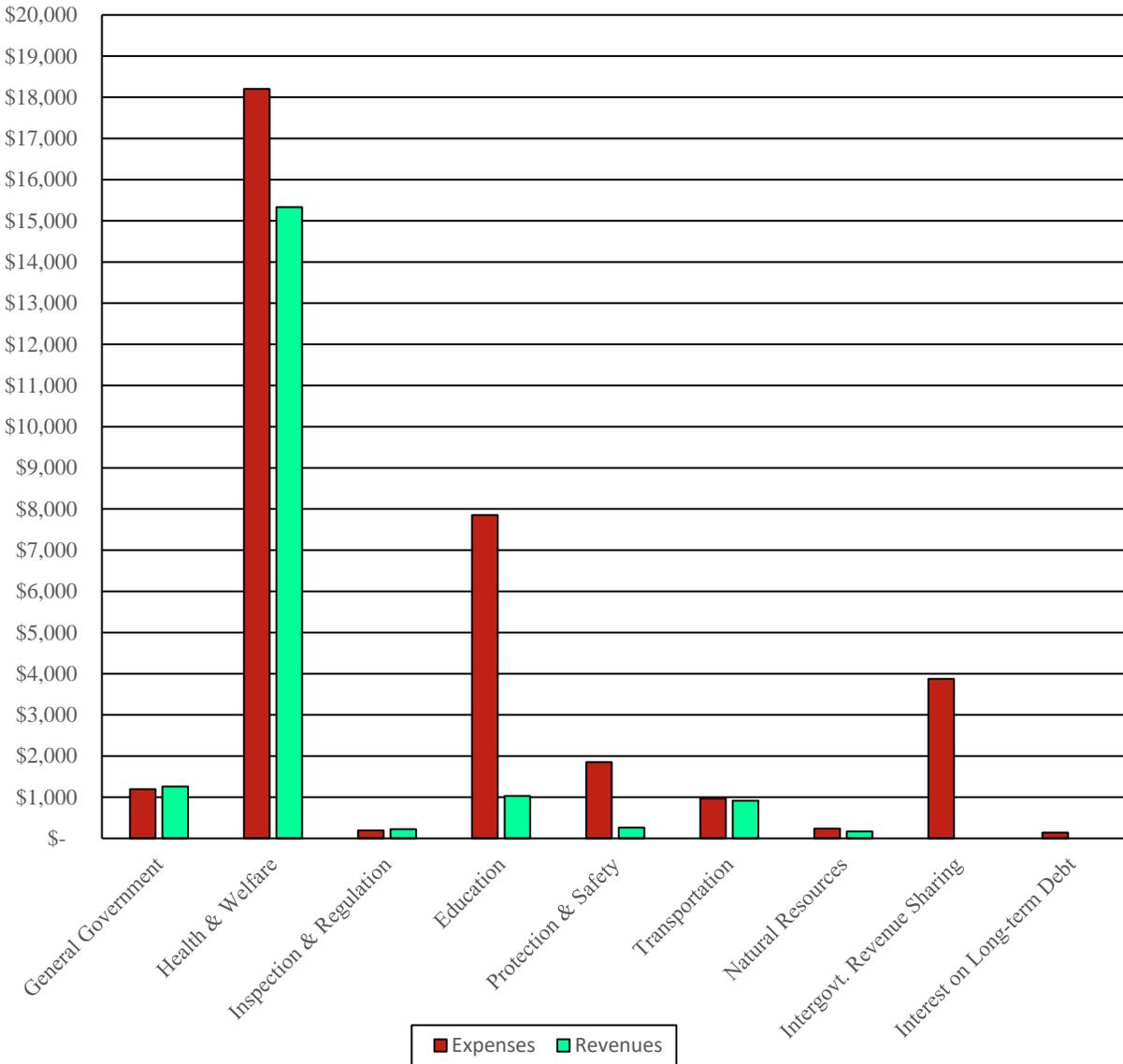
Governmental Activities - Net Position increased by \$1.9 billion from fiscal year 2019, or a 7% increase from fiscal year 2019. Reported sales and income tax revenues increased by \$520.7 million, or 7% and \$273.2 million, or 5%, from fiscal year 2019, respectively. The increase in tax collections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

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2019 and 2020. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Governmental Activities (expressed in thousands)

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

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



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

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for the fiscal years 2019 and 2020. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

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

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

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

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2020, the non-spendable, restricted and committed fund balances were: \$15.7 million, \$1.7 billion, and \$257.6 million, respectively.

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

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance decreased by \$92.0 million during fiscal year 2020. Although, revenues exceeded expenditures by \$189.8 million, transfers to non-major governmental funds of \$314.3 million, to pay debt service, largely offset this excess. Overall, revenue increased by \$18.2 million (1%) and expenditures increased by \$306.2 million (11%), as compared to the prior fiscal year.

Land Endowments Fund

The Land Endowments Fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. For fiscal year 2020, the Land Endowments Fund total fund balance decreased by \$223.6 million. Endowment investments decreased by \$220.4 million at fiscal year end, mainly due to a net decrease in the fair value of investments of \$122.9 million, decreased land sales of \$15.2 million, and increased distributions resulting from Proposition 123. This was partially offset by realized gains of \$149.2 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 27**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Differences between the original budget and the final amended budget resulted in a \$3.4 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- \$662.0 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$1.1 billion increase to the Department of Education's original budget is primarily due to the basic state aid deferred payment from fiscal year 2019, which was appropriated as a supplemental appropriation in the fiscal year 2020 budget, as well as teacher salary increases that are in addition to teacher salary increases provided for in fiscal year 2019, and additional state aid funding.
- The \$611.0 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for traditional Medicaid services, voluntary payments from political subdivisions related to graduate medical education, Arizona Long Term Care Services, and Proposition 204 services.
- The \$445.6 million increase to the General Accounting Office's original budget is primarily due to General Fund transfers for the System Conservation Fund to implement the Lower Basin State Drought Contingency Plan; for the School Facilities Board for the construction of facilities for school districts; for the Temporary Groundwater and Irrigation Efficiency Projects Fund to construct, rehabilitate and lease wells and infrastructure related to the withdrawal and efficient delivery of groundwater; for the Universities for the Capital Infrastructure Fund; for the Crisis Contingency and Safety Net Fund which may only be spent following a state of emergency declaration by the governor for: housing assistance, services for homeless persons, economic assistance to small businesses, non-profit organizations and health care providers, and food bank operations; and for the Budget Stabilization Fund (BSF). The transfer of monies to the BSF is not included in the General Appropriations Act. The BSF is described more fully in the accompanying Notes to the Financial Statements beginning on **page 81**
- The \$190.4 million increase to the Arizona Department of Administration's (ADOA) original budget is primarily due to a supplemental appropriation for retirement of lease-purchase agreements.
- The \$62.0 million increase to the Universities' original budget is primarily due to one-time funding increases, and for lease-purchase payments for research infrastructure facilities.
- The \$58.8 million increase to the Treasurer's original budget is primarily due to supplemental appropriations to the Public Health Emergencies Fund to pay the expenses of public health emergency responses of the State following a state of emergency declaration by the governor related to COVID-19, and community college out-of-county reimbursements.
- The \$53.8 million increase to the Health Services' original budget is primarily due to supplemental appropriations for the Public Health Emergencies Fund to pay the expenses of the State's responses to the public health emergency declaration by the governor related to COVID-19 and salary increases for the Arizona State Hospital.

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

Additional budgetary information can be found on pages 157-170 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$32.0 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 3%, with a 3% increase in capital assets used for governmental activities and a 5% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$514.3 million.

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

- The ADOT started or completed roads and bridges totaling \$690.0 million during the fiscal year.
- The Universities' additions to capital assets totaled \$752.1 million and included increased investments in buildings to support instruction, research, and public service missions, as well as building renewal and other capital projects.

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

Capital assets for the governmental and business-type activities as of June 30, 2020 and 2019 are presented below (expressed in thousands):

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

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1.G. Assets accounted for under the modified approach include 6,822 center lane miles of roads (21,532 travel lane miles) and 4,900 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.54 was achieved for fiscal year 2020.

The State manages its bridges using the Bridge Management System. To comply with federal standards, the State is expected to maintain its bridges to a condition where not more than 10.0% are classified as poor. The State's most recent assessment indicated that 0.9% of the bridges were so classified for fiscal year 2020.

The State's most notable and largest highway construction project to date began in fiscal year 2016 and was for the design, construction, and 30-year maintenance of the Loop 202 South Mountain Freeway. The project is a 22-mile, 8 lane freeway that completes the Loop 202 and Loop 101 freeway system. Right-of-way cost estimates, not contractually committed, brings the total project cost estimate to \$2.0 billion, not including financing costs. The freeway is now substantially complete. Actual costs incurred by the ADOT through June 30, 2020 for this project are \$1.6 billion.

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

Long-term debt:

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

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

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

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

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

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

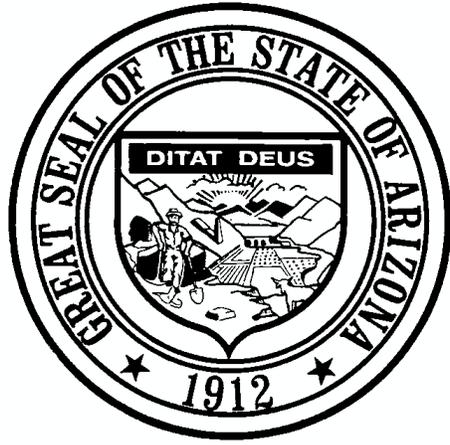
The fiscal year 2023 General Fund budget was initially forecasted to have revenues of \$12.8 billion and expenditures of \$12.4 billion, with a \$433.0 million balance. After accounting for the June budget update (due to COVID-19) and technical adjustments, fiscal year 2023 revenues are projected to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

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

CONTACTING THE STATE COMPTROLLER'S OFFICE

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

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 71**.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(This page intentionally left blank)

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

ASSETS

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

LIABILITIES

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

NET ASSETS

With donor restrictions	2,117,496
Without donor restrictions	194,318
Total Net Assets	<u>\$ 2,311,814</u>

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

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020
 (Expressed in Thousands)

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

General Revenues:

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

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

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

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

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

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

(This page intentionally left blank)

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(Expressed in Thousands)

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

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

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

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

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

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 25,666,472

Certain revenues collected after year-end are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds. 775,008

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. (411,231)

The allocation of the internal service funds accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds. (42,641)

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

Net OPEB assets held in trust for future benefits are not available in the current period and, therefore, are not reported in the governmental funds. 35,917

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

Loss on refunding of debt	90,049	
Related to pensions	596,188	
Related to OPEB	150,556	836,793

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

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

Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. (287,474)

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

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

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

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

(This page intentionally left blank)

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

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

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

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

STATE OF ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

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

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

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

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

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

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

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

Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In fiscal year 2020, mortgage payments received exceeded gains resulting from current year land sales. In addition, accrued interest on land sales contracts is reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.

Excess of mortgage receipts over gain on sale of land	(112,821)	
Accrued interest on land sales' contracts	<u>(80,940)</u>	(193,761)

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

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

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

STATE OF ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(This page intentionally left blank)

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Finance Authority	\$ 85,362	\$ 83,993	\$ 36,107
Other Component Units	89,134	47,581	4,332
Total	<u>\$ 174,496</u>	<u>\$ 131,574</u>	<u>\$ 40,439</u>

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

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

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

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

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

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

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

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

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
INDEX

	Page		Page		
Note 1.	Summary of Significant Accounting Policies	71	Note 6.	Long-Term Obligations	117
	A. Reporting Entity	71		A. Revenue Bonds	117
	B. Basis of Presentation	75		B. Grant Anticipation Notes	123
	C. Measurement Focus and Basis of Accounting	76		C. Certificates of Participation	124
	D. Deposits and Investments	77		D. Direct Placements	126
	E. Taxes Receivable	77		E. Leases	128
	F. Inventories	78		F. Compensated Absences	129
	G. Capital Assets	78		G. Changes in Long-Term Obligations	130
	H. Deferred Outflows of Resources	79	Note 7.	Interfund Transactions	131
	I. Investment Earnings	79	Note 8.	Accounting Changes	132
	J. Scholarship Allowances	79		A. Fund Financial Statements	132
	K. Unearned Revenue	79		B. Government-wide Financial Statements	132
	L. Postemployment Benefits	79	Note 9.	Governmental Fund Balances	133
	M. Compensated Absences	79	Note 10.	Deficit Net Position	133
	N. Long-Term Obligations	80	Note 11.	Joint Ventures	134
	O. Deferred Inflows of Resources	80		A. Large Binocular Telescope Corporation	134
	P. Net Position/Fund Balances	80		B. Giant Magellan Telescope Organization	134
	Q. New Accounting Pronouncements and Changes in Reporting Entity	81	Note 12.	Commitments, Contingencies, and Compliance	134
Note 2.	Deposits and Investments	81		A. Insurance Losses	134
	A. Deposits and Investment Policies	81		B. Litigation	136
	B. Custodial Credit Risk - Deposits and Investments	83		C. Accumulated Sick Leave	136
	C. Interest Rate Risk	83		D. Unclaimed Property	136
	D. Credit Risk	85		E. Construction Commitments	137
	E. Concentration of Credit Risk	86		F. Arizona State Lottery	137
	F. Foreign Currency Risk	86	Note 13.	Tobacco Settlement	137
	G. Fair Value Measurement of Investments	88	Note 14.	Subsequent Events	137
	H. Securities Lending	94	Note 15.	Discretely Presented Component Unit Disclosures	139
	I. Derivatives	95		A. Summary of Significant Accounting Policies	139
	J. State Treasurer's Separately Issued Financial Statements	97		B. Deposits and Investments	140
Note 3.	Receivables/Unavailable Revenue/Unearned Revenue	98		C. Endowments	145
	A. Taxes Receivable	98		D. Program Loans	146
	B. Unavailable Revenue	98		E. Pledges Receivable	146
	C. Unearned Revenue	99		F. Direct Financing Lease Agreements	147
Note 4.	Capital Assets	100		G. Capital Assets	147
Note 5.	Pension and Other Postemployment Benefits	101		H. Long-Term Obligations	148
	A. Arizona State Retirement System	102		I. Tax Abatements	151
	B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan	105		J. Conduit Debt	151
	C. Elected Officials' Retirement Plan	111		K. Nonexchange Financial Guarantees	152
	D. Arizona Department of Administration Defined Benefit Healthcare Plan	114		L. Insurance Losses	152
				M. Accounting Changes	153

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB. The State's component units have a June 30 year-end, with the exception of the Arizona Power Authority, which has a September 30 year-end, and the Insurance Department Guaranty Funds, which has a December 31 year-end.

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

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

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

The State reports the following component units as fiduciary funds:

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

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

The Public Safety Personnel Retirement System (PSPRS) is an agent, multiple-employer public employee retirement system that benefits public safety employees of certain state, county, and local governments. The PSPRS is jointly administered by the Board of Trustees and 229 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The Board of Trustees, which is comprised of a nine-member board, serve a fixed five-year term. Two board members are appointed by the President of the Senate, two are appointed by the Speaker of the House of Representatives, and five are appointed by the Governor. The State has the ability to impose its will on the PSPRS as the State Legislature can modify the plan design and benefits. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at www.psprs.com.

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

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

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

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

House of Representatives. All board of directors can be removed at will; thus, the State has the ability to impose its will on Rio Nuevo. Complete financial statements may be obtained from Rio Nuevo's administrative office at 1703 East Broadway Boulevard, Tucson, AZ 85719, (520) 623-7336, or its website at <https://rionuevo.org>.

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

Arizona Commerce Authority (ACA) - The ACA is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion, and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus, and responsiveness; and advancement of public policy to meet the State's economic development objectives. The ACA is governed by a nineteen-member board of directors consisting of the Governor serving as Chairperson, a Chief Executive Officer, and seventeen members consisting of private sector business leaders serving staggered three-year terms, of which, nine are appointed by the Governor, four are appointed by the President of the Senate, and the other four are appointed by the Speaker of the House of Representatives. A financial benefit/burden relationship exists between the State and ACA as its primary funding source is the allocated State General Fund withholding tax revenues received in each fiscal year according to A.R.S. § 43-409. Complete financial statements may be obtained from the ACA's administrative office at 100 North 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. § 15-2152 and consists of the Governor (or designee), State Treasurer (or designee), and the director of the Department of Administration (or designee). A financial benefit/burden relationship exists between the State and APSCE as monies were appropriated by the State Legislature for partial capitalization of its fund. Separate financial statements are not prepared for the APSCE.

Insurance Department Guaranty Funds (IDGF) – The IDGF, a division of the Arizona Department of Insurance (ADI), is comprised of the Arizona Property and Casualty Insurance Guaranty Fund (APCIGF) and the Arizona Life and Disability Insurance Guaranty Fund (ALDIGF). The IDGF pays for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts. The APCIGF and ALDIGF hold corporate powers in accordance with A.R.S. § 20-664 and A.R.S. § 20-685 respectively, which distinguish them as being legally separate from the State. The APCIGF and the ALDIGF are each governed by an eleven-member board of directors appointed by the Governor. The ADI maintains the ability to hire and dismiss the persons responsible for day-to-day operations of the IDGF; thus, the State has the ability to impose its will on the IDGF. Complete financial statements may be obtained from the IDGF's administrative office at 100 North 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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The financial statements of the ASUAFD are not available as of June 30, 2020, as there was no financial activity.

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

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

Related Organizations

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

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

Joint Ventures

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

B. BASIS OF PRESENTATION

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

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

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

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

Program revenues include:

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

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

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

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and

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

enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

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

- *Cash (not with State Treasurer)* - includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.
- *Cash with U.S. Treasury* - consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.
- *Cash and pooled investments with State Treasurer* - consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer’s pooled investments are described in Note 2.
- *Cash held by trustee* - consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.
- *Collateral investment pool* - consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

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

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

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

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

E. TAXES RECEIVABLE

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

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

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2020. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2020, but not collected until the following month.

F. INVENTORIES

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

G. CAPITAL ASSETS

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

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

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

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

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

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

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

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

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

H. DEFERRED OUTFLOWS OF RESOURCES

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

I. INVESTMENT EARNINGS

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

J. SCHOLARSHIP ALLOWANCES

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

K. UNEARNED REVENUE

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

L. POSTEMPLOYMENT BENEFITS

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

M. COMPENSATED ABSENCES

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

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

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

For sick leave policy, see Note 12.C.

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

N. LONG-TERM OBLIGATIONS

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

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

O. DEFERRED INFLOWS OF RESOURCES

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

P. NET POSITION/FUND BALANCES

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

Net position is reported in three categories:

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

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

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

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

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

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

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

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

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

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

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

Budget Stabilization Fund

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

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

The budgets developed by the Governor and the Joint Legislative Budget Committee and submitted to the State Legislature at the start of each regular session include estimates of the amount to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount is done by the EEC on June 1 of the budget year. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. Additionally, by a two-thirds majority, the State Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal. The BSF's fund balance, including earnings on investments, as of June 30, 2020, was \$978.4 million.

Q. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN REPORTING ENTITY

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

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

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

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

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by entities which are U.S. dollar denominated, commercial paper issued by entities which are U.S. dollar denominated, bankers acceptances, collateralized repurchase agreements, money market mutual

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

funds, exchange traded funds, equities, and other securities. The State Treasurer is not allowed to invest in foreign investments unless the investment is denominated in U.S. dollars.

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

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

In December 2011, the United States Bankruptcy Court for the Southern District of New York entered an order confirming the Modified Third Amended Lehman Brothers Joint Plan of Liquidation. During the current year, approximately \$0.2 million was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received was allocated to participants based on the participant's share balance and then transferred to the LGIP, reducing the carry or cost basis in the Lehman Brothers Pool. As of June 30, 2020, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.2 million and \$0.3 million, respectively. There was a distribution in June 2020 during fiscal year 2020. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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

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

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

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

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

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

The Arizona Board of Regents (ABOR) governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is

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

responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

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

B. CUSTODIAL CREDIT RISK - DEPOSITS AND INVESTMENTS

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regard to custodial credit risk for investments. As of June 30, 2020, the State had \$35.4 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

C. INTEREST RATE RISK

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

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

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

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

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

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

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

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

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

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

The following table presents the PSPRS', the EORP's, and the CORP's effective duration by investment type as of June 30, 2020 (expressed in thousands):

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

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

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

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

The following table presents the interest rate risk for the NAU, the U of A, and other State agencies utilizing the segmented time distribution as of June 30, 2020 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit (negotiable)	\$ 55,223	\$ 45,081	\$ 10,142	\$ —	\$ —
Corporate notes & bonds	349,344	135,437	211,608	2,299	—
Government bonds	2,071	—	2,071	—	—
Money market mutual funds	207,763	207,763	—	—	—
U.S. agency securities	21,420	5,024	16,396	—	—
U.S. Treasury securities	171,088	96,845	73,878	365	—
Other	4,298	—	685	2,428	1,185
Total	\$ 811,207	\$ 490,150	\$ 314,780	\$ 5,092	\$ 1,185

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes as of June 30, 2020 (expressed in thousands):

Interest Rate Terms	Corporate Notes & Securities	U.S. Agency Securities	Other	Total
Investments (including full faith) with coupon tied to the London Interbank Offered Rate (LIBOR) or Secured Overnight Financing Rate (SOFR) plus/minus a fixed basis point which resets monthly, quarterly, or semi-annually.	\$ 528,887	\$ 150,038	\$ —	\$ 678,925
Asset backed securities with coupon tied to the LIBOR or SOFR plus/minus a fixed basis point which resets from monthly to quarterly.	50,643	—	—	50,643
Mortgage backed securities (including full faith) - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value of the investment.	44,044	1,504,644	—	1,548,688
U.S. Treasury securities with coupon tied to the U.S. Treasury 3 month bill money market yield plus/minus a fixed basis point which resets weekly.	—	—	11,019	11,019
Investments - where on certain specified dates, the issuer can call the investment. If the investment is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than the increases in the coupon interest rate.	186,115	—	—	186,115
Other investments (including full faith) with high sensitivity to rate changes.	—	23,723	—	23,723
Total	\$ 809,689	\$ 1,678,405	\$ 11,019	\$ 2,499,113

D. CREDIT RISK

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

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

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

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

The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating from S & P or Baa or better rating from Moody's at the time of purchase and that the investment will be sold in an orderly manner or held until maturity without further investments being made if it falls below this credit rating; and that commercial paper be rated by at least two NRSROs and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. In addition, the Universities do not have formal policies that specifically address credit risk over endowment funds. The Universities' endowment funds are primarily invested in their Foundations' endowment pools, which are not rated. The Foundations' investment committees manage the credit risk of the pools' investments. Also, the ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

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

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2020. The ratings are presented using S & P's rating scale (expressed in thousands):

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

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5% of their investments shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. However, securities issued by the U.S. government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy bonds issued by an agency of the State, and pre-refunded municipal bonds issued by any entity that are invested in obligations issued or guaranteed by the U.S. government or any of its agencies, corporations, sponsored corporations or instrumentalities. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds issued as direct obligations of, and fully guaranteed by, the U.S. Government. At June 30, 2020, no investments in any one issuer exceeded more than 5% of the primary government's total investments.

F. FOREIGN CURRENCY RISK

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

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

securities and those investments shall be made only by investment managers with expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. According to State statutes, the PSPRS, the EORP, and the CORP shall not invest more than 20% of the combined assets of the system or other plans that the Board of Trustees manages in foreign securities.

The following table summarizes the State's foreign currency risk as of June 30, 2020 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value				
Currency	Short Term	Equities	Other Investments	Total
Australian Dollar	\$ 886	\$ 413,959	\$ —	\$ 414,845
Brazilian Real	120	28,463	—	28,583
British Pound Sterling	4,441	883,055	55,963	943,459
Canadian Dollar	2,940	583,936	—	586,876
Chilean Peso	78	3,604	—	3,682
Chinese Yuan Renminbi	240	2,138	—	2,378
Columbian Peso	45	1,568	—	1,613
Czech Koruna	18	385	—	403
Danish Krone	449	128,804	—	129,253
Euro Currency	4,359	2,025,652	335,538	2,365,549
Hong Kong Dollar	3,313	269,992	—	273,305
Hungarian Forint	26	752	—	778
Indian Rupee	199	25,566	—	25,765
Indonesian Rupiah	157	7,221	—	7,378
Japanese Yen	9,378	1,528,799	—	1,538,177
Malaysian Ringgit	54	7,395	—	7,449
Mexican Peso	163	11,207	902	12,272
New Israeli Shekel	353	27,876	—	28,229
New Taiwan Dollar	1,368	40,259	—	41,627
New Zealand Dollar	177	23,037	—	23,214
Norwegian Krone	507	44,618	4	45,129
Philippine Peso	49	3,518	—	3,567
Polish Zloty	64	4,156	—	4,220
Qatari Riyal	(152)	3,530	—	3,378
Singapore Dollar	1,791	73,926	—	75,717
South African Rand	52	21,825	—	21,877
South Korean Won	142	45,806	—	45,948
Swedish Krona	877	203,308	—	204,185
Swiss Franc	2,158	567,096	—	569,254
Thai Baht	960	11,375	—	12,335
Turkish Lira	104	1,512	—	1,616
UAE Dirham	132	2,146	—	2,278
Total	\$ 35,448	\$ 6,996,484	\$ 392,407	\$ 7,424,339

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

G. FAIR VALUE MEASUREMENT OF INVESTMENTS

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

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

1. Primary Government (excluding Universities and Retirement Systems)

a. Investments Classified in Fair Value Hierarchy

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

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

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

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

b. Investments Measured at the NAV

The investments held at June 30, 2020, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Bank loan partnership fund	\$ 15,162	—	N/A	N/A
Foreign large value fund	24,858	—	N/A	N/A
High yield short term duration bond fund	16,863	—	N/A	N/A
Total	<u>\$ 56,883</u>			

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

2. Universities

a. Investments Classified in Fair Value Hierarchy

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

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

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

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

b. Other Investments at Fair Value

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

c. Investments Measured at the NAV

The investments held by the Universities at June 30, 2020, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity mutual funds	\$ 3,174	—	Quarterly	90 days
Total	<u>\$ 3,174</u>			

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

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

3. Retirement Systems

a. Investments Classified in Fair Value Hierarchy

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

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

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified as Level 2 are generally valued using most recent trade price available in inactive markets. Equity securities classified in Level 3 are valued using unobservable inputs, including situations where there is little market activity, if any. Fixed income securities classified in Level 2 are primarily valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Real estate assets classified in Level 1 are valued using prices quoted in active markets. Real estate assets classified in Level 3 are real estate investments valued by external appraisals generally obtained at least annually and performed by an independent appraiser.

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

b. Investments Measured at the NAV

The investments held by the ASRS, PSPRS, CORP, and EORP at June 30, 2020, valued using the NAV per share were as follows (expressed in thousands):

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

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

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

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

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

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

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

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

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

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

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

c. Other Investments at Cost Plus Accrued Interest

Reinvested cash collateral held related to securities lending activities is reported based on the cash deposit value of the collateral held, which approximates fair value.

H. SECURITIES LENDING

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

1. Arizona State Retirement System

The ASRS is permitted by A.R.S. § 38-718(G) to enter into securities lending transactions. The ASRS’ custodial bank enters into agreements with borrowers to loan securities and have the same securities redelivered at a later date. Securities eligible for loan include U.S. fixed income securities, U.S. equities, and international equities. The ASRS currently receives as collateral at least 102% of the fair value of the loaned securities and maintains collateral at no less than 100% for the duration of the loan. At year-end, the ASRS had limited counter party risk to borrowers because the collateral held by the ASRS for each loan exceeded the fair value owed to the ASRS. Securities loaned are initially fully collateralized by cash (USD), U.S. Government or agency securities, sovereign debt, corporate bonds and/or equities. Cash collateral may be reinvested (under certain constraints) in: a) instruments issued or fully guaranteed by the U.S. Government, Federal agencies, or sponsored agencies or sponsored corporations, b) repurchase agreements, c) money market mutual funds, d) commercial paper, e) certificates of deposit, and f) bank notes. The ASRS records the reinvested cash collateral as an asset, and the cash collateral received as an obligation, for securities on loan on the Statement of Fiduciary Net Position. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. The obligation for securities on loan is recorded as a liability because the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2020, the fair value of securities on loan was \$777.1 million; of which \$99.7 million were cash collateralized loans. Cash of \$103.2 million received as collateral for securities loaned was reinvested and had a net position value of \$103.3 million, as of June 30, 2020. The securities lending payable at June 30, 2020 was \$103.2 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. There are no statutory restrictions on the dollar amount of security loans that may be made by the ASRS. The ASRS is indemnified against gross negligence and borrower default by the lending agents, but is not indemnified against cash collateral reinvestment risk.

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

The PSPRS, the EORP, and the CORP are permitted by A.R.S. Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a custodial bank. The custodial bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized by cash and securities. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102% of the fair value of the loaned U.S. securities and 105% of the fair value of the loaned foreign securities, plus any applicable accrued interest in the case of debt securities. Securities on loan are carried at fair value. As of June 30, 2020, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$199.0 million, \$7.1 million, and \$51.7 million, respectively. At June 30, 2020, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$200.1 million, \$7.1 million, and \$52.0 million, respectively. At June 30, 2020, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$4.2 million, \$150 thousand, and \$1.1 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the associated value of the collateral held exceed the value of the securities loaned.

3. State Treasurer

The State Treasurer is permitted under A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer’s custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no

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

credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash (U.S. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the fair value of the securities loaned at the close of trading on the preceding business day. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer’s investment policy, except for investments made for certain endowment equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer’s investment policy. Cash collateral investments include: a) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase agreements collateralized at no less than 102% by securities, 100% by cash, and 102% by mortgage-backed securities and b) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as obligations under securities loan agreements. As of June 30, 2020, the cost and fair value of securities on loan were \$641.0 million and \$635.0 million, respectively. The associated fair value of the invested collateral was \$649.0 million, of which \$283.0 million was invested cash collateral. All securities loans can be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was one day. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default. The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year.

At June 30, 2020, the State Treasurer had \$283.0 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer’s name:

U.S. Treasury securities	\$	314,023,212
Equities		40,584,239
Corporate notes		3,148,697
Total Fair Value	\$	<u>357,756,148</u>

I. DERIVATIVES

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

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

1. Arizona State Retirement System

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

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2020 financial statements were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value (1)		Fair Value at June 30, 2020		
	Classification	Amount (2)	Classification	Amount	Notional
Commodity futures long	Net (decrease) in fair value of investments	\$ (4,134)	Not applicable	\$ —	\$ —
Commodity futures short	Net (decrease) in fair value of investments	(222)	Not applicable	—	—
Foreign currency forwards	Net increase in fair value of investments	25	Futures receivable	—	—
Index futures long	Net increase in fair value of investments	151,482	Not applicable	—	764,829
Index futures short	Net increase in fair value of investments	60,861	Not applicable	—	(155,817)
Rights	Net (decrease) in fair value of investments	(53)	Equity securities	702	—
Total		<u>\$ 207,959</u>		<u>\$ 702</u>	<u>\$ 609,012</u>

- (1) Excludes futures margin payments.
 (2) Negative values refer to losses.

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

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

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

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

As of June 30, 2020, investing activity in derivative instruments consisted of exchange traded contracts. The ASRS did not have any over-the-counter investment derivative instruments as of June 30, 2020. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2020.

The ASRS has exposure to interest rate risk due to the investment in fixed income futures. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The ASRS did not have any derivative instruments highly sensitive to interest rate risk changes as of June 30, 2020.

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and future contracts. See the Foreign Currency Risk schedule in Note 2.F. for additional information on currency risk exposure. A summary of foreign currency risk from derivative instruments as of June 30, 2020, was as follows (expressed in thousands):

Derivative Instruments Foreign Currency Risk		
Currency Name	Options	Total Exposure
Australian Dollar	\$ 4	\$ 4
Euro Currency	681	681
Total	<u>\$ 685</u>	<u>\$ 685</u>

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

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

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

Changes in fair value for the year and outstanding futures contracts as of June 30, 2020 were as follows (expressed in thousands):

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

3. Arizona State University

Refer to Note 6.A.3.c. for information on debt derivatives utilized by the ASU.

J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

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

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

NOTE 3. RECEIVABLES/UNAVAILABLE REVENUE/UNEARNED REVENUE

A. TAXES RECEIVABLE

At June 30, 2020, taxes receivable were as follows (expressed in thousands):

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

B. UNAVAILABLE REVENUE

At June 30, 2020, the components of unavailable revenue for governmental funds were as follows (expressed in thousands):

Unavailable Revenue for Governmental Funds:	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Funds
Delinquent sales tax	\$ 241,218	\$ —	\$ —	\$ —	\$ 241,218
Delinquent income tax	226,257	—	—	—	226,257
Tobacco settlement	51,000	—	—	—	51,000
Child support administrative reimbursements	3,889	—	—	—	3,889
Grants	90,165	11,854	—	—	102,019
Drug rebates	39,206	—	—	—	39,206
Land sales receivable	—	—	106,150	—	106,150
Land leases receivable	—	—	3,114	—	3,114
Other	1,741	—	—	414	2,155
Total Unavailable Revenue for Governmental Funds	\$ 653,476	\$ 11,854	\$ 109,264	\$ 414	\$ 775,008

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

C. UNEARNED REVENUE

At June 30, 2020, 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	\$ 51,433	\$ —	\$ 51,433
Advance county acute and long term care payments	26,659	—	26,659
CARES Act	1,215,493	—	1,215,493
Transportation & Aviation Planning, Highway			
Maintenance & Safety Fund:			
Magazine subscriptions	1,738	—	1,738
Land Endowments Fund:			
Advance land lease payments	26,580	70,458	97,038
Non-Major Funds:			
Advance renewal of contractors' license assessment	723	—	723
Other	579	—	579
Total Unearned Revenue for Governmental Funds	<u>\$ 1,323,205</u>	<u>\$ 70,458</u>	<u>\$ 1,393,663</u>

Unearned Revenue for Proprietary Funds:

Unearned Revenue for Proprietary Funds:	Current
Universities:	
Unexpended cash advances received	\$ 191,222
Auxiliary sales and services	41,077
Student tuition and fees	112,131
Other	7,092
Unemployment Compensation:	
CARES Act	194,123
Total Unearned Revenue for Proprietary Funds	<u>\$ 545,645</u>

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

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2020 were as follows (expressed in thousands):

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

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

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

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

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

Universities	\$	338,619
Other		5,861
Total Business-type Activities	\$	<u>344,480</u>

NOTE 5. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

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

Changes in the State's net pension liability and total OPEB (asset)/liability during the fiscal year ended June 30, 2020, were as follows (expressed in thousands):

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

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

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

For the year ended June 30, 2020, the State recognized pension expense for all plans to which it contributes of \$618.1 million, (\$49.1) million of grant expense for EORP, and \$119.0 million of OPEB expense. Also, the State reported \$339.6 million of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$3.9 million of grant expenditures related to EORP, and \$22.3 million of OPEB contributions as expenditures in the governmental funds related to all OPEB plans to which it contributes.

A. ARIZONA STATE RETIREMENT SYSTEM

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

	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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent of the members' annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 11.45 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked during fiscal year 2020 for the State in positions that an employee who contributes to the ASRS would typically fill. The State's contributions to the pension plan for the year ended June 30, 2020, were \$267.1 million.

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

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

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

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2020, the State recognized pension expense for ASRS of \$321.9 million. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,186	\$ 595
Changes of assumptions or other inputs	13,383	126,057
Net difference between projected and actual earnings on pension plan investments	—	71,150
Changes in proportion and differences between State contributions and proportionate share of contributions	71,058	82,904
State contributions subsequent to the measurement date	267,061	—
Total	<u>\$ 408,688</u>	<u>\$ 280,706</u>

The \$267.1 million reported as deferred outflows of resources related to ASRS pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

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

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

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

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

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	<u>100%</u>	

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

Sensitivity of the State’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate—The following table presents the State’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

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

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

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

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.

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

	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, 2020, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS PSA	CORP DCA
Retirees or beneficiaries currently receiving benefits	1,387	3,501
Inactive employees entitled to but not yet receiving benefits	157	1,359
Active employees	1,023	6,821
Total	<u>2,567</u>	<u>11,681</u>

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

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

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

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

In addition, statute required the State to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked during fiscal year 2020 for the State in positions that an employee who contributes to the PSPRS or CORP would typically fill and PSPDCRP members in addition to the State's required contributions to PSPDCRP.

	<u>Pension</u>
PSPRS – PSA	82.58%
CORP – DCA	19.83%

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

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

Changes in the Net Pension Liability
 (expressed in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
PSPRS – PSA			
Balances at June 30, 2019	\$ 1,205,814	\$ 370,749	\$ 835,065
Changes for the year:			
Service cost	14,020	—	14,020
Interest on the total pension liability	87,353	—	87,353
Differences between expected and actual experience in the measurement of the pension liability	7,041	—	7,041
Changes of assumptions	21,318	—	21,318
Contributions - employer	—	66,551	(66,551)
Contributions - employee	—	6,534	(6,534)
Net investment income	—	19,878	(19,878)
Benefit payments, including refunds of employee contributions	(78,790)	(78,790)	—
Administrative expense	—	(346)	346
Other changes	—	(70)	70
Net changes	50,942	13,757	37,185
Balances at June 30, 2020	\$ 1,256,756	\$ 384,506	\$ 872,250

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

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

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	\$ 1,023,820	\$ 872,250	\$ 746,978
CORP – DCA			
Net pension liability	\$ 1,239,010	\$ 965,309	\$ 743,095

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

Pension Expense—For the year ended June 30, 2020, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS – PSA	\$ 97,080
CORP – DCA	126,989

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

Deferred Outflows/Inflows of Resources—At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

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

The amounts reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

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

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

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. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2020, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the State to contribute at the actuarially determined rate of 61.43 percent of active EORP members' annual covered payroll. Also, statute required the State to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the State's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the State to contribute 39.72 percent of annual covered payroll of retired members who worked during fiscal year 2020 for the State in positions that an employee who contributes to the EORP would typically fill. The State's contributions to the pension plan for the year ended June 30, 2020, were \$14.3 million, including \$3.9 million related to State support, as a nonemployer contributing entity.

During fiscal year 2020, the State paid for EORP pension contributions as follows: 97.93 percent from the General Fund and 2.07 percent from other funds. In addition, during fiscal year 2020, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

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

Pension Liability—At June 30, 2020, the amount the State recognized as its proportionate share of the net pension liability, the related State support, as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the State were as follows (expressed in thousands):

State's proportionate share of the EORP net pension liability	\$ 114,603
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	47,006
Total	<u>\$ 161,609</u>

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

The State's proportion of the net pension liability was based on the State's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2019. The State's proportion measured as of June 30, 2019, was 17.50 percent, which was an increase of 2.41 from its proportion measured as of June 30, 2018. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2019, was 7.09 percent, which was a decrease of 7.03 from its proportion measured as of June 30, 2018.

Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2020, the State recognized a negative pension expense for EORP of \$29.1 million and revenue of \$1.9 million for the designated court fees. In addition, the State recognized a negative grant expense of \$49.1 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2020, the State and the State, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	The State		The State, as a nonemployer contributing entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,555	\$ 109	\$ 1,048	\$ 45
Changes of assumptions or other inputs	360	3,257	148	1,336
Net difference between projected and actual earnings on pension plan investments	780	—	320	—
Changes in proportion and differences between State contributions and proportionate share of contributions	1,341	16,962	—	23,156
State contributions subsequent to the measurement date	10,413	—	3,883	—
Total	<u>\$ 15,449</u>	<u>\$ 20,328</u>	<u>\$ 5,399</u>	<u>\$ 24,537</u>

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

The amounts reported as deferred outflows of resources related to EORP pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	<u>The State</u>	<u>The State, as a nonemployer contributing entity</u>
2021	\$ (15,512)	\$ (23,113)
2022	(199)	(82)
2023	218	89
2024	201	85

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

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

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

Sensitivity of the State’s Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate—The following table presents the State’s and the State’s, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability calculated using the discount rate of 7.3 percent, as well as what the State’s and the State’s, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate (expressed in thousands):

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

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

D. ARIZONA DEPARTMENT OF ADMINISTRATION DEFINED BENEFIT HEALTHCARE PLAN

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

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

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

Contributions—The State's contribution to the ADOA OPEB plan for the year ended June 30, 2020, was \$166.5 million.

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

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

OPEB Liability—At June 30, 2020, the State reported a liability of \$1.3 billion for the ADOA total OPEB liability. The total OPEB liability measured as of June 30, 2019 was determined by an actuarial valuation as of that date.

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

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Salary increases	0.0% to 4.5%, not including wage inflation of 2.7%
Discount rate	3.13%
Healthcare cost trend rates	
Medical (pre-65)	7.2% graded to 4.3% over 13 years
Medical (post-65)	6.5% graded to 4.3% over 13 years
Prescription drug	7.2% graded to 4.3% over 13 years
Administrative costs	3.0%
Contribution trend rates	7.2 % graded to 4.3% over 13 years
Mortality rates	
Employees	RP-2014 Active Member Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.
Healthy retirees and spouses	2017 State Retirees of Arizona (SRA) mortality table. Generational mortality improvements in accordance with the Ultimate MP scales and projected from the year 2017.
Disabled retirees	RP-2014 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2014.

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

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

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

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

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

Sensitivity of the State’s Total OPEB Liability to Changes in the Discount Rate—The following table presents the State’s total OPEB liabilities calculated using the discount rate of 3.13 percent, as well as what the State’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or 1 percentage point higher (4.13 percent) than the current rate (expressed in thousands):

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	\$ 1,526,028	\$ 1,271,284	\$ 1,073,841

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,048,194	\$ 1,271,284	\$ 1,566,114

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

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

The \$166.5 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30	
2021	\$ (4,202)
2022	(4,202)
2023	(4,202)
2024	(4,202)
2025	14,832
Thereafter	53,816

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

On December 11, 2018, the State entered into a Forward Delivery Bond Purchase Contract for \$246.4 million in Lottery Refunding Bonds Series 2019 (Series 2019 Bonds) delivered on October 3, 2019 with an interest rate of 5.0% and a final maturity date of 2029. Net proceeds totaled \$274.0 million after receipt of \$28.9 million of original premium and payment of \$1.2 million of issuance costs. The net proceeds were used to current refund the Lottery Revenue Bonds Series 2010A and to pay the costs of issuing the Series 2019 bonds. The refunding resulted in a debt service savings of \$29.9 million and a net present value economic gain of \$27.3 million (difference between the present values of the old and new debt service payments). The current refunding also resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$12.9 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2029. The State has pledged portions of its revenues towards the payment of debt service on the Series 2019 Bonds. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are secured solely by pledged revenues, consisting of all Lottery revenues deposited to the Lottery Fund net of operating expenses. Pledged revenues are pledged under the Lottery bond law and in the Indenture for the payment of the bonds. At June 30, 2020, pledged revenues totaled approximately \$217.2 million, of which 15.9% (\$34.5 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029, is approximately \$246.4 million.

2. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.3 billion.

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

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$1.2 billion in outstanding Highway Revenue Bonds issued since 2011. Proceeds from the bonds finance portions of the ADOT's Five-Year Transportation Facilities Construction Program, and to refund certain maturities of outstanding Highway Revenue bond issues. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$1.6 billion. Principal and interest paid for the current year and total pledged revenues were \$142.7 million and \$682.3 million, respectively. The annual principal and interest payments on the bonds required 20.9% of the pledged revenues.

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

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$732.4 million.

The ADOT has pledged future transportation excise taxes to repay \$624.4 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2009. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County and to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues.

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

The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$718.6 million. Principal and interest paid for the current year and total pledged revenues were \$143.7 million and \$326.5 million, respectively. The annual principal and interest payments on the bonds required 44.0% of the pledged revenues.

Business-Type Activities

3. Universities

a. University of Arizona

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

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

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

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

The 2020 Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on U.S. Treasury Securities plus 15 basis points. The 2020 Bonds with maturity on June 1, 2038 and June 1, 2042 are subject to mandatory redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$71.659 million after payment of \$546 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the system revenue bonds Series 2012A and 2013A totaling \$54.460 million and \$11.455 million, respectively. The refunding generated a net present value economic gain of \$8.947 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$3.071 million in the first year and an average of \$267 thousand in years two through twenty-two. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$191 thousand. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2042 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of \$70.122 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

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

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

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

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

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

The 2020B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on U.S. Treasury Securities plus 10 basis points for bonds maturing on August 1, 2020 through and including 2027, and plus 15 basis points bonds maturing on August 1, 2034, August 1, 2039 and August 1, 2043. The 2020B Bonds with maturity on August 1, 2034, August 1, 2039 and August 1, 2043 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$19.396 million after payment of \$169 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, \$17.350 million of the SPEED Revenue Bonds Series 2013. The refunding generated a net present value economic gain of \$2.812 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by \$65 thousand in the first year and an average of \$119 thousand in years two through twenty-three years. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$613 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2043 using the straight-line method. The refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of \$19.397 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

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

In fiscal year 2017, the U of A refunded, in advance of maturity, a portion of outstanding system revenue bonds Series 2012A. At June 30, 2020, the outstanding principal balance of the refunded bonds was \$9.650 million, which will be paid by investments held in an irrevocable trust with a fair value of \$10.365 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The U of A's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information to the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, any amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. Due to the Federal sequestration, the U of A will receive a 5.9% reduction (totaling \$14 thousand) in the Federal interest subsidy for the August 1, 2020 debt service payment.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2020. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income or other restricted revenues. At June 30, 2020, pledged revenues totaled \$1.30 billion of which 7.4% (\$96.6 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.9% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$1.84 billion.

b. Northern Arizona University

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

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

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

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

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

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2019, the Federal government reduced Federal direct payment claims filed between October 1, 2018 and September 30, 2019, by 5.9% due to the Federal budget sequestration resulting in a \$158 thousand reduction in direct payments to the NAU. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as non-operating revenue. As the Series 2009A and 2010 Bonds have been refunded, the NAU will no longer be receiving the interest payment subsidy.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2020. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged \$314 million for the prior five years. For fiscal year 2020, pledged revenues totaled \$320 million, of which 10.0% (\$32.1 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 7.9% of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 is \$605.3 million.

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

c. Arizona State University

As of June 30, 2020, the ASU had issued fixed and variable rate bonds, of which \$1.7 billion is outstanding. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of defeased bonds outstanding at June 30, 2020 totaled \$168.0 million.

The ASU has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2020. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2020, pledged revenues totaled \$1.90

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

billion, of which 6.1% (\$115.1 million, net of Federal direct payments) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the ASU's senior and subordinate revenue bonds through final maturity of July 1, 2050 total \$2.7 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the ASU has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 ASU Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2020 totaled \$1.1 million with a final maturity of July 1, 2021.

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

In April 2020, the ASU issued \$184.5 million of system revenue bonds, Series 2020 A, B, and C, with an average maturity of 16.7 years and an average interest rate of 2.84%. The bonds were issued to fund the construction of Phase II of the Interdisciplinary Science and Technology Building 7, Phase II of the Health Futures Center, IT Infrastructure Improvements, Phase I of the Durham Language and Literature renovation project, the Downtown Phoenix Academic Prepaid Lease and infrastructure and deferred maintenance. In addition to using pledged revenues to pay the debt service, the ASU will pay half the debt service of the 2020A bonds from the Capital Infrastructure Fund (CIF) established by the State pursuant to A.R.S. § 15-1671. Pursuant to the CIF Law, State General Fund monies will be appropriated and deposited into the ASU's CIF for fiscal year 2019 through fiscal year 2043. The annual deposit will be adjusted annually by a growth rate of 2.0% or the change in the U.S. Gross Domestic Product Price Deflator between the two prior fiscal years, whichever is less, but not less than the prior fiscal year's appropriated amount. CIF funds are available exclusively for either paying the costs of, or paying up to one-half of the debt service on debt financing for, capital projects of the ASU. While funding for the payment of debt service will be made as described, pledged revenues secure all of the 2020 Bonds.

The Taxable series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the ARRA. As such, the ASU is eligible to receive Federal Direct Payments from the U.S. Treasury equal to 35% of the interest owed on each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2020, the ASU received Federal Direct Payments totaling \$3.5 million, net of \$0.2 million or 5.9% reduction due to the Federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

The ASU has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling \$76.3 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2020 was 0.13% for the Series 2008A bonds and 0.14% for the Series 2008B bonds. The ASU's variable rate demand bonds have remarketing features which allow bondholders to put debt back to the ASU. In accordance with GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities*, the total outstanding principal balance for variable rate demand bonds is required to be classified as a current liability. As of May 4, 2016, the ASU executed a self-liquidity facility agreement to provide liquidity if the bonds are put by bondholders. It is the ASU's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the official statement; however, in the absence of a "take out agreement" the ASU has classified the total outstanding principal balance of the 2008 bonds as a current liability.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2020 totaled \$90.3 million.

Effective January 1, 2007, the ASU entered into a \$103 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding \$75.8 million notional amount at June 30, 2020 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2020 was 0.13%.

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

At June 30, 2020, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(0.13)
Net interest rate swap payments		3.78
Variable-rate bond coupon payments	Spread to SIFMA	0.14
Synthetic fixed interest rate on bonds		3.92

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

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

As of June 30, 2020, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA- by Fitch, A+ by S&P, and Aa2 by Moody's as of June 30, 2020. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

As of June 30, 2020, the swap had a fair value of \$(20.1) million, which represents the cost to the ASU to terminate the swap. The June 30, 2019 fair value was \$(15.3) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, as amended by GASB 63, the fair value of the ASU's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources (interest rate swap) and a liability (derivative instrument - interest rate swap).

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2020 (expressed in thousands):

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

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

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2020 are as follows (expressed in thousands):

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

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of GANs issued in prior years and outstanding at the start of the fiscal year was \$223.9 million.

The ADOT has pledged federal revenues to repay \$204.2 million in outstanding GANs. Proceeds from the GANs pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and to refund certain maturities of various outstanding GANs. The GANs are payable solely from federal revenues and are payable through 2034. The total principal and interest remaining to be paid on the GANs is \$264.5 million. Principal and interest paid for the current year and total pledged revenues were \$30.9 million and \$665.5 million, respectively. The annual principal and interest payments on the GANs required 4.6% of the pledged revenues.

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

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2020
Governmental Activities:				
Department of Transportation	2011 - 2019	2021 - 2034	4.00 - 5.00%	\$ 204,220

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

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

Fiscal Year	Annual Debt Service		
	Governmental Activities		
	Total Principal	Total Interest	Total Debt Service
2021	\$ 19,760	\$ 10,208	\$ 29,968
2022	20,755	9,223	29,978
2023	21,800	8,185	29,985
2024	22,875	7,095	29,970
2025	24,020	5,952	29,972
2026 - 2030	62,350	16,038	78,388
2031 - 2034	32,660	3,589	36,249
Total	<u>\$ 204,220</u>	<u>\$ 60,290</u>	<u>\$ 264,510</u>

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued Certificates of Participation (COPs) to finance construction or improvements of various capital assets. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The certificates are collateralized by numerous individual property units, including office complexes, parking structures, a laboratory, and a State prison. In the event of default, the properties would revert to the trustee, and the underlying asset value would be removed from the accompanying financial statements. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

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

2. School Facilities Board

The SFB has issued COPs to refinance prior certificates and to finance the purchase, construction, and equipment for several school sites. In the event of default, the properties will revert to the trustee. Additionally, the SFB Series 2010 COPs are not subject to mandatory sinking fund prepayment. However, as a means to provide a source of funds that will be available to pay the principal with respect to the Series 2010 COPs at maturity, the lease agreement with the trustee for the 2010 COPs will provide for mandatory sinking fund payments to be made as part of the base rent due under the lease. The SFB Series 2010 COPs are subject to extraordinary mandatory prepayment from unexpended proceeds pursuant to the debt documents. On February 6, 2014, the SFB redeemed \$9.5 million of the Series 2010 COPs pursuant to the extraordinary mandatory prepayment provisions in the debt documents. Beginning August 15, 2012, annual deposits to the

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

sinking fund were scheduled to be made on August 15 of each year through August 15, 2027, at which time, the accumulated balance (including investment earnings and losses) in the sinking fund will be sufficient to retire the Series 2010 COPs on their stated maturity date of September 1, 2027. The sinking fund deposit requirements were adjusted to reflect the extraordinary mandatory prepayment redemption which occurred on February 6, 2014. All proceeds received from the issuance of the Series 2010 COPs have been expended as of June 30, 2015. As a result, the extraordinary mandatory prepayment discussed above no longer applies. All other prepayment provisions remain in force pursuant to the debt documents.

Business-Type Activities

3. Universities

a. Arizona State University

As of June 30, 2020, the ASU has issued fixed rate COPs, of which \$65.9 million is outstanding. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Securities and cash restricted for COP debt service held by the trustee at June 30, 2020 totaled \$8.0 million.

b. University of Arizona

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

c. Northern Arizona University

The NAU utilizes COPs to acquire buildings, land, and infrastructure. COPs are generally callable and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the accompanying financial statements and the control of the assets would return to the trustee. COPs were used to build the Applied Research and Development building, Science Lab Facility, and to renovate the Engineering building.

A summary of the COPs issued as of June 30, 2020 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	\$ 62,630	\$ 22,550	4.00 - 5.00%
Refund 2005 Gov Office Lease Rev Capitol Mall, 2008A COP	2016	2028	163,995	146,220	3.00 - 5.00%
Kingman Prison 2016	2017	2025	119,880	74,155	4.00 - 5.00%
Refund 2010A	2020	2030	425,005	422,635	5.00%
School Facilities Board:					
Qualified School Construction 2010	2011	2028	91,325	81,820	6.00%
Refunding Certificates of 2008	2016	2024	263,545	210,890	2.35 - 5.00%
Total Governmental Activities			\$ 1,126,380	\$ 958,270	

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

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

Principal and interest debt service requirements on COPs outstanding at June 30, 2020 are as follows (expressed in thousands):

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

D. DIRECT PLACEMENTS

Governmental Activities

1. Department of Administration

The State issued a direct placement during fiscal year 2018 to refund the remaining portion of a COP. The direct placement is collateralized by a prison and forensic lab. In the event of default, the facilities would revert to the trustee, any accrued and unpaid obligations for which monies are lawfully available would be paid, and the underlying asset value would be removed from the accompanying financial statements.

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

Business-Type Activities

2. Universities

a. Arizona State University

The ASU has outstanding two series of direct placement COPs - the Series 2014 Refunding COPs and the 2017 Refunding COPs. The direct placement COPs were issued with similar terms to the ASU's other outstanding COPs with no acceleration or priority provisions. The ASU utilizes COPs to acquire buildings, equipment and land. The COPs are generally callable and collateralized by the acquired asset which is subject to a leasehold interest by the trustee. In the event of a default, the underlying asset value would be removed from the accompanying financial statements.

b. Northern Arizona University

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

A summary of the Direct Placements issued as of June 30, 2020 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
Refund remaining portion of 2008A COP	2018	2028	\$ 31,570	\$ 4,010	1.75%
Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2014 A/B Refunding Certificates of Participation	2015	2031	\$ 84,525	\$ 59,735	3.04%
2017 Refunding Certificates of Participation	2018	2027	44,815	31,615	1.87%
Northern Arizona University:					
2017 System Revenue Refunding	2017	2034	42,970	39,950	2.91%
2017A System Revenue	2018	2038	24,260	22,360	2.58%
2016 Lease Refunding	2016	2036	11,070	8,935	2.61%
2017 Lease Refunding	2017	2033	33,340	30,230	2.90%
2020 Lease Refunding	2020	2044	46,780	46,780	2.80%
Total Business-type Activities			<u>\$ 287,760</u>	<u>\$ 239,605</u>	

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

Principal and interest debt service requirements on the Direct Placements at June 30, 2020 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2021	\$ 5	\$ 70	\$ 75	\$ 13,175	\$ 6,401	\$ 19,576
2022	5	70	75	13,505	6,092	19,597
2023	5	70	75	11,095	5,843	16,938
2024	—	70	70	11,425	5,560	16,985
2025	—	70	70	11,745	5,268	17,013
2026 - 2030	3,995	175	4,170	98,180	18,702	116,882
2031 - 2035	—	—	—	54,080	6,732	60,812
2036 - 2040	—	—	—	16,300	2,581	18,881
2041 - 2044	—	—	—	10,100	693	10,793
Total	\$ 4,010	\$ 525	\$ 4,535	\$ 239,605	\$ 57,872	\$ 297,477

E. LEASES

1. Leases

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

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

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

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

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

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	221,048	186,257
Equipment	891	2,583
	<hr/> 221,949	<hr/> 194,962
Less: accumulated depreciation	(52,351)	(69,438)
Carrying Value	<hr/> <hr/> \$ 169,598	<hr/> <hr/> \$ 125,524

F. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2020, the State paid for compensated absences from governmental funds as follows: 79.48% from the General Fund, 13.91% from other funds, and 6.61% from other major funds.

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

G. CHANGES IN LONG-TERM OBLIGATIONS

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

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

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

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, because \$162.01 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

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

NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2020 were as follows (expressed in thousands):

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

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

Interfund Transfers

Transfers for the year ended June 30, 2020 were as follows (expressed in thousands):

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

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

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

NOTE 8. ACCOUNTING CHANGES

A. FUND FINANCIAL STATEMENTS

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

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

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

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

Prior Period Adjustment and Change in Reporting Entity

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

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

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

Fund Reclassification

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

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

NOTE 9. GOVERNMENTAL FUND BALANCES

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet for the year ended June 30, 2020 were as follows (expressed in thousands):

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

NOTE 10. DEFICIT NET POSITION

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$366.0 million primarily due to the RMF receiving annual funding only for expected paid insurance losses (including loss adjustment expenditures) within the State's self-insured retention for the specific fiscal year. Accrued insurance losses of the RMF beyond the specific fiscal year are not considered when determining funding for each fiscal year.

The Retiree Accumulated Sick Leave Fund (RASL), an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The \$153.8 million deficit net position is primarily due to the above funding mechanism.

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

NOTE 11. JOINT VENTURES

A. LARGE BINOCULAR TELESCOPE CORPORATION

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

The U of A has committed resources equivalent to 26.25% of the LBT's construction costs and annual operating costs. As of June 30, 2020, the U of A has made total cash contributions of \$19.2 million and contributions of services and materials of \$3.5 million, which is recorded as equity interest in joint venture on the Statement of Net Position. The U of A's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$1.9 million in calendar year 2020, as a reduction in its equity interest. At June 30, 2020, the equity interest totaled \$8.8 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2019, assets, liabilities, revenues, and expenses totaled \$120.4 million, \$8.3 million, \$18.6 million, and \$20.5 million, respectively.

Information regarding the LBT's financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, 888 N. Euclid Ave., Room 502, Tucson, Arizona 85721.

B. GIANT MAGELLAN TELESCOPE ORGANIZATION

The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction, and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the U of A. The U of A comprises two of the sixteen members of the GMTO Board of Directors, and is one of twelve founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the U of A does not have a defined equity interest, as a founder the U of A will receive viewing rights to the telescope in proportion to their voluntary contributions to the project. The U of A has recognized an intangible asset related to the costs incurred during the design, development, and construction/commissioning phases. The U of A has also signed agreements outlining capital commitments to the GMTO between June 2016 and June 2022. Capital commitments in the amount of \$9.9 million related to the GMT as of June 30, 2020 are reported in Note 6.G.

The U of A has contributed a total of \$66.2 million to the GMTO as of June 30, 2020. The U of A has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2020, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$81.5 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

The Department of Administration - Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

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

The Health Insurance Trust Fund (HITF) provides self-funded health insurance benefit plans that are available to employees and retirees in accordance with A.R.S. § 38-654. The HITF receives funding from legislative appropriations, premiums collected from agencies and

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

employees for the health insurance benefit plans, and investment earnings on premiums collected from employees. Premium rates are set using a prospective experience rating method.

To ensure that the HITF remains financially solvent, reserving is required. The reserving methods used by the HITF actuary are based on generally accepted actuarial principles and comply with A.R.S. § 20-516. The HITF's reserves are estimates of the plan's claim liabilities for the current plan year and future periods. Contract reserves are generally known as the IBNR (incurred but not reported) liability – the estimated liability for an enrollee. The IBNR liability is estimated using the monthly pattern of incurred and paid claims. The calculation of the IBNR liability is based upon the claim lag pattern experience through December 31, 2019, trended forward. The amount to hold for the IBNR liability is calculated by taking the distribution of the claim probabilities.

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

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

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2020. The total estimated loss reserve of \$233.3 million increased by 0.98%, or \$2.3 million, from the prior year estimated loss reserve of \$231.0 million. The 0.98% increase in estimated loss reserves was primarily the result of an increase in reported claims reserves for all reward categories. A confidence level of 80 percent was used in calculating medical and compensation related liabilities. A confidence level of 80 percent indicates a confidence that the estimated liability will be adequate to cover actual costs 80 out of 100 years. The reserves are discounted at an assumed rate of 0.90% for the compensation benefits and zero percent for the medical benefits. For medical benefits, it is assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

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

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

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

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

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

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

B. LITIGATION

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

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted to an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit shall be paid either in a lump sum or in installments over a three-year period. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of \$159.1 million at June 30, 2020.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately \$1.7 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$27.9 million and mutual funds valued at \$20.1 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2020, \$24.5 million was deposited in the Department of Revenue Administrative Fund, \$2.5 million was deposited in the Housing Trust Fund, \$2.0 million was deposited in the Seriously Mentally Ill Housing Trust Fund, \$98.9 million was deposited in the General Fund, and \$651 thousand was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2020, \$600.6 million of this liability is reported in the General Fund, because it is the fund to which the property ultimately escheats in Arizona.

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

E. CONSTRUCTION COMMITMENTS

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

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

F. ARIZONA STATE LOTTERY

Winners are offered the option of cash or 30-year annuity for the PICK on-line game and a select number of Scratcher games. The annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody's, Duff & Phelps, or Weiss. Purchases of annuities transfer liabilities for prizes to the insurance company. However, the Lottery may incur liabilities for prizes in the event of a default of an insurance company. Aggregate future payments to prize winners on existing annuities totaled \$50.3 million at June 30, 2020. Approximately \$48.1 million of the total aggregate future payments at June 30, 2020 relate to annuities purchased from five separate insurance companies, of which approximately \$19.1 million relates to a single insurance company.

NOTE 13. TOBACCO SETTLEMENT

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

The State recorded tobacco settlement revenue of \$94.3 million in the fund statements and the government-wide statements in fiscal year 2020. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2020.

NOTE 14. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

NOTE 15. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

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

2. Net Assets

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

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

3. Investments

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

In addition, investments include Universities' endowment funds totaling \$465.5 million managed by the Foundations. These funds are primarily held in pooled endowment funds managed for the Universities under service contracts with the Foundations and invested in the Foundations' investment pools.

4. Income Taxes

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

5. Contributions

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

6. Net Assets Released from Restriction

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

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

7. Deferred Outflows of Resources

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

8. Endowments

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

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

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

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

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

9. Use of Estimates

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

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

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

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

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

b. Custodial Credit Risk - Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. Neither the AFA's WIFA nor the IDGF have a formal policy regarding custodial credit risk for deposits. At December 31, 2019, \$432 thousand was not covered by FDIC for the IDGF.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Neither the AFA's WIFA nor the IDGF have a formal policy regarding custodial credit risk for investments. The IDGF's securities and other investments are held by its custodian.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AFA's WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the AFA's WIFA utilizing the segmented time distribution method as of June 30, 2020 (expressed in thousands):

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

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

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

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

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The AFA's WIFA does not have a formal policy regarding credit risk, but their investments are in accordance with the master bond indenture. The IDGF's investment policy requires that investments shall be limited to those securities or other investments with a rating no lower than BBB- from S & P. The following table presents the AFA's WIFA's and the IDGF's investments, both of which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2020 for the AFA's WIFA and as of December 31, 2019 for the IDGF (expressed in thousands):

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

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The AFA's WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2020, investments in any one issuer that were more than 5% of the AFA's WIFA's total investments are in Federal Home Loan Bank (fair value of \$35.1 million, or 10.2%).

The IDGF's investment policies state that no more than 5% of its investment portfolio or \$5 million, whichever is less, shall be invested with any one issuer, with the exception of the U.S. government, its agencies, or instrumentalities. At December 31, 2019, no investments in any one issuer, other than U.S. Treasury bills, exceeded more than 5% of the IDGF's total investments.

f. Fair Value Measurement

The AFA's WIFA's investments at June 30, 2020 and the IDGF's investments at December 31, 2019, categorized within the fair value hierarchy established by U.S. GAAP, were as follows (expressed in thousands):

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

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

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

2. Universities-Affiliated Component Units

a. Investment Summary

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

<u>Investment Type</u>	<u>Fair Value</u>
Money market funds and cash equivalents	\$ 36,022
Domestic/international equity securities and mutual funds	704,588
Domestic/international fixed income obligations and mutual funds	442,565
Absolute return limited partnerships and funds	273,936
Diversifying strategies	119,935
Real assets	137,161
Private capital limited partnerships	269,575
Other	235,362
Total Investments	<u>\$ 2,219,144</u>

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

b. Investments Classified in Fair Value Hierarchy

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

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

Investments categorized as Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical assets or liabilities which provides the most reliable fair value measurement because it is directly observable to the market. Investments categorized as Level 2 of the fair value hierarchy are valued using other significant observable inputs such as quoted prices for similar securities, interest rates, or credit risk, which are either directly or indirectly observable as of the report date. Investments categorized as Level 3 of the fair value hierarchy are measured using management's best estimate of fair value, where the inputs included in the determination of fair value are not observable and require significant management judgment or estimation. The ASUEP also had liabilities at fair value totaling \$284,665, including \$8,712 in unrealized swap liability valued using level 2 valuation techniques, and \$275,953 in assets held for others valued using level 3 valuation techniques.

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

c. Investments Measured at the NAV

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

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ASUEP - Domestic/international fixed income obligations and mutual funds	\$ 90,916	\$ —	N/A	N/A
ASUEP - Diversifying strategies	105,725	—	N/A	N/A
ASUEP - Real assets	62	—	N/A	N/A
U of A Foundation - Multi-strategy hedge funds	104,772	3,776	Monthly, quarterly	14 - 90 days
U of A Foundation - Equity long-only hedge funds	96,650	—	Monthly, quarterly, semi-annually, triennially	30 - 90 days
U of A Foundation - Equity long/short hedge funds	53,457	—	Quarterly, triennially	45 - 90 days
U of A Foundation - Fixed income hedge funds	32,206	—	Quarterly	45 - 90 days
U of A Foundation - Natural resources limited partnerships	81,542	30,177	N/A	N/A
U of A Foundation - Private capital limited partnerships	132,034	83,157	N/A	N/A
U of A Foundation - Private real estate limited partnerships	41,913	34,477	N/A	N/A
U of A Foundation - Private credit limited partnerships	40,922	16,011	N/A	N/A
U of A Foundation – U.S. fixed income funds	55,867	—	Daily	3 - 5 days
Total	<u>\$ 836,066</u>	<u>\$ 167,598</u>		

C. ENDOWMENTS

1. ASUEP

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

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

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

2. U of A Foundation

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

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

D. PROGRAM LOANS

The AFA's WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2020 were as follows (expressed in thousands):

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

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

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the AFA's WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2020, the debt service reserve was \$2 thousand and \$1.8 million for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

E. PLEDGES RECEIVABLE

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

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

Pledges receivable, as of June 30, 2020, include the following (expressed in thousands):

	<u>ASU Enterprise Partners</u>
Gross pledges receivable	\$ 233,646
Present value discount	(16,769)
Allowance for uncollectible pledges	(51,523)
Net Pledges Receivable	<u>\$ 165,354</u>

F. DIRECT FINANCING LEASE AGREEMENTS

1. ASUEP

The ASUEP leases a portion of the Fulton Center building (the ASUEP's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASUEP and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASUEP's net investment in this direct financing lease at June 30, 2020 is \$19.0 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on December 1, 2017 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009B and 2017 Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009B and 2017 Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. The ACFFC's net investment in the Nanotechnology facility direct financing lease is \$25.3 million at June 30, 2020.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective July 1, 2016 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2016 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 and 2016 Bonds maturity schedules. The ACFFC's net investment in the McAllister (HAV) direct financing lease is \$9.9 million at June 30, 2020.

G. CAPITAL ASSETS

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

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

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

H. LONG-TERM OBLIGATIONS

1. Component Units

a. Summary of Revenue Bonds

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

In December 2014, AFA's WIFA issued \$342.6 million of Water Quality Revenue Refunding Bond Series 2014A for the purpose of advance refunding a portion of the 2006 Water Quality Revenue Bonds, 2008 Water Quality Revenue Bonds, 2009 Water Quality Revenue Bonds, 2010 Water Quality Revenue Bonds, and the 2012 Water Quality Refunding Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount of the defeased bonds still outstanding, as of June 30, 2020, was \$106.8 million.

In January 2018, AFA's WIFA defeased \$46.1 million of Water Quality Revenue Bonds, Series 2010A, 2010R, 2012A, and 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in expenses in the accompanying financial statements. An in-substance defeasance of \$1.1 million is also included in expenses in the accompanying financial statements. The amount of the defeased bonds still outstanding, as of June 30, 2020, was \$41.0 million.

In May 2018, AFA's WIFA defeased \$81.6 million of Water Quality Revenue Bonds, Series 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in the accompanying financial statements. An in-substance defeasance of \$2.3 million is also included in expenses in the accompanying financial statements. The amount of the defeased bonds still outstanding, as of June 30, 2020, was \$81.6 million.

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

The following schedule summarizes AFA's WIFA revenue bonds outstanding at June 30, 2020 (expressed in thousands):

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

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

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
2021	\$ 28,395	\$ 15,770	\$ 44,165
2022	43,105	14,049	57,154
2023	44,250	11,915	56,165
2024	44,955	9,710	54,665
2025	45,105	7,459	52,564
2026-2028	130,820	8,991	139,811
Total	\$ 336,630	\$ 67,894	\$ 404,524

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

b. Summary of Direct Placements

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

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

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

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

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

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

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

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

2. Universities-Affiliated Component Units

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

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

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

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

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

I. TAX ABATEMENTS

The Rio Nuevo receives tax increment financing from state sales tax revenue that can be used to enter into tax rebate agreements with local developers for the purpose of attracting or retaining businesses and new development within the Rio Nuevo District. These tax rebate agreements meet the GASB definition of tax abatements. Rebates reduce the Rio Nuevo recorded state sales tax revenue. As of June 30, 2020, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

Project	Tax rebates generated by project during Fiscal Year 2020	Cumulative tax rebates generated by project as of June 30, 2020	Project Rebate Cap
AC Marriott and adjacent retail properties	\$ 222	\$ 1,616	\$ 7,750
Congress Street Block (98 – 130 E. Congress)	30	30	10,600
Hilton Hotel at Cathedral Square	167	167	6,850
Total	\$ 419	\$ 1,813	\$ 25,200

J. CONDUIT DEBT

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

Although bonds are issued in the name of the AFA's AIDA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. The AFA's AIDA bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the state and are not enforceable against the State. At June 30, 2020, the outstanding face value of all bonds of the AFA's AIDA was \$6.7 billion.

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

In previous years, the State appropriated a total of \$20.0 million to the AFA's GADA for the express purpose of securing bonds. Although issued in the name of the AFA's GADA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to A.R.S. § 41-2259, the bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net position of \$12.0 million in the Pledged Collateral Reserve Fund. At June 30, 2020, the total outstanding face value of all bonds issued by the AFA's GADA was \$10.4 million.

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

K. NONEXCHANGE FINANCIAL GUARANTEES

In accordance with the A.R.S. Title 15, Chapter 16, Article 11, the APSCE has guaranteed outstanding bond obligations of achievement district schools within the State in the amount of \$233.6 million at June 30, 2020. The program leverage ratio will not exceed a ratio of 3.5:1 as a result of the approval of the guaranteed financing being considered. The guarantees extend through the maturity dates of the bonds with the last maturity dates ranging from 2047 to 2054.

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

L. INSURANCE LOSSES

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

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

The following table presents the changes in claims liabilities balances (short and long-term combined) during the year ended December 31, 2019 (expressed in thousands):

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

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

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

M. ACCOUNTING CHANGES

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

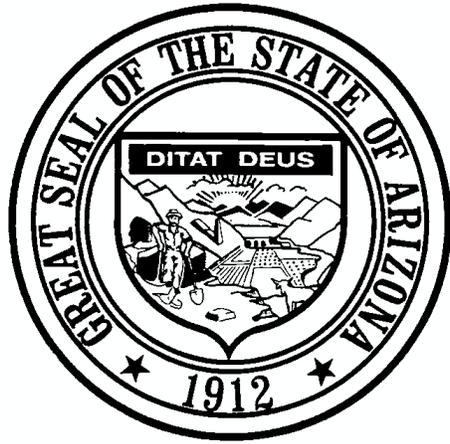
	<u>Component Units</u>
Net Position, as previously reported	\$ 848,041
Prior period adjustment	2,857
Change in reporting entity	2,972
Change in fiscal year end	1,974
Net Position, as restated	<u>\$ 855,844</u>

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

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

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

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



REQUIRED
SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT AFIS COLLECTIONS	\$ —	\$ 493,538	\$ 493,538
ADMIN ADJUSTMENT ENHANCING STATEWIDE DATA SECURITY	—	52,456	52,456
ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE	—	6,338	6,338
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	813,555	813,555
ADMIN ADJUSTMENT UTILITIES	—	470,959	470,959
AFIS COLLECTIONS	9,447,700	9,418,700	8,585,431
BUILDING RENEWAL COSF	23,763,782	23,763,782	10,691,065
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	53,699,500	53,699,500	53,699,500
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	24,009,800	24,009,800	24,009,800
DEMOLITION OF 1275 W WASHINGTON	664,647	664,647	664,647
FEASIBILITY STUDY BUSINESS ONE-STOP WEB PORTAL AZ DEPT ADMIN	1,000,000	1,000,000	1,000,000
FEASIBILITY STUDY REPLACE/UPGRADE IT SYS AZ DEPT AGRICULTURE	200,000	200,000	150,000
GOVERNMENT TRANSFORMATION OFFICE	2,000,000	2,008,300	1,530,715
IMPLEMENT E-LICENSING PROJECTS AT DEQ	2,583,000	2,583,000	2,583,000
IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS	4,557,200	4,557,200	3,456,200
IT PROJECTS AZ MEDICAL BOARD	300,000	300,000	300,000
JESSE HAYES ROAD BRIDGE	2,810,000	2,810,000	2,810,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES - 30K-40K	500,000	500,000	500,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES < 900K POPULATION	7,150,650	7,150,650	7,150,650
MARIPOSA PORT OF ENTRY COLD INSPECTION FACILITY	700,000	700,000	700,000
MICROWAVE BACKBONE STATEWIDE COM SYSTEM DPS	1,105,200	1,105,200	404,000
OPERATING LUMP SUM APPROPRIATION	23,198,600	23,581,500	22,213,273
PROJECTS RELATED TO EGOVERNMENT	187,147	187,147	187,147
PUBLIC SAFETY REGIONAL COMMUNICATIONS	271,000	271,000	271,000
RELIEF	—	13,703	12,829
RELOCATE STATE DATA CENTER	2,362,931	2,362,931	2,356,611
RENOVATE STATE BUILDINGS	9,353,307	9,353,307	1,408,672
REPLACE E-PROCUREMENT SYSTEM	638,218	638,218	638,218
REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION	3,000,000	3,000,000	1,136,000
RETIREMENT OF LEASE-PURCHASE AGREEMENT 2010 6TH SS CH4 SEC 2	—	190,000,000	189,545,000
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	25,000
STATE ROUTE 24 BRIDGE	6,500,000	6,500,000	6,500,000
SUPPLEMENT UNFUNDED LIABILITY PURSUANT TO SECTION 38-810	3,000,000	3,000,000	3,000,000
TRAFFIC INTERCHANGES INTERSTATE 40 KINGMAN	20,000,000	20,000,000	—
UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY	410,000	410,000	—
UPDATE THE HUMAN RESOURCE INFORMATION SYSTEM	800,180	800,180	216,468
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	15,100,000	15,100,000	13,500,000
UTILITIES	7,649,900	7,649,900	4,772,791
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	—
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	868,900	889,800	889,800
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT AG CONSULTING AND TRAINING PARI-MUTUEL	—	205	205
ADMIN ADJUSTMENT ANIMAL DAMAGE CONTROL	—	17,813	17,813
ADMIN ADJUSTMENT OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	240	240
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	113,257	113,257
AG CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	127,005
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
ANIMAL DAMAGE CONTROL	65,000	65,000	64,996

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COORDINATED HUNGER	1,754,600	1,754,600	1,467,085
COUNTY PARTICIPATION	8,740,200	8,740,200	4,215,056
DDD ARIZONA EARLY INTERVENTION PROGRAM	6,319,000	6,319,000	2,359,262
DDD OPERATING LUMP SUM	136,040,900	131,138,700	62,268,923
DDD PREMIUM TAX PAYMENT	46,288,700	51,388,700	51,309,151
DDD PROVIDERS FLAGSTAFF SUPPLEMENTAL	500,000	500,000	—
DDD TARGETED CASE MANAGEMENT-MEDICAID	13,922,400	13,957,000	11,517,753
DES OPERATING LUMP SUM	155,645,000	157,836,400	136,006,420
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,552,182
FAMILY CAREGIVER	1,000,000	1,000,000	1,000,000
FOOD BANK FUNDING STORAGE	950,000	950,000	429,389
HOME AND COMMUNITY SERVICES - STATE ONLY	13,589,000	13,589,000	10,794,373
HOME AND COMMUNITY BASED SVC-TITLE XIX	1,781,066,600	1,781,110,200	1,655,358,124
INDEPENDENT LIVING REHABILITATION SVCS	166,000	166,000	45,843
INSTITUTIONAL SERVICES-TITLE XIX	64,929,500	64,997,800	47,172,741
JOBS	9,894,700	9,894,700	8,702,957
LOAN FOR REIMBURSEMENT GRANTS	—	25,000,000	—
MEDICAL CLAWBACK	4,517,800	4,517,800	4,517,800
PHYSICAL AND BEHAVIORAL HEALTH SERVICES-MEDICAID	468,958,900	468,983,900	438,125,575
REHABILITATION SERVICES	6,594,400	6,594,400	3,626,071
SNAP ARIZONA FARMERS MARKET	320,033	320,033	303,541
STATE FUNDED LONG-TERM CARE SERVICES	35,151,600	35,151,600	34,610,957
TANF CASH BENEFITS	22,736,400	22,736,400	20,619,831
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
WORKFORCE INVESTMENT ACT SERVICES	53,654,600	68,154,600	56,333,795
EDUCATION, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	8,306	8,306
OPERATING LUMP SUM	1,146,300	1,158,900	1,037,931
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	9,422,500	9,422,500	9,422,500
ADDITIONAL FUNDING	—	50,000,000	50,000,000
ADDITIONAL STATE AID TO SCHOOLS	426,944,900	426,944,900	426,944,900
ADMIN ADJUSTMENT BASIC STATE AID ENTITLEMENT	—	6,718,814	6,718,814
ADMIN ADJUSTMENT COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM	—	9,833	9,833
ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS	—	86,646	86,646
ADMIN ADJUSTMENT TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	—	100	100
ADULT EDUCATION	4,502,100	4,502,100	4,502,100
ALTERNATIVE TEACHER DEVELOPMENT PROGRAM	500,000	500,000	500,000
AMERICAN CIVICS EDUCATION PILOT PROGRAM	—	500,000	30
ARIZONA STRUCTURED ENGLISH IMMERSION	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	—	930,727,700	930,727,700
BASIC STATE AID ENTITLEMENT	3,423,257,600	3,419,766,601	3,418,454,423
BASIC STATE AID TEACHER SALARY INCREASES	—	164,700,000	164,700,000
COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM	5,000,000	5,000,000	5,000,000
COMPUTER SCIENCE PILOT PROGRAM	1,000,000	1,000,000	1,000,000
CTED COMPLETION GRANTS	1,000,000	1,000,000	—
CTED SOFT CAPITAL AND EQUIPMENT	1,000,000	1,000,000	1,000,000
EARLY LITERACY	12,000,000	12,000,000	12,000,000
ED LEARNING AND ACCOUNTABILITY SYSTEM	5,300,000	5,300,200	5,300,200
ENGLISH LEARNER ADMINISTRATION	6,509,500	6,509,600	6,509,600
GEOGRAPHIC LITERACY	100,000	100,000	100,000

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
HOUSING, ARIZONA DEPARTMENT OF			
CONSTRUCTING OR RENOVATING FACILITIES AND HOUSING ASSISTANCE	3,500,000	3,500,000	3,500,000
HOUSING DEPOSIT TRUST FUND	11,500,000	11,500,000	11,500,000
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING LUMP SUM APPROPRIATION	23,959	23,959	—
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,746	1,746
OPERATING LUMP SUM APPROPRIATION	60,900	62,900	59,667
INSURANCE, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	50,594	50,594
OPERATING LUMP SUM APPROPRIATION	5,628,400	5,663,200	4,908,219
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION	6,693,228	6,697,628	2,315,252
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,114,140	1,114,140
OPERATING LUMP SUM APPROPRIATION	35,848,900	38,788,200	27,063,044
LAND DEPARTMENT, STATE			
ADMIN ADJUSTMENT DUE DILIGENCE FUND	—	1,200	1,200
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	39,073	39,073
CAP USER FEES	1,315,200	1,796,300	1,796,256
DUE DILIGENCE FUND	500,000	500,000	135,468
NATURAL RESOURCE CONSERVATION DISTRICTS	389,400	389,400	386,155
OPERATING LUMP SUM APPROPRIATION	9,680,500	9,729,700	9,452,915
STREAMBED NAVIGABILITY LITIGATION	220,000	220,000	20,000
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE	996,481	998,081	886,448
OPERATING LUMP SUM APPROPRIATION	19,349,065	19,357,465	5,431,834
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	13,000	13,000
OPERATING LUMP SUM APPROPRIATION	3,267,300	3,373,800	3,280,931
MEDICAL EXAMINERS BOARD			
IT PROJECTS AZ MEDICAL BOARD	300,000	300,000	300,000
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	194,700	194,700	171,673
ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT	—	2,020	2,020
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	3,550	3,550
OPERATING LUMP SUM APPROPRIATION	1,061,100	1,074,600	907,399
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	307	307
OPERATING LUMP SUM APPROPRIATION	127,400	129,000	120,735
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	500,000	500,000
NAU - YUMA	3,071,400	3,071,400	3,071,400
ONE TIME FUNDING	6,650,000	6,650,000	6,650,000
OPERATING LUMP SUM APPROPRIATION	89,899,300	89,900,900	89,900,900
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	—	5,899,500	5,899,500
TEACHER TRAINING	2,291,700	2,291,800	2,291,800
PARKS BOARD, ARIZONA STATE			
ADMIN ADJUSTMENT KARTCHNER CAVERNS STATE PARK	—	170,437	170,437
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,174,216	1,174,216

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

(Continued)

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

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ARIZONA TRAIL	250,000	250,000	74,579
KARTCHNER CAVERNS STATE PARK	2,245,700	2,296,700	2,199,264
OPERATING LUMP SUM APPROPRIATION	13,217,800	13,584,599	13,176,702
ORACLE STATE PARK CAPITAL IMPROVEMENTS	4,000,000	4,000,000	75,500
SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	2,468,571	2,468,571	1,407,106
SPRF BUCKSKIN MOUNTAIN STATE PARK CAPITAL IMPROVEMENTS	1,500,000	1,500,000	77,322
SPRF ROCKIN' RIVER RANCH CAPITAL DEVELOPMENT	3,524,606	3,524,606	74,957
TONTO NATURAL BRIDGE STATE PARK	1,250,000	1,250,000	1,250,000
POSTSECONDARY EDUCATION, COMMISSION FOR			
ARIZONA TEACHER STUDENT LOAN PROGRAM	426,000	426,000	426,000
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP	1,220,800	1,220,800	1,220,800
OPERATING LUMP SUM APPROPRIATION	34,100	34,100	33,178
PUBLIC SAFETY, DEPARTMENT OF			
ACTIC	750,000	750,000	653,289
ADMIN ADJUSTMENT ACTIC	—	32,044	32,044
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING	—	168,910	168,910
ADMIN ADJUSTMENT GIITEM	—	37,806	37,806
ADMIN ADJUSTMENT GIITEM PERSONNEL	—	158,108	158,108
ADMIN ADJUSTMENT GIITEM SUBACCOUNT	—	105,580	105,580
BORDER STRIKE TASK FORCE LOCAL SUPPORT	761,700	761,700	260,034
BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS	500,000	500,000	264,412
BORDER STRIKE TASK FORCE ONGOING	7,102,500	7,683,000	5,547,420
CIVIL AIR PATROL	150,000	150,000	75,000
GIITEM	12,053,900	12,903,300	9,415,150
GIITEM FUND APPROPRIATION	1,534,107	1,534,107	925,954
GIITEM IMPACT APPROPRIATION	151,764	151,764	127,600
GIITEM PERSONNEL	10,356,900	11,172,600	8,157,187
GIITEM SUBACCOUNT	2,395,800	2,396,100	1,161,897
HIGHWAY PATROL VEHICLES	4,000,000	4,000,000	4,000,000
IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS	2,301,000	2,301,000	—
MOTOR VEHICLE FUEL	4,384,200	4,384,200	3,337,972
OPERATING LUMP SUM APPROPRIATION	30,621,800	49,987,400	49,955,660
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	—	52,500	52,500
PUBLIC SAFETY INTEROPERABILITY FUND DEPOSIT	1,500,000	1,500,000	1,500,000
UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY	410,000	410,000	—
REAL ESTATE DEPARTMENT, STATE			
OPERATING LUMP SUM APPROPRIATION	2,911,700	2,909,500	2,467,710
REGENTS, ARIZONA BOARD OF			
ADAPTIVE ATHLETICS	160,000	160,000	160,000
ARIZONA TEACHER ACADEMY	15,000,000	15,000,000	15,000,000
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
OPERATING LUMP SUM APPROPRIATION	2,363,400	2,403,000	2,402,933
WASHINGTON, D.C. INTERNSHIPS	300,000	300,000	300,000
WESTERN INTERSTATE COMMISSION OFFICE	153,000	156,000	156,000
WICHE STUDENT SUBSIDIES	4,078,000	4,075,000	4,075,000
REVENUE, DEPARTMENT OF			
ADMIN ADJUSTMENT BRITS OPERATIONAL SUPPORT	—	32,311	32,311
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,378,985	1,378,985
ADMIN ADJUSTMENT UNCLAIMED PROPERTY ADMINISTRATION-AUDIT	—	756	756
BRITS OPERATIONAL SUPPORT	7,546,500	7,560,300	6,853,775
INCOME TAX FRAUD PREVENTION	3,150,000	3,150,000	3,126,047

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Dollars)

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

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

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2020

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2019 that affect available appropriations during fiscal year 2020. The final budget represents any appropriation bills passed during fiscal year 2020 for fiscal year 2020 plus the original budget. Appropriation bills passed after the end of fiscal year 2020 for fiscal year 2020 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

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	\$ 25,679,929	\$ 570,767
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2019 to fiscal year end 2020.	75,252	21,376
Increase in unpaid payroll expenditures from fiscal year end 2019 to fiscal year end 2020. For budgetary reporting, final June 2019 payroll expenditures were charged to fiscal year 2020 budget and final June 2020 payroll expenditures were charged to fiscal year 2021 budget.	15,410	—
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,625,188	—
Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	753,061	—
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2020.	2,300,481	2,807,580
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,031,983)</u>	<u>(314,255)</u>
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 29,417,338</u>	<u>\$ 3,085,468</u>

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting (OSPB), unless an extension is granted for up to an additional 30 days by the OSPB Director. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require Joint Legislative Budget Committee review, however, prior to transfers between certain line items.

During the fiscal year, \$3.4 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$13.7 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next fiscal year for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature may provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature.

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

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), as amended, the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,822 center lane miles (21,532 travel lane miles) of roads and 4,900 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2020 and beyond was adopted by the Transportation Board on June 16, 2017.

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

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

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

Roads

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

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

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

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

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

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State’s highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2020, an overall rating of 3.54 was achieved, as shown in the following graph:

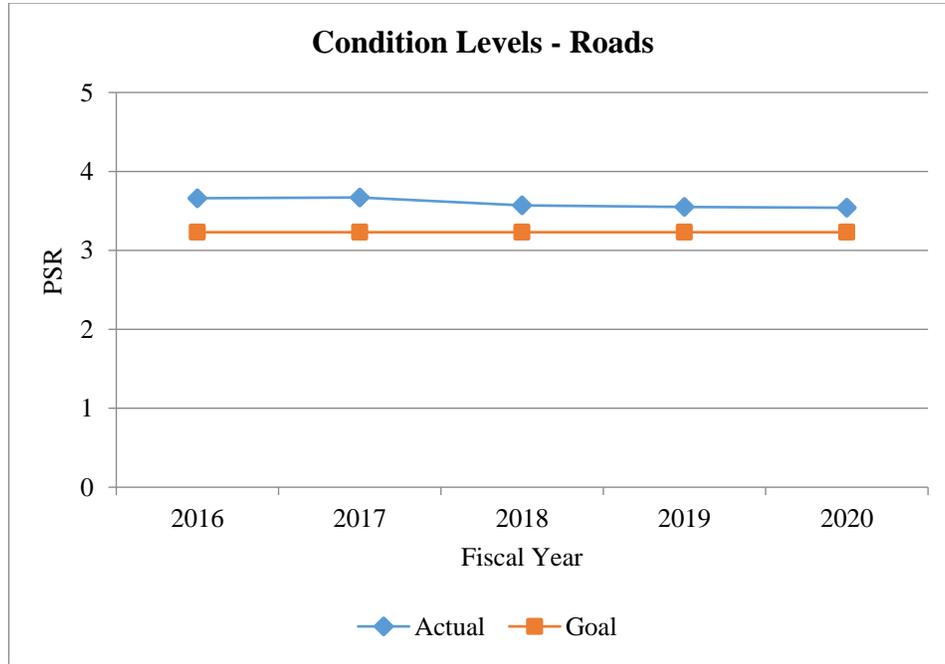


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT's PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2016 through 2020 were as follows:

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

Bridges

The State’s bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2020, the State owned and maintained 4,900 bridges with an approximate total deck area of 42,745,510 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the AASHTO’s Bridge Management System (BMS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, BMS is used for reporting bridge inventory and condition, on an annual basis, to the Federal Highway Administration (FHWA).

Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA’s “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.”

In 2015, the FHWA issued new rules which have had the effect of replacing the CRI as the summary statistic for bridge condition. Instead, the various states are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held

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

against states that do not comply with this standard. Management of the bridge inventory is a major function of the State’s Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. In fiscal year 2020, 0.9% of bridges maintained by the State were classified as Poor.

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost-effective transportation system. Figure 2 indicates that approximately 73% of the bridges in the State were constructed in 1980 and prior while only 27% have been constructed after 1980.

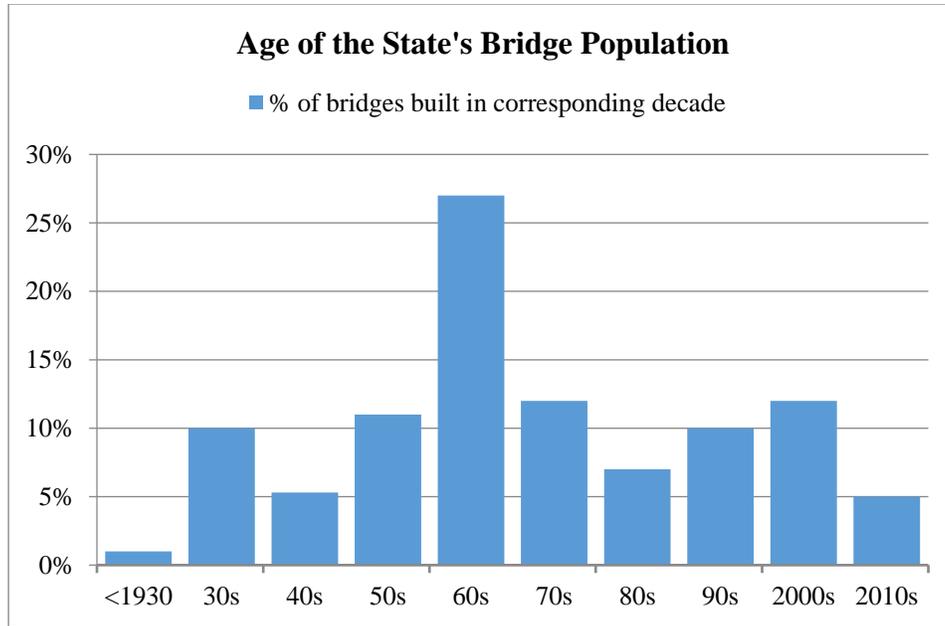


Figure 2

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2016 through 2020 were as follows:

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

(This page intentionally left blank)

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
 FOR THE LAST SIX FISCAL YEARS (1)
 JUNE 30, 2020
 (Expressed in Thousands)

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

**2015
(2014)**

21.36%

\$ 3,160,809

\$ 1,939,038

163.01%

69.49%

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST SIX FISCAL YEARS (1)
JUNE 30, 2020
(Expressed in Thousands)

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,
AS A NONEMPLOYER CONTRIBUTING ENTITY
ELECTED OFFICIALS' RETIREMENT PLAN
FOR THE LAST SIX FISCAL YEARS (1)
JUNE 30, 2020
(Expressed in Thousands)

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

**2015
(2014)**

18.16%

\$ 121,797

\$ 12,604

966.34%

31.91%

**Reporting Fiscal Year
(measurement date)**

**2015
(2014)**

19.20%

\$ 128,776

31.91%

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

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

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

\$	31,458
	7,587
	46,223
	(69,497)
	(372)
	393
	15,792
	345,462
\$	361,254
\$	653,668

	35.59%
\$	63,334
	1,032.10%

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

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

Reporting Fiscal Year (measurement date)	
2015 (2014)	
\$	48,061
	92,486
	21,354
	(3,818)
	125,557
	<u>(83,365)</u>
	200,275
	<u>1,195,822</u>
\$	<u><u>1,396,097</u></u>

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

\$ 620,092

55.58%

\$ 326,819

189.74%

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

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

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

Fiscal Year	
2014	
\$	206,040
	206,040
\$	—
\$	1,939,038
	10.63%

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

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

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) The State appropriated \$5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

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

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

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution (2)	\$ 3,883	\$ 4,125	\$ 4,115	\$ 4,171	\$ 4,078	\$ 4,066
State's contributions in relation to the statutorily required contribution (2)	3,883	4,125	4,115	4,171	4,078	4,066
State's contribution deficiency (excess)	<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	
2014	
\$	3,870
	3,870
\$	—
\$	12,604
	30.70%

Fiscal Year	
2014	
\$	4,092
	4,092
\$	—

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

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

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) State contributions reflect adjustments for employer-paid member contributions. Each year there is an immaterial difference between the estimated amount of employer-paid member contributions and the amount recognized by PSPRS. Fiscal year 2017 was restated using the employer contributions PSPRS recognized.

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
CORP DEPARTMENT OF CORRECTIONS, REHABILITATION & REENTRY
FOR THE LAST SEVEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

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

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

Fiscal Year	
2014	
\$	31,458
	31,458
\$	—
\$	63,334
	49.67%

Fiscal Year	
2014	
\$	40,166
	40,166
\$	—
\$	326,819
	12.29%

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

A. ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	PSPRS (Tiers 1 & 2) members and CORP members: Level percent-of-pay, closed PSPRS (Tier 3) members: Level dollar, closed
Remaining amortization period, as of the 2018 actuarial valuation	PSPRS (Tiers 1 & 2) members and CORP members: 18 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 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 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

B. FACTORS THAT AFFECT TRENDS

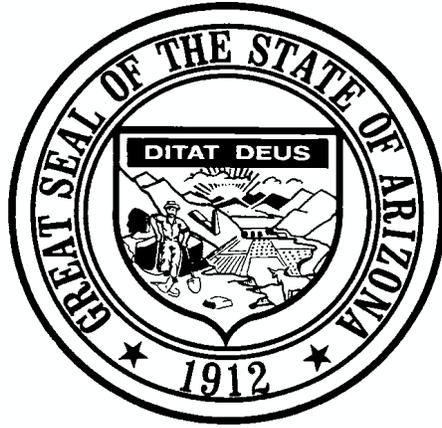
Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS, CORP, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS and CORP required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes increased the PSPRS and CORP required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date. EORP required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

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

	Reporting Fiscal Year (measurement date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 81,670	\$ 62,281	\$ 87,252
Interest on the total OPEB liability	36,500	32,074	32,182
Changes of benefit terms	—	—	(83,199)
Differences between expected and actual experience in the measurement of the OPEB liability	36,896	—	(30,663)
Changes of assumptions or other inputs	268,793	(39,410)	(273,577)
Benefit payments	(28,100)	(26,183)	(28,848)
Net changes	395,759	28,762	(296,853)
Total OPEB liability - beginning	875,525	846,763	1,143,616
Total OPEB liability - ending (2)	\$ 1,271,284	\$ 875,525	\$ 846,763
Covered-employee payroll	\$ 3,571,920	\$ 3,270,734	\$ 3,184,746
Total OPEB liability as a percentage of covered-employee payroll	35.59%	26.77%	26.59%

(1) The State implemented GASB 75 in fiscal year 2018. Therefore, ten years of data is not available, but will be accumulated over time.

(2) There are no dedicated assets at this time to offset the total OPEB liability.



COMBINING FINANCIAL
STATEMENTS AND
SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

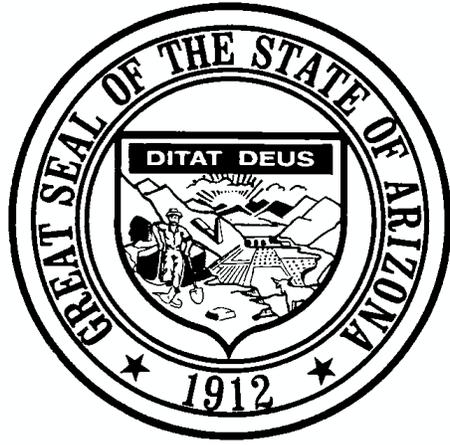
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

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

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

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

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



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public.

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ECONOMIC SECURITY, DEPARTMENT OF		
ADMIN ADJUSTMENT ADULT SERVICES	1,171,000	1,171,000
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	3,724	3,724
ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM	1,900,000	1,900,000
ADMIN ADJUSTMENT DDD COST EFFECTIVENESS STUDY	849,281	849,281
ADMIN ADJUSTMENT DDD PROGRAM EXPENSES SUPPLEMENTAL	1,000,000	1,000,000
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	560,545	560,545
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	621,058	621,058
ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY	119,948	119,948
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SVCS	48,904	48,904
ADMIN ADJUSTMENT JOBS	846,550	846,550
ADMIN ADJUSTMENT REHABILITATION SERVICES	250,672	250,672
ATTORNEY GENERAL LEGAL SERVICES	97,900	2,836
DDD COST EFFECTIVENESS STUDY	1,220,000	—
DES OPERATING LUMP SUM	2,954,500	2,442,238
DOMESTIC VIOLENCE PREVENTION	4,100,000	2,563,549
INDEPENDENT LIVING REHABILITATION SVCS	1,123,400	998,458
JOBS	1,110,900	—
REHABILITATION SERVICES	654,700	380,656
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY - SCH SAFETY PROP 301	11,903,773	1,900,108
ACHIEVEMENT TESTING - PROP 301	13,587,580	4,384,305
ADDITIONAL SCHOOL DAYS – PROP 301	86,280,500	86,280,500
ADULT EDUCATION	132,300	—
BASIC STATE AID ENTITLEMENT	86,280,500	—
CHARACTER EDUCATION - PROP 301	332,644	82,600
CLASSROOM SITE FUND	602,511,600	—
FAILING SCHOOL TUTORING - PROP 301	3,087,007	465,454
INSTRUCTIONAL IMPROVEMENT FUND	45,000,000	—
OPERATING LUMP SUM APPROPRIATION - ADMIN	4,401,500	130,759
SCHOOL SAFETY PROGRAM	7,800,000	—
TEACHER CERTIFICATION	2,208,900	1,862,810
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMIN ADJUSTMENT EMISSIONS CONTROL - CONTRACTOR PAYMENTS	512,422	512,422
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	489,626	489,626
ADMIN ADJUSTMENT SAFE DRINKING WATER PROGRAM	46,252	46,252
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	22,619,500	22,618,473
NOGALES WASH AND INTERNATIONAL OUTFALL INTERCEPTOR PROJECT	2,569,300	2,569,300
OPERATING LUMP SUM APPROPRIATION	30,580,100	23,094,213
SAFE DRINKING WATER PROGRAM	1,812,000	1,661,834
SWEEPS	1,193,911	1,193,911
WQARF TRANSFERS	8,552,000	8,552,000
FINANCIAL INSTITUTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	4,037,200	3,678,295
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	21,185	21,185
DOCUMENT DIGITIZATION COSTS	75,000	2,002
OPERATING LUMP SUM APPROPRIATION	388,400	361,215
RETIREMENT PAYOUT	11,300	—
GAME AND FISH DEPARTMENT, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	266,137	266,137
ADMIN ADJUSTMENT WATERCRAFT GRANT PROGRAM	109,640	109,640
BUILDING RENEWAL	1,616,778	1,234,878

(Continued)

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

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

(Continued)

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

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
NRC ED CENTERS	30,000	28,224
LEGISLATIVE COUNCIL		
TELECOMMUNICATION FUND FOR THE DEAF	250,000	—
MASSAGE THERAPY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	19,948	19,948
OPERATING LUMP SUM APPROPRIATION	471,600	465,857
MEDICAL EXAMINERS BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	155,817	155,817
MEDICAL BOARD LICENSURE COMPACT	50,000	—
OPERATING LUMP SUM APPROPRIATION	6,871,300	6,532,326
PERFORMANCE BASED INCENTIVE PROGRAM	165,600	159,042
SWEEPS	300,000	300,000
MINE INSPECTOR, STATE		
ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION	680	680
AGGREGATE MINED LAND RECLAMATION	112,900	22,854
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	4,599	4,599
OPERATING LUMP SUM APPROPRIATION	193,400	154,317
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	76,109	76,109
OPERATING LUMP SUM APPROPRIATION	200,000	47,227
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	5,527	5,527
OPERATING LUMP SUM APPROPRIATION	455,000	427,961
NURSING, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	25,889	25,889
CERTIFIED NURSING PROGRAM	538,400	499,363
OPERATING LUMP SUM APPROPRIATION	4,232,600	4,130,995
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	7,843	7,843
OPERATING LUMP SUM APPROPRIATION	199,000	173,774
OPTICIANS, STATE BOARD OF DISPENSING		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,117	2,117
OPERATING LUMP SUM APPROPRIATION	155,900	140,020
OPTOMETRY, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,610	3,610
OPERATING LUMP SUM APPROPRIATION	240,700	224,992
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	20,127	20,127
OPERATING LUMP SUM APPROPRIATION	1,012,300	930,322
PARENTS COMMISSION ON DRUG EDUCATION AND PREVENTION, ARIZONA		
PARENTS COMM ON MIDDLE AND HIGH SCHOOL PREVENTION EDUCATION	300,000	—
PARKS BOARD, ARIZONA STATE		
GREAT WESTERN TRAIL	692,100	—
SLIF BUCKSKIN MARINE FIRE EQUIPMENT	225,000	225,000
PHARMACY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	22,396	22,396
AZ POISON AND DRUG INFORMATION CENTER	200,000	200,000
CONTROLLED SUB PRESCRIP MONITORING PROGRAM	500,000	500,000
ONE TIME FUNDING LEAVE PAYOUT	26,685	—
OPERATING LUMP SUM APPROPRIATION	2,615,300	2,427,502
PRESCRIBER REPORT CARD	50,000	50,000

(Continued)

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

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

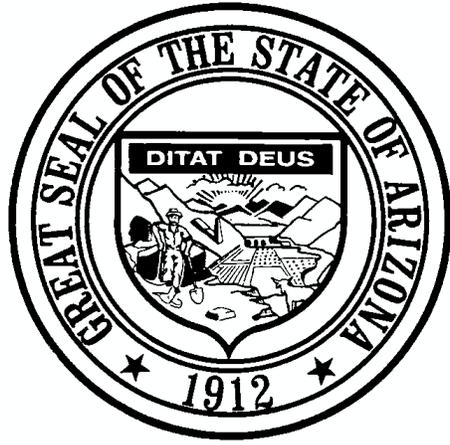
(Continued)

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

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CENTRALIZED SERVICE PAYMENTS	449,900	77,747
COMMUNITY PUNISHMENT	2,310,300	1,148,173
COURT APPOINTED SPECIAL ADVOCATE	3,520,700	3,444,546
COURTHOUSE SECURITY	750,000	738,238
INTERSTATE COMPACT	92,800	85,720
JUVENILE CRIME REDUCTION	3,312,800	1,251,747
JUVENILE STANDARD PROBATION	150,000	—
OPERATING LUMP SUM	348,100	242,320
OPERATING LUMP SUM APPROPRIATION	3,143,200	2,383,895
STATE AID	5,670,600	3,912,095
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	129,508	129,508
OPERATING LUMP SUM APPROPRIATION	2,199,500	1,861,971
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	—
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	20,573	20,573
OPERATING LUMP SUM APPROPRIATION	600,000	452,641
WATER RESOURCES, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,428	3,428
ASSURED - ADEQUATE WATER SUPPLY ADMIN	268,600	266,730
LOWER COLORADO RIVER LITIGATION EXPENSES	1,280,845	133,151
OPERATING LUMP SUM APPROPRIATION	1,675,900	1,283,618
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	2,170,034,470	1,275,012,728
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.	(743,292,100)	—
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	\$ 1,426,742,370	\$ 1,275,012,728

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

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF		
CAPITOL MALL AIR HANDLER UNITS	\$ 1,000,000	\$ 155,110
CAPITOL MALL ELEVATOR REPLACEMENT	4,100,000	1,438,863
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	28,797	28,797
INMATE HEALTH CARE CONTRACTED SERVICES	1,500,000	1,500,000
OPERATING LUMP SUM APPROPRIATION	1,879,600	1,586,542
PRIVATE PRISON PER DIEM	2,062,500	2,062,500
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	761,421	761,421
ADMIN ADJUSTMENT PRESCHOOL-OUTREACH PROGRAMS	206,276	206,276
PHOENIX DAY SCHOOL FOR THE DEAF	5,766,748	5,704,663
PRESCHOOL-OUTREACH PROGRAMS	2,882,339	2,626,690
TUCSON CAMPUS	4,772,613	4,735,340
EDUCATION, DEPARTMENT OF		
ADMIN ADJUSTMENT BASIC STATE AID SUPPLEMENTAL APPROPRIATION	6,833,400	6,833,400
BASIC STATE AID ENTITLEMENT	290,489,100	290,489,100
GENERAL ACCOUNTING OFFICE		
COUNTY SHERIFF REENTRY PLANNING	500,000	500,000
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	282	282
ARIZONA STATE HOSPITAL - OPERATING	650,000	575,069
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	100,424	100,424
OPERATING LUMP SUM APPROPRIATION	4,012,400	2,491,238
LAND DEPARTMENT, STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	145,834	145,834
FIRE SUPPRESSION	800,000	800,000
OPERATING LUMP SUM APPROPRIATION	6,481,700	5,719,342
PIONEERS' HOME, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	129,892	129,892
ADMIN ADJUSTMENT PRESCRIPTION DRUGS	11,984	11,984
CAPITAL IMPROVEMENTS	414,000	414,000
OPERATING LUMP SUM APPROPRIATION	6,452,200	6,401,692
PRESCRIPTION DRUGS	122,000	115,071
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	\$ 342,103,510	\$ 335,533,530



NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS

The Lottery Fund administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board.

The Department of Administration Debt Instrument Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previous issuances.

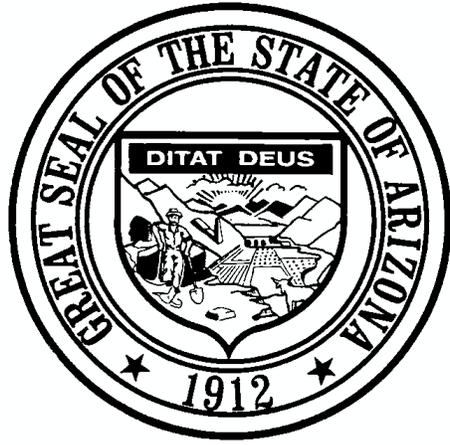
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds and certificates of participation issued by the State of Arizona's School Facilities Board and the retirement of previous issuances.

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

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

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

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



NON-MAJOR GOVERNMENTAL FUND CAPITAL PROJECTS FUND

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board. These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUND
JUNE 30, 2020
(Expressed in Thousands)

DEPARTMENT OF
TRANSPORTATION
FINANCED

ASSETS

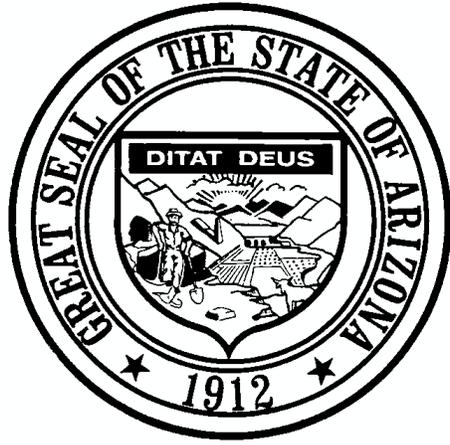
Restricted assets:		
Cash and pooled investments with State Treasurer	\$	11,218
Total Assets	\$	11,218

LIABILITIES AND FUND BALANCES

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

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

	DEPARTMENT OF TRANSPORTATION FINANCED
REVENUES	
Earnings on investments	\$ 546
Total Revenues	<u>546</u>
EXPENDITURES	
Current:	
Transportation	32,170
Capital outlay	16,389
Total Expenditures	<u>48,559</u>
(Deficiency) of Revenues	
Over Expenditures	<u>(48,013)</u>
Net Change in Fund Balances	(48,013)
Fund Balances - Beginning	<u>54,358</u>
Fund Balances - Ending	<u>\$ 6,345</u>



NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Lottery Fund accounts for the revenues received from the sale of lottery tickets, the receipt of license fees, prize payments, operational expenses, including consulting, promotional, and advertising expenses, and transfers of monies to other state funds.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections, Rehabilitation & Reentry) and political subdivisions.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Industrial Commission Special Fund accounts for the payment of workers' compensation claims that are not covered by the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund, and the Tonto Natural Bridge Publications and Souvenirs Revolving Fund.

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

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

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

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

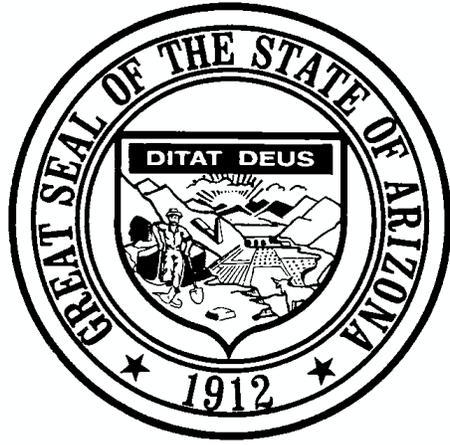
	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
OPERATING REVENUES				
Sales and charges for services	\$ 1,097,448	\$ 46,303	\$ 14,891	\$ —
Settlement income	—	—	—	14,644
Other	310	—	208	—
Total Operating Revenues	<u>1,097,758</u>	<u>46,303</u>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

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

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

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

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



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Health Insurance Trust Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Automation Operations Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Accumulated Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

The Other Internal Service Funds consist of the Personnel Division Funds, the Information Technology Fund, the Special Services Fund, the Surplus Property Funds, the Legal Services Cost Allocation Fund, the Stimulus Statewide Administration Funds, and the Construction Insurance Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2020
(Expressed in Thousands)

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

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

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

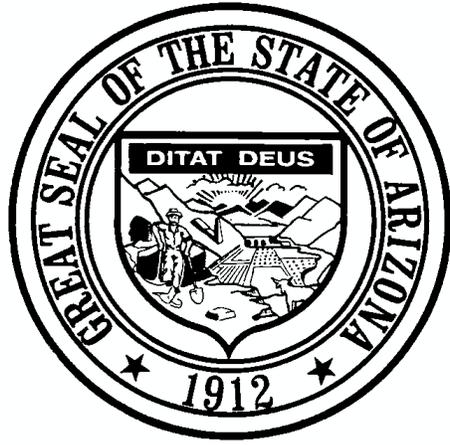
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	\$ 107,835	\$ 25,549	\$ 842,299	\$ 1,898
Other	—	—	8	—
Total Operating Revenues	<u>107,835</u>	<u>25,549</u>	<u>842,307</u>	<u>1,898</u>
OPERATING EXPENSES				
Cost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

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

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

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

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



PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections, Rehabilitation & Reentry and Department of Juvenile Corrections.

- **The Administrative Office of the Courts Probation Officers (AOC)** is a cost-sharing, multiple- employer pension plan within CORP that benefits county probation officers.

Other Employee Benefit Trust Funds account for health insurance premium subsidies paid by the ASRS, PSPRS, EORP, CORP, and AOC, as well as long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The ASRS Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The ASRS Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

The PSPRS Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The EORP Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The CORP Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The AOC Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2020
(Expressed in Thousands)

PENSION TRUST FUNDS

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

OTHER EMPLOYEE BENEFIT TRUST FUNDS

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

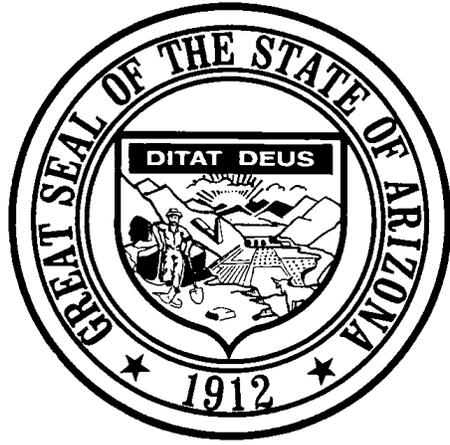
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

PENSION TRUST FUNDS

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

OTHER EMPLOYEE BENEFIT TRUST FUNDS

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



INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt, money market mutual funds, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool - FF&C is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Local Government Investment Pool - Medium-Term is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool - Medium-Term FF&C is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

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

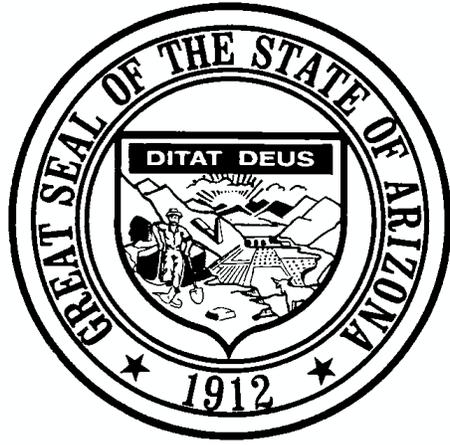
	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM
ASSETS				
Cash and pooled investments with State Treasurer	\$ —	\$ —	\$ (450)	\$ 1,233
Receivables, net of allowances:				
Accrued interest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

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

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

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

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



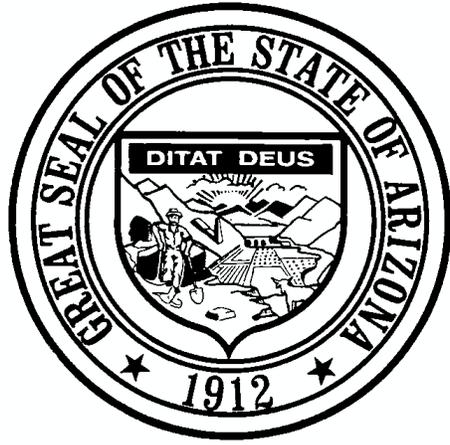
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.



STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2020
 (Expressed in Thousands)

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

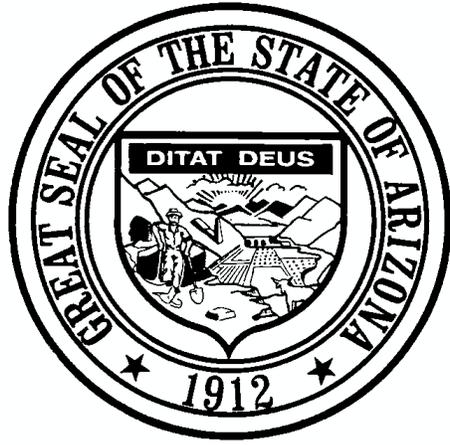
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Expressed in Thousands)

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

(Continued)

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

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



NON-MAJOR COMPONENT UNITS

Component units are legally separate entities for which the State is considered to be financially accountable. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Arizona Power Authority purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws.

The Rio Nuevo Multipurpose Facilities District (Rio Nuevo) utilizes tax incremental financing to help develop multipurpose facilities in the downtown Tucson area.

The Arizona Public School Credit Enhancement program assists achievement district schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financings issued by or on behalf of achievement district schools.

The Arizona Commerce Authority is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State's economic development objectives.

The Insurance Department Guaranty Funds pay for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts.

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

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

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

(Continued)

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

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

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

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

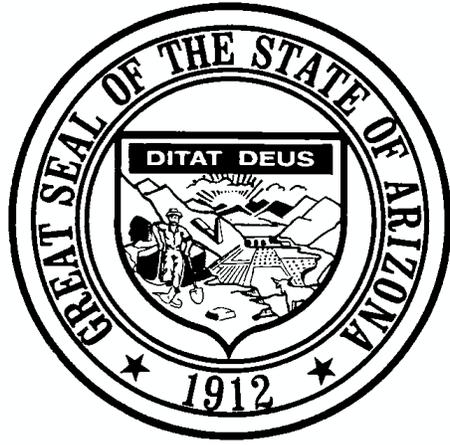
	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<u>FUNCTIONS/PROGRAMS</u>			
Arizona Power Authority	\$ 22,226	\$ 22,014	\$ —
Rio Nuevo	17,499	3,286	—
Arizona Public School Credit Enhancement	—	402	—
Arizona Commerce Authority	32,086	2,102	4,332
Insurance Department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

General Revenues:

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

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



NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS

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

The Northern Arizona University Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission.

Sun Angel Foundation receives funds primarily through donations, and contributes funds to the ASU in support of various athletic programs.

Arizona State University Research Park, Inc. manages a research park to promote and support research activities in coordination with the ASU.

The Arizona State University Alumni Association receives funds primarily through donations, dues, and affinity partners, which are used to promote the welfare of the ASU and its alumni.

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

The University of Arizona Law College Association (Law Association) was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

The University of Arizona Eller Executive Education was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2020

(Expressed in Thousands)

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

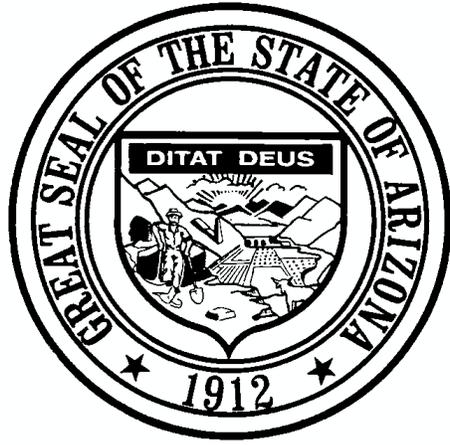
ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 7,925	\$ 665	\$ 7,414	\$ 773	\$ 91	\$ 31,536
—	222	—	10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

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

(Expressed in Thousands)

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

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



STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends - Schedules 1 through 4 contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity - Schedules 5 through 9 contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity - Schedules 10 through 21 present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information - Schedules 22 and 23 offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

Operating Information - Schedules 24 through 26 contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

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

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

- (1) This schedule reports using the accrual basis of accounting.
- (2) Fiscal year 2012 unrestricted net position was restated as a result of GASB Statement No. 61 in which Northern Arizona Capital Facilities Corporation was reclassified from a discrete non-major university component unit to a blended university component unit.
- (3) Fiscal year 2012 restricted net position was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Fiscal year 2013 unrestricted net position for the Universities was restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (5) Fiscal year 2014 net investment in capital assets was restated due to a correction of an error related to the private prisons' capital leases.
- (6) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB Statement No. 68.
- (7) Fiscal year 2014 restricted net position was restated due to the fund reclassification of the Insurance Department Guaranty Fund (IDGF).
- (8) Fiscal year 2015 net investment in capital assets and unrestricted net position was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (9) Fiscal year 2015 net investment in capital assets and unrestricted net position for the Universities was restated due to the implementation of GASB Statement No. 72.
- (10) Fiscal year 2016 unrestricted net position for the Universities was restated due to the reclassification of Thunderbird School of Global Management from a discrete non-major university component unit to a blended university component unit.
- (11) Fiscal year 2017 unrestricted net position has been restated due to the implementation of GASB Statement No. 75.
- (12) Fiscal year 2017 restricted net position has been restated due to correction of error of intergovernmental revenue for the General Fund.
- (13) Fiscal year 2017 restricted net position has been restated due to correction of error of accrued insurance losses for the IDGF.
- (14) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (15) Fiscal year 2018 unrestricted net position has been restated due to correction of error of investment earnings for the Land Endowments Fund.
- (16) Fiscal year 2019 restricted and unrestricted net position has been restated due to reclassification of the IDGF from a non-major enterprise fund to a non-major component unit.
- (17) Fiscal year 2019 restricted net position has been restated due to change in allocation of a joint escrow bank account from the Other non-major enterprise fund to the Industrial Commission Special Fund and the IDGF.
- (18) Fiscal year 2019 unrestricted net position has been restated due to change from amortizing ADOT's bond premiums on a straight-line basis to the effective interest method.

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

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

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

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

(Continued)

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

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

- (1) This schedule reports using the accrual basis of accounting.
- (2) For fiscal year 2013, Unemployment Compensation and Lottery changed from major to non-major funds.
In fiscal year 2020, the Unemployment Compensation became a major fund again.
- (3) Fiscal year 2012 miscellaneous general revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Fiscal year 2013 expenses for the Universities were restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (5) For fiscal year 2015, Health and Welfare expenses continue to climb as a result of enrollment increases.
- (6) For fiscal year 2015, Industrial Commission Special Fund changed from a major to a non-major fund.
- (7) Historical data has not been restated for footnote items (5) - (13) and (16) - (18) in Schedule 1.
- (8) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (9) Fiscal year 2018 operating grants and contributions has been restated due to correction of error for the Land Endowments Fund.

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

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

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

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

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

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

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

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

(Continued)

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

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

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Fiscal year 2012 other revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
- (3) Historical data has not been restated for footnote items (4) - (5) in Schedule 3.
- (4) Fiscal year 2017 intergovernmental revenue was restated due to correction of error for the General Fund.
- (5) Fiscal year 2018 earnings on investments has been restated due to correction of error for the Land Endowments Fund.

Fiscal Year

2015 (3)	2014	2013	2012, as restated	2011
\$ 856,446	\$ 904,261	\$ 782,420	\$ 821,072	\$ 862,040
(1,392,301)	(1,397,332)	(1,256,408)	(1,323,778)	(1,574,406)
259	900	1,636	1,815	3,712
1,025	113,914	15,158	8,166	4,583
783	29,130	51,550	9,541	11,113
—	—	194,295	259,460	180,000
—	—	—	—	150,110
—	—	—	—	158,585
754,285	—	837,340	455,900	—
—	305,675	62,630	—	—
—	—	—	43,825	—
(900,813)	—	(954,372)	(560,228)	—
—	(310,059)	(42,096)	—	—
—	—	—	—	—
149,554	6,770	136,210	90,753	42,291
(530,762)	(346,741)	(171,637)	(193,474)	(161,972)
<u>\$ 244,622</u>	<u>\$ 270,243</u>	<u>\$ 1,444,517</u>	<u>\$ 1,148,538</u>	<u>\$ 698,937</u>
3.00%	3.20%	3.10%	3.10%	3.00%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
CLASSIFICATION (5)						
Transporting (2)	\$ 34,563	\$ 31,542	\$ 31,022	\$ 39,944	\$ 56,139	\$ 57,588
Mining, oil and gas	187,408	164,066	154,510	140,648	154,947	111,808
Mining severance	508,177	690,060	982,475	735,086	607,840	994,478
Utilities	9,814,962	10,315,450	10,337,793	9,920,286	10,031,989	9,856,234
Communications	1,771,025	1,917,973	2,067,005	2,000,877	2,306,786	2,565,400
Private car and pipelines	32,944	33,457	30,131	22,117	2,577	6,498
Publishing	35,343	56,071	84,595	87,179	105,270	106,357
Job printing	164,660	241,963	219,210	237,887	236,324	259,672
Restaurants and bars	14,471,700	15,232,888	14,347,556	13,571,567	12,715,254	12,053,486
Amusements	1,303,261	1,482,455	1,445,107	1,323,661	1,342,700	1,252,514
Commercial lease (3)	—	—	(4)	50	2	6
Personal property rentals	4,893,667	4,762,330	4,276,040	3,947,160	3,689,976	3,453,882
Contracting	15,817,234	13,610,523	11,801,258	10,252,613	9,601,228	10,653,405
Retail	74,712,427	71,664,595	67,429,685	63,922,406	61,614,309	58,463,542
Remote seller/marketplace facilitator (8)	3,485,993	—	—	—	—	—
MRRA amount (7)	218,938	177,361	167,434	155,624	160,125	26,816
Hotel/motel	2,805,265	3,646,904	3,342,980	3,058,663	2,819,143	2,675,510
Online lodging marketplace (9)	355,669	—	—	—	—	—
Rental occupancy tax (6)	—	(1)	—	—	(503)	—
Use tax	7,744,065	7,316,160	6,590,501	6,069,074	5,703,365	5,659,094
Use tax-utilities	1,642	945	2,512	34,764	38,945	48,070
Membership camping (6)	—	—	—	—	—	—
Total	\$ 138,358,943	\$ 131,344,742	\$ 123,309,810	\$ 115,519,606	\$ 111,186,416	\$ 108,244,360
Direct sales tax rate (4)	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

- (1) Net taxable sales are based upon tax receipts.
- (2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."
- (3) Commercial lease rate dropped to 0% effective July 1, 1997.
- (4) A significant portion of the revenue base was subject to a sales tax rate of 6.6% for fiscal years 2011 through 2013 and 5.6% for fiscal years 2014 through 2020. For fiscal years 2011 through 2020, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2011 through 2017, the jet fuel and jet fuel use tax was \$.0305 per gallon. As of fiscal year 2018, jet fuel and jet fuel tax amount per gallon were no longer being reported by the Arizona Department of Revenue as the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund. The hotel/motel tax rate was 6.5% for fiscal years 2011 through 2013 and 5.5% for fiscal years 2014 through 2020. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate by one percentage point beginning June 1, 2010 and ending May 31, 2013, which is reflected in this table.
- (5) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.
- (6) Effective November 1, 2006, membership camping and rental occupancy were repealed.
- (7) MRRA - Maintenance, Repair, Replacement or Alteration projects.
- (8) Remote seller/marketplace facilitator tax was effective October 1, 2019.
- (9) Prior to fiscal year 2020, this category was combined with Hotel/motel.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2020 and prior.

Fiscal Year

	2014	2013	2012	2011
\$	54,981	\$ 41,324	\$ 52,137	\$ 41,555
	116,678	115,775	105,614	96,514
	1,047,580	1,193,176	1,623,111	1,609,451
	9,923,490	9,900,238	9,474,521	9,394,361
	2,965,233	3,061,730	3,190,962	2,853,538
	5,616	6,250	1,186	1,908
	101,751	84,673	92,505	98,343
	321,225	235,349	252,603	266,564
	11,085,652	10,544,419	9,996,825	9,311,826
	1,096,945	1,051,581	1,037,059	994,092
	2	2	1	2
	3,355,048	3,254,822	3,257,588	3,056,386
	11,269,503	10,092,876	9,543,335	8,983,261
	55,257,510	51,276,108	48,178,714	45,898,838
	—	—	—	—
	—	—	—	—
	2,334,373	2,221,059	2,156,864	2,039,283
	—	—	—	—
	—	—	(3)	43
	4,749,508	5,186,464	5,302,844	4,610,921
	62,511	10,283	10,022	10,040
	—	—	—	1
\$	<u>103,747,606</u>	<u>\$ 98,276,129</u>	<u>\$ 94,275,888</u>	<u>\$ 89,266,927</u>
	5.60%	6.60%	6.60%	6.60%

(This page intentionally left blank)

STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

<u>CLASSIFICATION</u>	Fiscal Year 2020		Fiscal Year 2011	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
Transporting	\$ 1,728	0.02%	\$ 2,078	0.04%
Non-metal mining, oil and gas	5,857	0.08	3,016	0.06
Mining severance	12,704	0.16	40,236	0.81
Timbering severance – Ponderosa (1)	—	—	1	—
Utilities	490,748	6.35	469,718	9.48
Communications	88,551	1.15	142,631	2.88
Private car and pipelines	1,647	0.02	95	—
Publishing	1,767	0.02	4,917	0.10
Job Printing	8,233	0.11	13,328	0.27
Restaurants and bars	723,585	9.37	465,596	9.40
Amusements	65,163	0.84	49,705	1.00
Personal property rentals	244,683	3.17	152,828	3.08
Contracting	790,862	10.24	449,166	9.06
Retail	3,735,621	48.34	2,295,067	46.31
Remote seller/marketplace facilitator (5)	174,300	2.26	—	—
MRRA amount (3)	10,947	0.14	—	—
Hotel/motel	154,290	2.00	112,161	2.26
Online lodging marketplace	19,562	0.25	—	—
Rental occupancy tax (1)	—	—	1	—
Use tax utilities	82	—	502	0.01
Use tax	384,264	4.97	229,251	4.63
License fees	467	0.01	5,797	0.12
Jet fuel tax (4)	—	—	5,176	0.10
Jet fuel use tax (4)	—	—	320	0.01
Non sufficient funds	425	0.01	—	—
Telecommunications service assistance	—	—	(175)	—
Mandatory EFT fees	2,243	0.03	—	—
Education tax (2)	808,452	10.46	514,346	10.38
Total	\$ 7,726,181	100.00%	\$ 4,955,761	100.00%

(1) Effective November 1, 2006 these rates were repealed.

(2) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are non-metal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification; rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.

(3) MRRA - Maintenance, Repair, Replacement or Alteration projects.

(4) Effective August 1, 2017, the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund.

(5) The remote seller/marketplace facilitator revenue is for a partial year, with the tax beginning on October 1, 2019.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2020 and 2011.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY (3)
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

CLASSIFICATION	Calendar Year Ended December 31					
	2019	2018	2017	2016	2015	2014
Farm earnings	\$ 1,529,196	\$ 1,481,185	\$ 1,416,127	\$ 1,509,289	\$ 1,413,111	\$ 1,060,100
Forestry and fishing	547,537	545,498	540,210	529,522	506,621	450,122
Mining	2,020,965	2,018,774	1,614,526	1,381,503	1,464,407	1,567,360
Utilities	2,060,487	2,005,316	1,883,855	1,819,826	1,667,979	1,659,154
Construction	15,135,306	13,748,351	12,228,316	10,710,781	9,882,558	9,419,581
Manufacturing	17,595,014	16,341,355	15,181,966	14,603,929	14,305,185	13,808,974
Wholesale trade	10,422,984	10,174,648	9,672,278	9,152,443	8,896,260	8,547,894
Retail trade	15,283,175	14,702,259	14,251,712	13,690,300	13,485,864	13,146,907
Transportation and warehousing	8,095,692	7,496,273	6,718,929	6,380,321	6,026,083	5,559,475
Information	5,732,623	5,423,202	4,677,611	4,611,385	4,351,625	4,132,456
Finance and insurance	18,479,782	17,171,277	15,959,912	14,421,379	13,195,100	12,133,895
Real estate, rental, and leasing	6,540,083	6,171,663	5,563,489	5,761,582	5,198,817	4,487,239
Professional and technical services	18,339,102	17,314,274	16,008,552	15,085,697	14,530,837	13,841,425
Managing companies/enterprises	3,574,073	3,227,365	3,549,935	3,306,844	3,232,425	3,187,130
Administrative and waste services	14,149,676	13,542,586	12,741,778	11,877,770	11,547,195	10,978,476
Educational services	3,499,901	3,393,576	3,356,003	3,301,966	3,203,401	3,115,225
Health care and social assistance	28,433,116	26,938,501	25,335,169	23,890,834	22,552,364	21,447,106
Arts, entertainment, and recreation	3,021,539	2,894,834	2,816,552	2,618,164	2,376,549	2,400,656
Accommodation and food services	9,415,514	9,055,243	8,350,894	7,623,452	7,178,313	6,560,676
Other services, except public administration	7,966,062	7,566,799	7,213,987	6,975,538	6,763,970	6,570,188
Government and government enterprises	35,297,625	33,930,709	32,666,654	31,459,503	30,876,106	29,853,609
Other (1)	108,103,652	104,082,645	98,258,997	92,487,236	88,603,228	83,482,799
Total	\$ 335,243,104	\$ 319,226,333	\$ 300,007,452	\$ 283,199,264	\$ 271,257,998	\$ 257,410,447
Average effective rate (2)	1.35%	1.57%	1.52%	1.46%	1.46%	1.46%

- (1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.
(2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
(3) Personal income estimates for years 2013 through 2018 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.

Calendar Year Ended December 31

	2013	2012	2011	2010
\$	1,287,943	\$ 879,963	\$ 1,164,879	\$ 669,030
	410,413	413,431	402,679	396,628
	1,535,771	1,502,892	1,280,116	1,078,519
	1,575,092	1,529,337	1,573,611	1,511,977
	8,936,081	8,118,792	8,108,091	8,016,693
	13,491,102	13,380,267	12,460,753	12,068,384
	8,379,655	8,559,568	7,991,859	7,659,150
	12,141,782	12,146,323	11,656,655	11,072,563
	5,144,768	5,131,165	4,878,063	4,571,147
	3,618,183	3,127,135	2,942,316	2,947,558
	11,729,712	10,810,316	9,956,813	9,602,994
	3,978,669	2,554,638	1,983,914	1,613,131
	13,297,525	12,960,670	12,551,489	11,780,747
	2,936,240	2,609,040	2,338,045	2,256,188
	10,355,952	9,563,967	9,145,822	8,835,016
	2,949,383	2,998,261	2,775,797	2,617,427
	20,769,650	20,196,102	19,644,652	18,869,260
	2,112,394	1,878,111	1,491,117	1,418,812
	6,521,538	6,217,391	5,749,296	5,451,478
	6,080,178	6,005,102	5,503,582	5,240,526
	29,595,243	28,887,169	28,692,183	28,598,016
	76,008,753	77,376,454	74,073,570	69,248,397
\$	<u>242,856,027</u>	<u>\$ 236,846,094</u>	<u>\$ 226,365,302</u>	<u>\$ 215,523,641</u>
	1.43%	1.44%	1.37%	1.33%

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

Calendar Year Ended December 31

	2019	2018	2017	2016	2015
<u>AVERAGE EFFECTIVE RATE (3)</u>					
Personal Income Tax Revenue (1)	\$ 4,531,546	\$ 5,010,333	\$ 4,545,242	\$ 4,131,621	\$ 3,968,883
Personal Income (2)	335,243,104	319,226,333	300,007,452	283,199,264	271,257,998
Average Effective Rate (3)	1.35%	1.57%	1.52%	1.46%	1.46%
<u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u>					
\$0 - \$26.5	2.59%	2.59-2.88%	2.59-2.88%	2.59-2.88%	2.59-2.88%
\$26.5 - \$53	3.34%	3.36%	3.36%	3.36%	3.36%
\$53 - \$159	4.17%	4.24%	4.24%	4.24%	4.24%
\$159 and over	4.50%	4.54%	4.54%	4.54%	4.54%

- (1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
- (2) Personal income is reported on a calendar basis. Years 2010 through 2017 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
- (3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house. Taxable income ranges fluctuate annually; the amounts listed are for the latest calendar year.

Source: Arizona Department of Revenue Annual Reports/Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2017 AND 2010 (1)
(Expressed in Thousands, Except Number of Filers)

Taxable Year Ended December 31, 2017

	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u>				
\$50 and under	1,970,444	63.71%	\$ 517,072	11.36%
\$50 - \$100	647,800	20.94%	848,611	18.65%
\$100 - \$500	452,386	14.63%	1,935,061	42.52%
\$500 and over	22,326	0.72%	1,250,404	27.47%
Total	3,092,956	100.00%	\$ 4,551,148	100.00%

- (1) The taxable year 2017 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.
- (2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2017, filed from January 2018 forward (or 2010, filed from January 2011 forward).
- (3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports.

Calendar Year Ended December 31

	2014		2013		2012		2011		2010
\$	3,761,764	\$	3,463,266	\$	3,398,902	\$	3,099,177	\$	2,870,565
	257,410,447		242,856,027		236,846,094		226,365,302		215,523,641
	1.46%		1.43%		1.44%		1.37%		1.33%
	2.59-2.88%		2.59-2.88%		2.59-2.88%		2.59-2.88%		2.59-2.88%
	3.36%		3.36%		3.36%		3.36%		3.36%
	4.24%		4.24%		4.24%		4.24%		4.24%
	4.54%		4.54%		4.54%		4.54%		4.54%

Taxable Year Ended December 31, 2010

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,788,020	68.48%	\$ 415,673	15.01%
533,078	20.42%	666,956	24.09%
278,846	10.68%	1,091,740	39.44%
10,957	0.42%	594,208	21.46%
2,610,901	100.00%	\$ 2,768,577	100.00%

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year				
	2020	2019	2018	2017	2016
GOVERNMENTAL ACTIVITIES:					
Revenue bonds	\$ 2,100,710	\$ 2,366,595	\$ 2,371,765	\$ 2,640,330	\$ 2,899,875
Grant anticipation notes	204,220	223,885	177,420	129,475	147,320
Certificates of participation	958,270	1,393,865	1,585,995	1,804,395	1,891,460
Capital leases (3)	136,745	152,153	189,581	215,084	334,909
Direct placement	4,010	—	—	—	—
Installment purchase contracts	—	—	—	—	176
Notes payable	—	—	—	22,179	22,179
Premiums and discounts on debt	452,932	444,111	453,713	516,456	492,349
Deferred amount on refundings (2)	—	—	—	—	—
Total Governmental Activities	3,856,887	4,580,609	4,778,474	5,327,919	5,788,268
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	3,243,430	3,296,480	3,109,245	3,010,525	2,701,665
Certificates of participation	307,510	451,831	502,636	557,506	600,556
Capital leases	117,336	124,952	131,134	134,399	141,117
Direct placement	239,605	—	—	—	—
Installment purchase contracts	42	62	769	1,460	2,114
Notes payable	13,542	13,999	—	—	—
Premiums and discounts on debt	410,283	361,083	342,647	325,412	268,474
Deferred amount on refundings (2)	—	—	—	—	—
Total Business-type Activities	4,331,748	4,248,407	4,086,431	4,029,302	3,713,926
Total Primary Government	\$ 8,188,635	\$ 8,829,016	\$ 8,864,905	\$ 9,357,221	\$ 9,502,194
Debt as a Percentage of					
Personal Income (1)	2.4%	2.8%	3.0%	3.3%	3.5%
Amount of Debt per Capita (1)	\$ 1,125	\$ 1,233	\$ 1,259	\$ 1,348	\$ 1,391

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (1) See Schedule 22 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2020 contains data for the calendar year ending December 31, 2019.
- (2) Implementation of GASB Statement No. 65 in fiscal year 2014 required the amortization of deferred amount on refundings to be reported as deferred outflow of resources.
- (3) For fiscal year 2014, capital leases related to private prisons were restated due to a correction of an error.

Fiscal Year					
2015	2014, as restated	2013	2012	2011	
\$ 3,141,190	\$ 3,406,195	\$ 3,606,720	\$ 3,593,420	\$ 3,529,115	
194,670	247,710	296,240	335,230	392,495	
2,030,805	2,200,675	2,360,595	2,495,825	2,611,255	
408,784	423,513	360,316	391,184	400,540	
—	—	—	—	—	
349	—	—	177	245	
22,179	89,865	105,817	55,666	59,891	
492,048	427,865	474,747	396,465	342,602	
—	—	(19,945)	(813)	(1,221)	
<u>6,290,025</u>	<u>6,795,823</u>	<u>7,184,490</u>	<u>7,267,154</u>	<u>7,334,922</u>	
2,675,430	2,302,035	2,237,710	1,942,755	1,742,125	
637,986	676,345	714,735	756,980	812,706	
168,960	132,957	135,519	163,637	167,841	
—	—	—	—	—	
2,805	4,098	5,758	8,397	10,511	
—	—	—	12,643	292	
231,178	130,315	123,051	87,993	41,393	
—	—	(46,096)	(33,391)	(20,875)	
<u>3,716,359</u>	<u>3,245,750</u>	<u>3,170,677</u>	<u>2,939,014</u>	<u>2,753,993</u>	
<u>\$ 10,006,384</u>	<u>\$ 10,041,573</u>	<u>\$ 10,355,167</u>	<u>\$ 10,206,168</u>	<u>\$ 10,088,915</u>	
3.9%	4.1%	4.4%	4.5%	4.7%	
\$ 1,487	\$ 1,514	\$ 1,580	\$ 1,577	\$ 1,575	

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2020	\$ 2,967,391	\$ 237,391	\$ 136,500	\$ 100,891	4.60%
2019	2,680,000	214,400	120,600	93,800	4.50
2018	2,520,000	201,600	113,400	88,200	4.50
2017	2,311,364	184,909	101,700	83,209	4.40
2016	2,152,083	172,167	103,300	68,867	4.80
2015	2,044,231	163,538	106,300	57,238	5.20
2014	1,844,828	147,586	107,000	40,586	5.80
2013	1,710,909	136,873	94,100	42,773	5.50
2012	1,612,000	128,960	80,600	48,360	5.00
2011	1,606,250	128,500	77,100	51,400	4.80

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2020	\$ 2,273,469	\$ 181,878	\$ 111,400	\$ 70,478	4.90%
2019	2,146,000	171,680	107,300	64,380	5.00
2018	2,034,000	162,720	101,700	61,020	5.00
2017	1,954,000	156,320	97,700	58,620	5.00
2016	1,902,083	152,167	91,300	60,867	4.80
2015	1,856,098	148,488	76,100	72,388	4.10
2014	1,739,216	139,137	88,700	50,437	5.10
2013	1,683,019	134,642	89,200	45,442	5.30
2012	1,611,765	128,941	82,200	46,741	5.10
2011	1,556,364	124,509	85,600	38,909	5.50

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2020	\$ 619,565	\$ 49,565	\$ 28,500	\$ 21,065	4.60%
2019	586,000	46,880	29,300	17,580	5.00
2018	591,304	47,304	27,200	20,104	4.60
2017	572,340	45,787	26,900	18,887	4.70
2016	534,694	42,776	26,200	16,576	4.90
2015	514,673	41,174	22,800	18,374	4.43
2014	485,265	38,821	24,700	14,121	5.09
2013	453,039	36,243	24,600	11,643	5.43
2012	427,586	34,207	24,800	9,407	5.80
2011	405,109	32,409	22,200	10,209	5.48

- (1) For fiscal years 2011 through 2020, projections are based upon the University's fiscal years 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, and 2022-2024 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year	(1) (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ 682,308	\$ 87,150	\$ 55,529	\$ 142,679	4.78
2019	656,751	78,670	65,562	144,232	4.55
2018	624,919	76,125	68,104	144,229	4.33
2017	610,998	74,855	68,419	143,274	4.26
2016	589,476	70,195	74,248	144,443	4.08
2015	566,352	61,660	75,937	137,597	4.12
2014	537,768	58,485	80,495	138,980	3.87
2013	512,971	60,540	78,198	138,738	3.70
2012	392,648	67,885	71,113	138,998	2.82
2011	504,175	71,770	83,960	155,730	3.24

- (1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.
- (2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2011 is net of \$45 million distribution to the State General Fund.

STATE OF ARIZONA

SCHEDULE 15

PLEDGED-REVENUE COVERAGE**ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ 326,546	\$ 107,950	\$ 35,763	\$ 143,713	2.27
2019	311,188	104,685	39,031	143,716	2.17
2018	290,949	68,270	31,411	99,681	2.92
2017	274,553	67,495	33,257	100,752	2.73
2016	262,971	65,585	38,001	103,586	2.54
2015	254,871	70,940	32,652	103,592	2.46
2014	243,786	58,600	44,988	103,588	2.35
2013	227,800	55,870	47,721	103,591	2.20
2012	216,281	55,460	48,129	103,589	2.09
2011	206,545	45,970	42,496	88,466	2.33

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA

SCHEDULE 16

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ 808,452	\$ 62,865	\$ 1,260	\$ 64,125	12.61
2019	760,874	61,775	2,345	64,120	11.87
2018	712,904	60,955	3,248	64,203	11.10
2017	670,788	60,290	3,923	64,213	10.45
2016	645,012	59,800	4,417	64,217	10.04
2015	626,401	57,920	6,274	64,194	9.76
2014	601,854	46,720	9,575	56,295	10.69
2013	567,824	43,680	13,487	57,167	9.93
2012	542,395	41,405	22,804	64,209	8.45
2011	514,346	39,215	25,088	64,303	8.00

(1) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.

(2) Principal does not include sinking fund deposits of \$1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018 that will be sufficient to retire bonds with a par amount of \$20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA

SCHEDULE 17

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS (2)**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ —	\$ —	\$ —	\$ —	—
2019	—	—	—	—	—
2018	63,929	22,190	1,110	23,300	2.74
2017	72,263	21,130	2,166	23,296	3.10
2016	43,506	20,180	3,115	23,295	1.87
2015	53,241	19,380	3,911	23,291	2.29
2014	57,345	19,275	4,971	24,246	2.37
2013	49,645	18,315	5,933	24,248	2.05
2012	39,155	17,400	6,846	24,246	1.61
2011	42,191	16,535	7,714	24,249	1.74

(1) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed \$72,263. Expendable trust revenues in excess of \$72,263 must be deposited in the Classroom Site Fund.

(2) The School Facilities Board State School Trust Revenue Bonds were paid off in fiscal year 2018.

STATE OF ARIZONA

SCHEDULE 18

PLEDGED-REVENUE COVERAGE**LOTTERY REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2020

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ 217,237	\$ 24,210	\$ 10,302	\$ 34,512	6.29
2019	225,981	22,050	15,453	37,503	6.03
2018	207,505	21,025	16,476	37,501	5.53
2017	193,255	20,065	17,437	37,502	5.15
2016	200,769	19,205	18,297	37,502	5.35
2015	172,108	18,305	19,194	37,499	4.59
2014	174,374	17,445	20,055	37,500	4.65
2013	174,373	16,790	20,710	37,500	4.65
2012	96,200	—	20,709	20,709	4.65
2011	96,200	—	21,630	21,630	4.45

(1) Pledged revenues consist of lottery revenue deposited to the Lottery Fund net of operating expenses of the lottery.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service				Coverage
		Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	
2020	\$ 1,899,631	\$ 47,815	\$ 72,081	\$ 2,735	\$ 122,631	15.49
2019	1,781,282	43,940	67,070	1,525	112,535	15.83
2018	1,647,622	36,065	59,178	1,901	97,144	16.96
2017	1,555,687	30,185	57,740	2,472	90,397	17.21
2016	1,450,651	40,155	47,148	2,991	90,294	16.07
2015	1,300,624	45,650	50,246	3,393	99,289	13.10
2014	1,161,306	44,770	43,623	3,507	91,900	12.64
2013	1,047,661	33,965	41,477	3,631	79,073	13.25
2012	977,828	31,215	39,560	3,612	74,387	13.15
2011	876,770	28,595	35,051	3,791	67,437	13.00

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2020	\$ 1,875,602	\$ 1,745,107	\$ 130,495	\$ 39,360	\$ 57,227	\$ 96,587	1.35
2019	1,837,801	1,670,427	167,374	34,925	57,305	92,230	1.81
2018	1,752,904	1,618,246	134,658	34,725	51,893	86,618	1.55
2017	1,721,399	1,490,565	230,834	33,080	49,394	82,474	2.80
2016	1,684,171	1,451,735	232,436	25,205	45,534	70,739	3.29
2015	1,567,859	1,374,458	193,401	21,575	37,732	59,307	3.26
2014	1,400,095	1,261,247	138,848	22,600	38,250	60,850	2.28
2013	1,356,478	1,199,559	156,919	21,895	34,556	56,451	2.78
2012	1,226,227	1,126,649	99,578	17,375	31,480	48,855	2.04
2011	1,215,062	1,056,408	158,654	24,720	28,571	53,291	2.98

(1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds only since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Fiscal Year	(1), (2), (3) Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2020	\$ 354,613	\$ 15,685	\$ 17,811	\$ 33,496	10.59
2019	363,737	14,510	22,197	36,707	9.91
2018	355,778	12,175	22,677	34,852	10.21
2017	345,708	11,790	22,831	34,621	9.99
2016	323,986	6,500	23,149	29,649	10.93
2015	303,860	6,500	20,310	26,810	11.33
2014	283,468	6,615	17,305	23,920	11.85
2013	263,733	6,610	15,474	22,084	11.94
2012	246,098	5,835	15,028	20,863	11.80
2011	220,538	24,310	14,712	39,022	5.65

- (1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.
(2) Fiscal year 2011 includes debt defeasance of \$18.7 million.
(3) Fiscal year 2013 gross revenue was revised by NAU in fiscal year 2014.

STATE OF ARIZONA
SCHEDULE 22
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate
2019	7,278,717	\$ 335,243,104	\$ 46,058	4.2
2018	7,158,024	319,226,333	44,597	4.7
2017	7,044,008	300,007,452	42,590	4.5
2016	6,941,072	283,199,264	40,801	4.8
2015	6,829,676	271,257,998	39,718	5.4
2014	6,730,413	257,410,447	38,246	6.1
2013	6,632,764	242,856,027	36,615	7.0
2012	6,554,978	236,846,094	36,132	7.7
2011	6,472,643	226,365,302	34,973	8.5
2010	6,407,172	215,523,641	33,638	9.6

- (1) These are midyear population estimates of the U.S. Bureau of the Census.
(2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.
(3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Office of Employment and Population Statistics at Arizona Department of Administration (for unemployment rate).

(This page intentionally left blank)

STATE OF ARIZONA
SCHEDULE 23
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2019 (1)			Calendar Year Ended December 31, 2010		
	Full-Time Count of Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
Banner Health	45,894	1	1.29%	28,220	1	0.89%
State of Arizona	37,040	2	1.04	49,282	3	1.55
Wal-Mart Stores, Inc.	33,619	3	0.95	30,608	2	0.96
Fry's Food Stores	20,165	4	0.57	—	5	—
Wells Fargo & Co.	16,700	5	0.47	13,100	4	0.41
University of Arizona	15,967	6	0.45	—	8	—
Amazon.com Inc.	15,000	7	0.42	—	9	—
Arizona State University	14,889	8	0.42	12,221	—	0.38
City of Phoenix	14,821	9	0.42	15,544	—	0.49
Maricopa County	13,595	10	0.38	12,458	—	0.39
Bank of America	—	—	—	12,000	7	0.38
Raytheon Missile Systems	—	—	—	12,000	10	0.38
Apollo Group Inc.	—	—	—	13,000	6	0.41
Total	227,690		6.41%	198,433		6.24%

(1) Beginning with Calendar Year December 31, 2017, the Phoenix Business Journal has requested total full-time and part-time employee counts from employers (the part-time employee counts are not reported in this schedule). Previously, the full-time equivalent totals were requested.

Source: Arizona State University Comprehensive Annual Financial Report 2020.

STATE OF ARIZONA
SCHEDULE 24
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2020

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
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	245.9	250.9	250.9	250.9	246.9
Department of Revenue	880.8	880.8	880.8	880.8	880.8	880.8
All other	2,452.4	2,325.4	2,321.4	2,280.4	2,331.6	2,308.6
Health and welfare:						
Department of Economic Security (2)	4,377.8	4,323.8	4,289.4	4,218.0	4,147.7	3,882.6
Department of Child Safety (2)	3,193.1	3,193.1	3,193.1	3,057.1	3,057.1	3,045.1
Arizona Health Care Cost Containment System	2,339.3	2,339.3	2,326.3	2,326.3	2,214.3	2,208.3
Department of Health Services	1,130.5	1,100.0	1,065.5	1,036.5	1,176.7	1,176.7
All other	948.6	947.6	959.6	961.6	961.6	949.6
Inspection and regulation	1,548.7	1,534.2	1,563.7	1,651.4	1,656.4	1,650.4
Education:						
Universities	17,538.6	17,680.4	17,239.3	16,721.0	15,635.7	15,635.7
All other	894.9	889.9	844.9	843.9	843.9	840.9
Protection and safety:						
Department of Corrections, Rehabilitation & Reentry	9,566	9,556.0	9,541.0	9,540.0	9,534.0	9,534.0
Department of Juvenile Corrections	738.5	738.5	738.5	738.5	738.5	738.5
Department of Public Safety	2,014.7	1,966.7	1,945.7	1,908.7	1,907.7	1,907.7
All other	101.1	99.1	98.6	98.6	98.6	97.6
Department of Transportation	4,554.0	4,552.0	4,552.0	4,552.0	4,548.0	4,548.0
Natural resources	801.2	795.2	795.2	733.5	733.5	730.5
Total	53,419.9	53,266.7	52,704.7	51,898.0	50,815.8	50,480.7

- (1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.
- (2) The change in fiscal year 2015 full-time equivalent employees was primarily due to the result of a division within the Department of Economic Security being established as the Department of Child Safety.

Source: The Executive Budget (Detail). Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year

2014	2013	2012	2011
98.8	97.8	104.0	104.0
246.9	233.9	236.0	236.0
861.8	860.3	935.0	935.0
2,229.6	2,214.4	2,427.6	2,646.5
5,654.1	5,453.5	3,726.0	3,726.0
—	—	—	—
2,217.3	2,217.3	1,407.3	1,423.0
1,176.7	1,176.7	1,513.3	1,513.3
946.6	946.6	1,098.5	954.5
1,643.9	1,649.8	1,801.2	1,807.7
15,607.7	15,478.7	16,964.2	15,754.2
838.9	834.4	886.5	896.0
9,384.0	10,118.2	10,015.2	10,015.2
738.5	738.5	1,001.7	1,001.7
1,904.7	1,903.7	2,139.8	2,081.8
95.6	90.1	112.6	117.9
4,548.0	4,548.0	4,548.0	4,548.0
716.5	716.5	930.2	937.2
48,909.6	49,278.4	49,847.1	48,698.0

STATE OF ARIZONA
SCHEDULE 25
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2020

	Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
<u>FUNCTIONS/PROGRAMS</u>							
General government:							
Number of tax returns received (in millions)	6.1	6.4	6.4	6.0	5.9	5.7	5.7
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,994,632	1,872,169	1,849,093	1,922,724	1,849,578	1,709,550	1,508,690
Average monthly number of recipients of temporary assistance for needy families	14,430	14,154	16,195	18,762	22,171	27,272	32,888
Average monthly number of persons receiving food stamp benefits	831,903	824,197	875,241	946,184	980,536	1,027,845	1,070,674
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	74.7	69.6	67.2	64.4	65.0	65.4	70.6
Incident rate per 100 full-time workers (3)	3.2	3.1	3.0	3.1	3.1	3.2	3.5
Education:							
Public school enrollment, grades K-12 (4)	1,128,939	1,120,146	1,093,867	1,110,425	1,105,592	1,098,701	1,084,276
Protection and safety:							
Number of miles patrolled by the Highway Patrol	19,076,187	20,262,923	19,976,488	18,771,511	19,843,962	19,280,016	19,222,811
State prison adult inmate population	40,151	42,312	42,113	42,200	42,902	42,611	41,773
Transportation:							
Number of registered vehicles (5)	7,828,255	8,821,690	8,518,715	8,247,514	7,970,946	7,694,309	7,453,046
Number of driver licenses issued (6)	5,678,867	5,369,964	5,285,723	5,165,719	5,083,085	4,979,520	1,188,903
Natural resources:							
Game and Fish Department's license and tag sales (7)	670,781	552,770	530,500	519,555	524,781	726,285	822,923
Universities:							
University full-time equivalent students (8)	184,561	176,594	170,861	165,536	158,681	148,819	141,264
Unemployment compensation:							
Number of initial unemployment claims filed (9)	873,422	197,855	214,590	223,084	223,141	229,770	257,951

- (1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which ceased operations on December 31, 2013.
- (3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2020 contains data for the calendar year ending December 31, 2019. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).
- (4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2020 contains data from the October 1, 2019 enrollment figures.
- (5) Count represents the total number of vehicles registered as of the end of the fiscal year. In fiscal year 2020, ADOT implemented a new system which improved reporting and lowered the count over the prior year. Reporting in prior years included an unassigned category for unregistered vehicles such as disability placards for tracking purposes.
- (6) Through fiscal year 2014, count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30. Beginning fiscal year 2015, count represents the total number of driver licenses.
- (7) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2020 contains data for the calendar year ending December 31, 2019. Beginning fiscal year 2016, total number of tag sales was not available.
- (8) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2020 contains data for the fall 2019 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.
- (9) The number of unemployment claims increased significantly in fiscal year 2020 as a direct result of the COVID-19 pandemic effect on the economy and employment.

Sources: The State Departments of Transportation, Public Safety, Corrections, Rehabilitation & Reentry, Education, Game and Fish, Economic Security, Revenue, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

Fiscal Year		
2013	2012	2011
5.5	5.4	5.4
1,318,650	1,314,210	1,392,810
39,050	39,194	44,842
1,116,068	1,123,068	1,049,522
66.5	67.9	66.4
3.4	3.5	3.5
1,077,703	1,066,740	1,062,200
18,914,572	19,465,944	19,953,766
40,273	39,877	40,181
7,180,797	6,823,906	6,839,659
1,159,695	1,184,630	1,196,675
848,617	815,488	826,385
136,884	134,051	129,653
261,418	288,097	311,472

STATE OF ARIZONA
 SCHEDULE 26
CAPITAL ASSET STATISTICS BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS
 FISCAL YEAR ENDED JUNE 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Protection and safety:							
Number of adult prison facilities (2)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	6,822	6,822	6,775	6,780	6,822	6,800	6,800
Number of bridges (1)	4,900	4,860	4,855	4,810	4,858	4,798	4,787
Natural resources:							
State Trust acres	9,207,861	9,207,430	9,215,392	9,215,795	9,216,213	9,217,704	9,223,617
Universities:							
Number of facilities (3)	1,242	1,238	1,251	1,267	1,268	1,258	1,212
Gross square feet (in thousands) (3)	49,247	48,693	48,248	47,437	44,665	46,054	44,658

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, and other business-type activity functions.

- (1) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
- (2) The Arizona Department of Corrections, Rehabilitation & Reentry also contracts with private prison facilities to provide custody and treatment.
- (3) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, Corrections, Rehabilitation & Reentry, and the Universities.

Fiscal Year		
2013	2012	2011
10	10	10
6,751	6,751	6,722
4,754	4,754	4,741
9,223,873	9,302,256	9,252,495
1,705	1,711	1,740
41,141	39,933	37,967

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, General Accounting Office, Financial Reporting Section:

Neil Broadstock, MBA, CPA, CMA, CGFM	Melody Dickinson
Tami Schuler, MEd, CGFM	Janette Wallin, CPA, CGFM
Christopher Lesure, MBA, CPA	Juvy Shoopman MS, CPA
Leland Sivanish	

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.