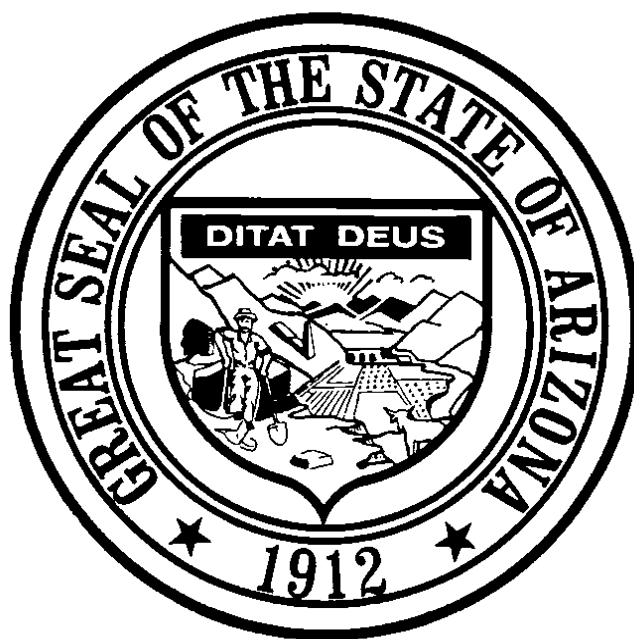


# STATE OF ARIZONA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



**Janice K. Brewer**  
**GOVERNOR**



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



STATE OF ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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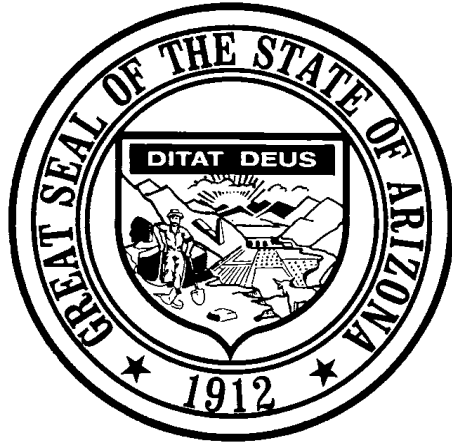
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# INTRODUCTORY SECTION





Janice K. Brewer  
Governor



Scott A. Smith  
Director

## ARIZONA DEPARTMENT OF ADMINISTRATION

### OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE i ROOM 401  
PHOENIX, ARIZONA 85007  
(602) 542-1500

March 4, 2011

The Honorable Janice K. Brewer,  
Governor of the State of Arizona;  
Members of the Legislature;  
Rebecca White Berch, Chief Justice of the Supreme Court;  
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2010. 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 major and non-major funds 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 are 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**

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

## **PROFILE OF THE GOVERNMENT**

The State of Arizona was admitted to the Union as the 48<sup>th</sup> state in 1912. Arizona is the sixth largest state, with 113,998 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.

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 courts, justice of the peace courts, and municipal courts. The superior courts, justice of the peace courts, and municipal courts are excluded from the State's reporting entity. The Supreme Court is the highest court in the State and is comprised of five 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.

## **FINANCIAL REPORTING ENTITY**

The accompanying CAFR includes all funds of the State of Arizona (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 separate columns 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 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.

## **BUDGETARY CONTROLS**

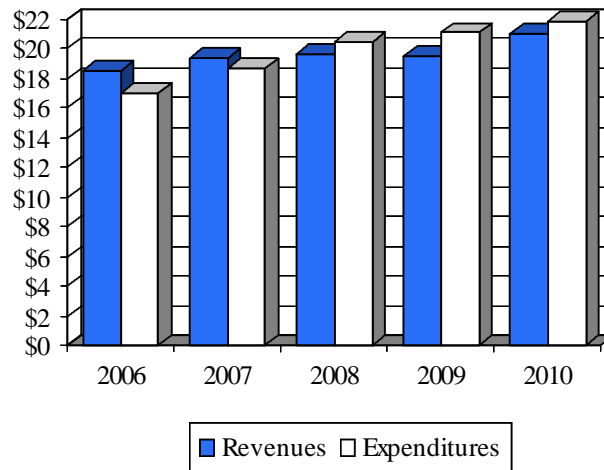
Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by 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. These appropriations and their encumbrances 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 last 5 fiscal years  
(Dollars in billions)

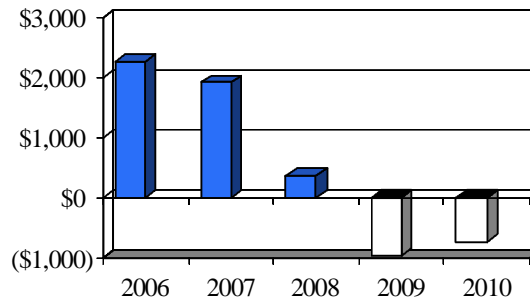


The General Fund ended the June 30, 2010 fiscal year with a deficit of \$825.081 million in unreserved fund balance and a \$70.350 million reserved fund balance for a total fund balance deficit of \$754.731 million. This compares to the previous year's total fund balance deficit of \$978.278 million.

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

Graph 2

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



## **ECONOMIC CONDITION AND OUTLOOK**

*The following economic summary is excerpted from the Arizona Department of Commerce's Arizona's Workforce, released on October 7, 2010.*

The Arizona Department of Commerce, Research Administration's (RA) updated forecast revises Arizona's nonfarm job losses in 2010 to 25,700, or 1.1%, compared to 50,400, or 2.1%, forecasted earlier. Factors that contributed to the reduced losses include: (i) Federal government economic stimulus program spending that began in 2009, (ii) continued employment gains in the Educational and Health Services sector, (iii) improved job growth in: Professional and Business Services; Trade, Transportation, and Utilities; Leisure and Hospitality; and Natural Resources and Mining sectors, and (iv) stronger than originally anticipated economic growth in the rest of the world.

However, for 2011, Arizona's nonfarm job growth has been revised downward to 16,500, or 0.7%, from 23,100, or 1.0%, forecasted earlier. Although the decline in spending from federal government economic stimulus programs was expected, reasons for this revision include but are not limited to: (i) the lackluster growth in the private sector as observed by the two indicators of business and consumer spending, (ii) large state and local government budget deficits, (iii) slowdown in population growth, and (iv) limited consumer and small business lending by banks. These factors will limit nonfarm job growth in the overall economy. The current set of problems inhibiting growth in the economy is expected to continue through 2011. These problems include high levels of unemployment, large debt loads, reduced income and wealth, weak housing and commercial real estate markets, rising health care costs, and budget deficits in state and local governments. Also, recent U.S. Gross Domestic Product (GDP) figures in 2010 have shown a slowing trend of economic growth and Arizona's personal income figures have demonstrated near historic lows in over-the-year growth.

In the national economy, the ending of specific federal stimulus programs caused further slowing of economic growth. For example, recent expiration of federal tax credits for home purchases contributed to a large reduction in home sales across the country. In 2009, the end of the "cash for clunkers" new automobile incentive purchase program resulted in a reduction in motor vehicle sales and production.

In 2010, job losses in Professional and Business Services are forecast to total 1,100, or 0.3%, as a result of the overall weakness in the Arizona economy. However, employment growth is projected to return in 2011 with an increase of 9,600 jobs, or 2.8%. In 2010, the forecast number of job gains in Educational and Health Services is 8,400, or 2.6%. These projected gains are less in 2011 (6,100, or 1.8%).

In 2010, projected job gains in Trade, Transportation, and Utilities are 2,700, or 0.6%. These gains increase to 3,100 jobs, or 0.6%, in 2011. In 2010, the Construction sector is expected to lose 15,200 jobs, or 11.8%. However, in 2011 Construction is expected to gain 2,100 jobs, or 1.8%. In 2010, forecast growth in employment for the Leisure and Hospitality sector is 1,100 jobs, or 0.4%. These job gains are projected to increase to 2,100, or 0.8%, for 2011. Manufacturing employment levels are forecast to have a decrease of 4,600 jobs, or 3.0%, in 2010. However, employment gains are projected for Manufacturing in 2011 with an increase of 1,900 jobs, or 1.3%, because of expansion of economic activity in the State, nation, and the rest of the world.

In 2010, projected job losses in Other Services sector total 2,000, or 2.1%, and in 2011, a gain of 1,800 jobs, or 2.0%, is expected. In 2010, the forecast growth in Natural Resources and Mining employment is an increase of 200 jobs, or 1.8%. These projected gains increase to 1,400 jobs, or 12.3%, for 2011. In 2010, job losses in Financial Activities sector are forecast to total 5,300, or 3.2%. These projected reductions in employment decline for 2011 to 2,600 jobs, or 1.6%. In 2010, forecast reductions in Government employment are 7,500 jobs, or 1.8%. These projected losses will increase in 2011 to 7,900 jobs, or 1.9%. In 2010, employment reductions in the Information sector are projected to number 2,500 jobs, or 6.4%. These forecast job losses decrease to 1,100, or 2.9%, in 2011.

Educational and Health Services is the sector with the largest projected job gains for the 2009 to 2011 forecast time period (14,500 jobs, 4.4%). During the most recent economic downturn, Educational and Health Services is one of the few sectors in the Arizona economy with employment growth. Fewer employment opportunities during a recession persuade many people to return to school to upgrade skills and enhance their knowledge to be better prepared for greater employment opportunities that become available when the economy begins to recover. As part of the economic stimulus program, the federal government has provided more resources to support Educational and Health Services. An increasing elderly population continues to bolster demand for health care services in the State of Arizona. In addition, high levels of unemployment have created greater demand for social assistance services. The subsectors with most rapid pace of projected job growth are health care and social assistance followed by private educational services.

Projected increases in employment for Professional and Business Services from 2009 to 2011 are 8,500 jobs, or 2.5%. These gains are a consequence of an observed and anticipated overall improvement in the economy. Businesses are motivated to hire contingent

labor during the beginning, uncertain stages of an economic recovery as a cost savings measure. The subsectors with the largest forecast gains include: professional and technical services, employment services, and services to buildings and dwellings. Subsectors with projected job losses are management of companies and enterprises and business support services.

Job gains of 5,800, or 1.2%, are forecast in Trade, Transportation, and Utilities from 2009 to 2011. Wholesale and retail trade are the subsectors with the largest projected increase in employment. The largest forecast employment increases in retail trade are in the discount outlet and superstore subsectors. Though we are observing a start of an employment increase in retail, slow growth in consumer spending continues to persist. High levels of unemployment, large debt loads, and reduced wealth and income have caused the forecast job growth in retail trade to be limited. Because of a weaker economy and future uncertainty, consumers are reducing debt and increasing personal savings. However, debt reduction and increased savings are limiting economic growth because less money is available for the purchase of goods and services. Job losses are projected in the subsectors of transportation, warehousing, and utilities. Energy conservation and generation projects through the federal government stimulus programs are bolstering employment in the utilities subsectors.

In the Leisure and Hospitality sector, growth of 3,100 jobs, or 1.2%, is forecast during the 2009 to 2011 time frame. Besides improvements in the overall national and state economies, economic growth in the rest of the world is projected to increase foreign travel and tourism spending in the State of Arizona. Food services and drinking places is the subsector with the largest amount of projected job gains. However, job losses are forecast in the subsectors of art, entertainment and recreation, and accommodation.

Growth of 1,600 jobs, or 14.3%, in the Natural Resources and Mining sector is forecasted during 2009 to 2011. A majority of these projected job gains are in the subsector of metal ore mining because of the expansion of economic activity and industrial output in the U.S. and the rest of the world increasing the demand for metallic mineral ores such as copper and molybdenum that are mined in the State of Arizona. The forecast rate of growth is high despite the relatively small number of projected job gains because of the comparatively small base of employment in this sector, 11,100 jobs in 2009.

Government is the sector with the largest forecast job losses at 15,400, or 3.6%, during the 2009 to 2011 projections time frame. Employment reductions in the federal government are forecast as a result of the layoffs of temporary Census 2010 workers. State and local government projected reductions in employment are the result of the ongoing budget deficit crisis. These reductions at the state and local level are forecast to increase in 2011 as a result of reduced spending expected from the federal government economic stimulus programs. In contrast, we might observe lower losses if the federal government appropriates additional funds to assist state and local governments with their programs. However, the level of potential additional federal support after the end of the stimulus programs remains uncertain. The negative impacts of layoffs and spending reductions of state and local governments on their economies are less ambiguous.

In the Construction sector, job losses of 13,100, or 10.2%, are forecast for 2009 to 2011. These losses are forecast across all subsectors and are the result of continued problems in the housing and commercial real estate markets. Indicators of problems in these real estate markets include high rates of mortgage foreclosures and delinquency, low home prices, large amounts of unsold home inventories, abandoned commercial projects, bank failures, high vacancy rates for commercial properties, declining commercial property rents, low volume of home sales, and low levels of new construction permits. Employment reductions in Construction for 2010 are projected to number 15,200 jobs, or 11.8%.

Despite indicators of weakness in the overall Construction industry, signs of improvement are beginning to appear in real estate markets with reductions in mortgage foreclosure rates, declines in the amount of unsold home inventories, and stabilization in home prices. In addition, infrastructure expansion and improvement projects with a high proportion of support from the federal government are forecast to slightly boost Construction employment in 2011 across all subsectors. Examples of these infrastructure projects include roads, highways, bridges, and public mass transit. In 2011, projected gains in Construction employment are 2,100 jobs, or 1.8%.

The Financial Activities sector is forecast to have job losses totaling 8,000, or 4.8%, from 2009 to 2011. Constrained spending, increased savings, and debt reduction by consumers and businesses in a weak economy are projected to result in employment reductions for most subsectors in Financial Activities. Continued problems in housing and commercial real estate markets also are anticipated to provide no assistance to job growth in the Financial Activities sector. Securities, commodity contracts, and investments is the only subsector to have projected employment increases.

Employment levels in the Information sector are forecast to have a decrease of 3,600 jobs, or 9.1%, during the 2009 to 2011 time period. Job losses persist as a result of continued consolidation, technological changes, shifts in consumer preferences, and constrained growth in consumer and business spending. An example of all of these factors working together and resulting in employment losses is the shift of consumer video rentals from local area brick and mortar retail outlets to vending machines, mail order and return, and internet websites.

Job reductions in Manufacturing are forecast to total 2,600 jobs, or 1.7%, from 2009 to 2011. The Manufacturing subsectors forecast to have the largest job losses are directly involved with construction such as fabricated metals. Because of proposed reductions in federal military spending, the subsector of aerospace products and parts is also projected to have reductions in employment.

Rapid pace of economic growth is not expected to result in fast rates of employment expansion in manufacturing. We continue to observe relatively large proportions of unused production capacity in terms of production lines and machines within factories. Also, increasingly, a higher level of labor productivity is expected. In other words, most manufacturing firms are expected to increase output without hiring many additional workers. Existing employees can start up idle production lines and other equipment while working at a faster pace.

Job losses in Other Services are projected to be the smallest of all sectors in the Arizona economy from 2009 to 2011 with a decrease of 100 jobs, or 0.1%. Projected employment reductions are small as a result of a gradually improving economy and increased demand for repair and refurbishment services in contrast to the purchase of new items as a cost savings measure.

Impetus provided by the federal government economic stimulus programs and improved private sector employment observed domestically helped reduce projected losses in Arizona's nonfarm employment in 2010 to 25,700 jobs, or 1.1%, compared to the previous forecast of 50,400 jobs, or 2.1%. In contrast, in 2011, the anticipated winding down of the federal government economic stimulus programs, lackluster growth in consumer and business spending currently observed within the private sector, low population growth, limited consumer and small business lending by banks, and deficits in the state and local budgets have decreased the amount of projected gains in Arizona's nonfarm employment. As a result, projected gains are 16,500 jobs, or 0.7%, compared to 23,100 jobs, or 1.0%, forecasted previously.

### **MAJOR INITIATIVES**

Continued deterioration in Arizona's economic conditions during fiscal year 2010 has resulted in a further downward trend in the State of Arizona's General Fund tax revenue collections. To address the General Fund fiscal year 2010 budget impact created by these revenue shortfalls, the State Legislature enacted laws that included measures such as deep reductions in State agencies' General Fund spending authority, transfer of amounts from other funds, and increased temporary suspension of cash payments to the Universities and K-12 education. Additionally, the State Legislature authorized sale-leaseback transactions of certain property through the issuance of COPs and the issuance of State Lottery Revenue Bonds, the proceeds of which were deposited in the State's General Fund to pay appropriated expenditures. Furthermore, the State used federal stimulus funds received through The American Recovery and Reinvestment Act of 2009 to help balance the fiscal year 2010 budget.

### **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

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



Scott A. Smith  
Director



D. Clark Partridge  
State Comptroller

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



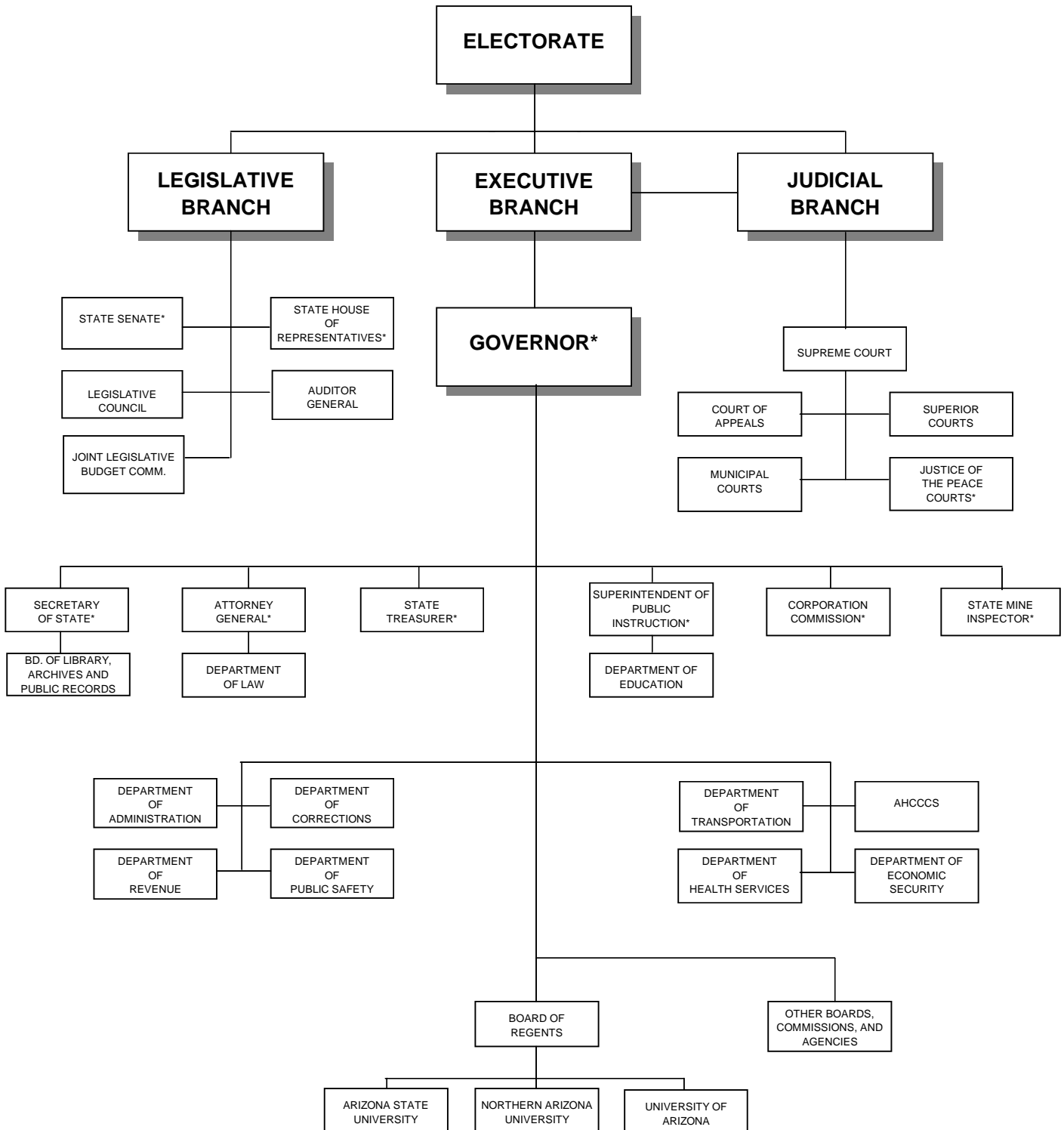
A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

# ARIZONA STATE GOVERNMENT ORGANIZATION



\* ELECTED OFFICIALS



STATE OF ARIZONA  
**PRINCIPAL STATE OFFICIALS**  
JUNE 30, 2010

ELECTED OFFICIALS – as of June 30, 2010

Janice K. Brewer, Governor  
Senator Robert Burns, President of the Senate  
Representative Kirk Adams, Speaker of the House  
Ken Bennett, Secretary of State  
Terry Goddard, Attorney General  
Joe Hart, State Mine Inspector  
Dean Martin, State Treasurer

Tom Horne, Superintendent of Public Instruction  
Kristin K. Mayes, Chairman – Corporation Commission  
Sandra D. Kennedy, Commissioner – Corporation Commission  
Paul Newman, Commissioner – Corporation Commission  
Gary Pierce, Commissioner – Corporation Commission  
Bob Stump, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of June 30, 2010

**Executive Officials**

David Raber, Interim Director – Department of Administration  
Charles L. Ryan, Director – Department of Corrections  
Neal Young, Director – Department of Economic Security  
Gale Garriott, Director – Department of Revenue  
Robert Halliday, Director – Department of Public Safety  
Will Humble, Director – Department of Health Services  
Tom Betlach, Director – Arizona Health Care Cost Containment System  
John Halikowski, Director – Department of Transportation  
GladysAnn Wells, Director – Arizona State Library, Archives and Public Records

**Judicial Officials**

Rebecca White Berch, Chief Justice – Supreme Court

**Legislative Officials**

Michael E. Braun, Executive Director – Legislative Council  
Richard Stavneak, Director – Joint Legislative Budget Committee  
Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

**University Officials**

Dr. Michael M. Crow, President – Arizona State University  
Dr. John D. Haeger, President – Northern Arizona University  
Dr. Robert N. Shelton, President – University of Arizona

ELECTED OFFICIALS – as of March 4, 2011

Janice K. Brewer, Governor  
Senator Russell Pearce, President of the Senate  
Representative Kirk Adams, Speaker of the House  
Ken Bennett, Secretary of State  
Tom Horne, Attorney General  
Joe Hart, State Mine Inspector  
Doug Ducey, State Treasurer

John Huppenthal, Superintendent of Public Instruction  
Gary Pierce, Chairman – Corporation Commission  
Brenda Burns, Commissioner – Corporation Commission  
Sandra D. Kennedy, Commissioner – Corporation Commission  
Paul Newman, Commissioner – Corporation Commission  
Bob Stump, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of March 4, 2011

**Executive Officials**

Scott A. Smith, Director – Department of Administration  
Charles L. Ryan, Director – Department of Corrections  
Mary Gill, Interim Director – Department of Economic Security  
Gale Garriott, Director – Department of Revenue  
Robert Halliday, Director – Department of Public Safety  
Will Humble, Director – Department of Health Services  
Tom Betlach, Director – Arizona Health Care Cost Containment System  
John Halikowski, Director – Department of Transportation  
GladysAnn Wells, Director – Arizona State Library, Archives and Public Records

**Judicial Officials**

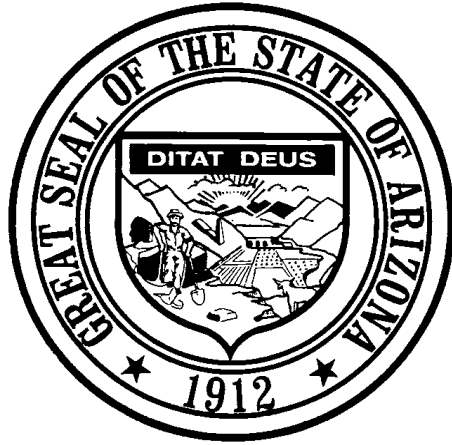
Rebecca White Berch, Chief Justice – Supreme Court

**Legislative Officials**

Michael E. Braun, Executive Director – Legislative Council  
Richard Stavneak, Director – Joint Legislative Budget Committee  
Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

**University Officials**

Dr. Michael M. Crow, President – Arizona State University  
Dr. John D. Haeger, President – Northern Arizona University  
Dr. Robert N. Shelton, President – University of Arizona



# FINANCIAL SECTION



# INDEPENDENT AUDITORS' REPORT

## **INDEPENDENT AUDITORS' REPORT**



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

The Honorable Janice K. Brewer, Governor  
State of Arizona

The Honorable Russell Pearce, President  
Arizona State Senate

The Honorable Kirk Adams, Speaker  
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice  
Arizona Supreme Court

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, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. 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 plans, and the discretely presented component units, which account for the following percentages of the assets and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
<u>Government-wide Statements</u>		
Governmental activities:		
Arizona Health Care Cost Containment System	2.89%	22.12%
Department of Transportation	67.00%	11.50%
Business-type activities:		
Lottery Department	0.96%	9.61%
Arizona Health Care Cost Containment System	0.15%	0.83%
Department of Transportation	1.24%	0.12%
Aggregate discretely presented component units:		
Component Units	100.00%	100.00%
Universities—Affiliated Component Units	100.00%	100.00%

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
<u>Fund Statements</u>		
Major Governmental Funds:		
General Fund—Arizona Health Care Cost Containment System	37.13%	23.79%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Department of Transportation	100.00%	100.00%
Major Enterprise Fund:		
Lottery Fund—Lottery Department	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Health Care Cost Containment System	0.07%	1.95%
Department of Transportation	0.89%	3.46%
Arizona State Retirement System	61.90%	52.77%
Public Safety Personnel Retirement System	11.74%	10.48%
Corrections Officer Retirement Plan	2.85%	2.60%
Elected Officials' Retirement Plan	0.72%	0.64%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement plans, and component units, are based solely on the reports of the other auditors.

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 of material misstatement. The financial statements of the Rio Nuevo Multipurpose Facilities District, Greater Arizona Development Authority, Arizona Power Authority, University Medical Center, and the universities—affiliated component units, which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements of the Healthcare Group of Arizona, a nonmajor enterprise fund, are included as part of the State's business-type activities and aggregate remaining fund information. As discussed in Note 9, the Healthcare Group of Arizona had incurred significant operating losses in the past years and had a fund deficit of \$9.01 million at June 30, 2010, that raise substantial doubt about its ability to continue operations. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



The financial statements of the Rio Nuevo Multipurpose Facilities District (Rio Nuevo) were audited by other auditors who issued a qualified opinion on capital assets, accumulated depreciation, and depreciation expense for Rio Nuevo as of and for the year ended June 30, 2010. As described in the other auditors' report, this opinion qualification was the result of inadequate accounting records. Rio Nuevo is a discretely presented component unit of the State and is included in the discretely presented component units (governmental activities column) on the government-wide financial statements. This had no effect on our opinion for the aggregate discretely presented component units as of and for the year ended June 30, 2010.

As described in Note 1, the State implemented the provisions of the Governmental Accounting Standards Board Statement Nos. 51, *Accounting and Financial Reporting for Intangible Assets*, and 53, *Accounting and Financial Reporting for Derivative Instruments*, for the year ended June 30, 2010, which represent changes in accounting principles.

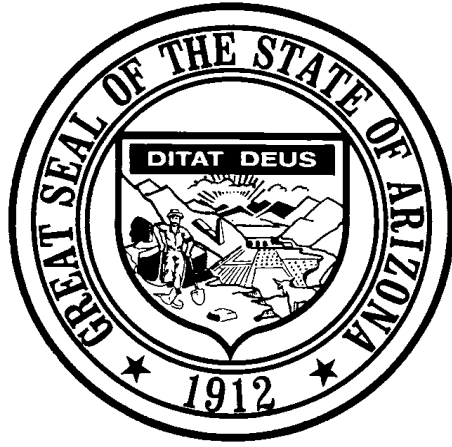
The Management's Discussion and Analysis on pages 21 through 33, the Budgetary Comparison Schedules on pages 133 through 162, the Infrastructure Assets information on pages 163 through 166, and the Schedule of Agent Benefit Plans' Funding Progress on page 167 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements and schedules, and statistical section 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 financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

In accordance with *Government Auditing Standards*, we will also 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport  
Auditor General

March 4, 2011



# 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, 2010. 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:

- i The assets of the State exceeded liabilities at the close of the fiscal year by \$18.7 billion (reported as *net assets*). Of this amount, a deficit of \$3.6 billion exists for *unrestricted net assets*, \$5.2 billion is restricted for specific purposes (*restricted net assets*), and \$17.1 billion is invested in capital assets, net of related debt.
- i The State's total net assets decreased in fiscal year 2010 by \$181.409 million. Net assets of governmental activities increased by \$130.370 million, while net assets of the business-type activities decreased by \$311.779 million.

#### Fund Level:

- i As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3.8 billion, an increase of \$143.675 million from the beginning of the year. Less than 1% of the combined fund balances, or \$5.451 million, is available to meet the State's current and future needs (*unreserved fund balance*).
- i As of the close of the fiscal year, unreserved fund balance for the General Fund had a deficit of \$825.081 million, which is approximately 4% of total General Fund expenditures.
- i The Land Endowments Fund reported fund balance at year end of \$2.7 billion, an increase of \$478.820 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.
- i The enterprise funds reported net assets at year end of \$2.5 billion, a decrease of \$325.068 million during the year.

#### Long-term Debt:

- i The State's total long-term primary government debt increased during the fiscal year to \$9.9 billion, an increase of \$1.8 billion (or 22%). Changes during the year included the addition of revenue bonds, certificates of participation, and capital leases of \$930.530 million, \$999.000 million, and \$199.879 million, respectively. Also, the State retired \$206.355 million of revenue bonds, \$109.855 million of certificates of participation, and \$27.090 million of capital leases.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 24**.

### 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 and liabilities 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 Assets and the Statement of Financial Position (pages 38-40)** present all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

**The Statements of Activities (pages 42-44)** present information showing how the State's net assets changed during the most recent fiscal year. All changes in 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). Additionally, long-term assets and liabilities are reported regardless of when these assets are expected to be converted to cash, or when the liability is expected to be liquidated (e.g., capital assets and long-term debt).

Government-wide statements report three activities:

- i *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.
- i *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, the Industrial Commission Special Fund, and the State's three universities are examples of business-type activities.
- i *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The Rio Nuevo Multipurpose Facilities District, the Greater Arizona Development Authority, the University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added University Foundations and financing authorities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles, as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, the Arizona Capital Facilities Finance Corporation, the U of A Foundation, and other non-major foundations and financing authorities. 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 GASB, and include a statement of financial position (**page 40**) and a statement of activities (**page 44**). See **pages 67-70 and 116-128** for more information on discretely presented component units.

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

The fund financial statements begin on **page 45** 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 172** 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.

- i *Governmental funds* – Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules (**pages 46 and 48-49**) 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 45 and 47 of this report.**

- i *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 Lottery and 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 52-55**.

**Proprietary fund financial statements can be found on pages 50-59 of this report.**

- i *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 Assets and Changes in Fiduciary Net Assets beginning on **page 60**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

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

## **Notes to the Financial Statements**

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

**The notes can be found beginning on page 67 of this report.**

## **Required Supplementary Information**

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information 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. This section also includes schedules of condition and maintenance data regarding certain portions of the State’s infrastructure and agent benefit plans’ funding progress schedules.

**Required supplementary information begins on page 133 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, 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 funds are also included.

**Other supplementary information begins on page 172 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 Assets as of June 30, 2010 and 2009 (expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 4,236,816	\$ 2,833,059	\$ 1,314,515	\$ 1,685,745	\$ 5,551,331	\$ 4,518,804
Capital assets	19,125,514	17,859,557	3,530,141	3,404,613	22,655,655	21,264,170
Other non-current assets	4,440,342	4,946,384	1,425,621	1,076,150	5,865,963	6,022,534
Total Assets	27,802,672	25,639,000	6,270,277	6,166,508	34,072,949	31,805,508
Current liabilities	4,242,317	3,551,427	637,055	654,971	4,879,372	4,206,398
Non-current liabilities	7,329,300	5,986,888	3,154,036	2,720,572	10,483,336	8,707,460
Total Liabilities	11,571,617	9,538,315	3,791,091	3,375,543	15,362,708	12,913,858
Net assets:						
Invested in capital assets, net of related debt	15,738,121	15,094,719	1,352,658	1,328,658	17,090,779	16,423,377
Restricted net assets	4,648,280	3,990,594	550,102	1,085,399	5,198,382	5,075,993
Unrestricted net assets	(4,155,346)	(2,984,628)	576,426	376,908	(3,578,920)	(2,607,720)
Total Net Assets	\$ 16,231,055	\$ 16,100,685	\$ 2,479,186	\$ 2,790,965	\$ 18,710,241	\$ 18,891,650

For the year ended June 30, 2010, the State's combined net assets totaled \$18.7 billion, reflecting a decrease of \$181.409 million during the current fiscal year.

The largest portion of the State's net assets (91%) represents *capital assets, net of related debt* of \$17.1 billion. Additions to roads and bridges provided the majority of the governmental activities increase of \$643.402 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 assets also included \$5.2 billion (28%) of resources that are subject to external restrictions on how they may be used. The restriction by the State's Constitution for basic education funded by the earnings of the Land Endowments Fund provided the majority of the governmental activities increase of \$657.686 million. The business-type activities decrease of \$535.297 million in restricted net assets was primarily caused by the net decrease in the Unemployment Compensation Fund.

After accounting for the above net asset restrictions, the State has a remaining deficit of \$3.6 billion (19%) reported as *unrestricted net assets*. An increase in long-term debt, due to the State issuing certificates of participation and revenue bonds which provided monies to deposit in the State's General Fund to pay appropriated expenditures, primarily caused the decrease of \$1.2 billion in the unrestricted net assets of the governmental activities.



State of Arizona-Primary Government  
Changes in Net Assets for Fiscal Years June 30, 2010 and 2009  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 877,513	\$ 806,833	\$ 2,492,801	\$ 2,196,190	\$ 3,370,314	\$ 3,003,023
Operating grants and contributions	13,735,263	10,620,642	2,260,071	1,243,697	15,995,334	11,864,339
Capital grants and contributions	576,027	553,198	12,563	14,710	588,590	567,908
General revenues:						
Sales taxes	5,029,050	5,442,563	52,318	58,528	5,081,368	5,501,091
Income taxes	2,809,995	3,126,076	-	-	2,809,995	3,126,076
Tobacco taxes	332,893	370,073	-	-	332,893	370,073
Property taxes	31,417	32,564	-	-	31,417	32,564
Motor vehicle and fuel taxes	1,583,790	1,643,276	-	-	1,583,790	1,643,276
Other taxes	535,435	574,030	-	-	535,435	574,030
Unrestricted investment earnings	37,665	92,957	70,766	22,450	108,431	115,407
Unrestricted grants and contributions	13,213	12,440	-	-	13,213	12,440
Gain (loss) on sale of trust land	64,005	(165,696)	-	-	64,005	(165,696)
Miscellaneous revenue	204,295	222,712	52,072	45,786	256,367	268,498
Total Revenues	25,830,561	23,331,668	4,940,591	3,581,361	30,771,152	26,913,029
Expenses:						
General government	941,813	928,485	-	-	941,813	928,485
Health and welfare	13,090,357	12,055,439	-	-	13,090,357	12,055,439
Inspection and regulation	157,786	176,354	-	-	157,786	176,354
Education	5,706,667	6,084,342	-	-	5,706,667	6,084,342
Protection and safety	1,451,571	1,514,282	-	-	1,451,571	1,514,282
Transportation	511,397	695,070	-	-	511,397	695,070
Natural resources	183,535	228,430	-	-	183,535	228,430
Intergovernmental revenue sharing	2,585,683	2,755,710	-	-	2,585,683	2,755,710
Interest on long-term debt	261,518	222,851	-	-	261,518	222,851
Universities	-	-	3,343,377	3,290,033	3,343,377	3,290,033
Unemployment Compensation	-	-	2,103,028	1,086,330	2,103,028	1,086,330
Industrial Commission Special Fund	-	-	67,750	30,055	67,750	30,055
Lottery	-	-	432,150	395,950	432,150	395,950
Other business-type activities	-	-	126,029	142,229	126,029	142,229
Total Expenses	24,890,327	24,660,963	6,072,334	4,944,597	30,962,661	29,605,560
Excess (deficiency) before contributions, special item, extraordinary item, and transfers	940,234	(1,329,295)	(1,131,743)	(1,363,236)	(191,509)	(2,692,531)
Contributions to permanent endowments	-	-	3,020	4,014	3,020	4,014
Special item:						
Intergovernmental transfer of Sundome Center for the Performing Arts	-	-	-	7,240	-	7,240
Extraordinary item:						
Insurance recovery, net of impairment loss	-	-	7,080	2,720	7,080	2,720
Transfers	(809,864)	(983,006)	809,864	983,006	-	-
Change in Net Assets	130,370	(2,312,301)	(311,779)	(366,256)	(181,409)	(2,678,557)
Net Assets - July 1	16,100,685	18,412,986	2,790,965	3,157,221	18,891,650	21,570,207
Net Assets - June 30	\$ 16,231,055	\$ 16,100,685	\$ 2,479,186	\$ 2,790,965	\$ 18,710,241	\$ 18,891,650

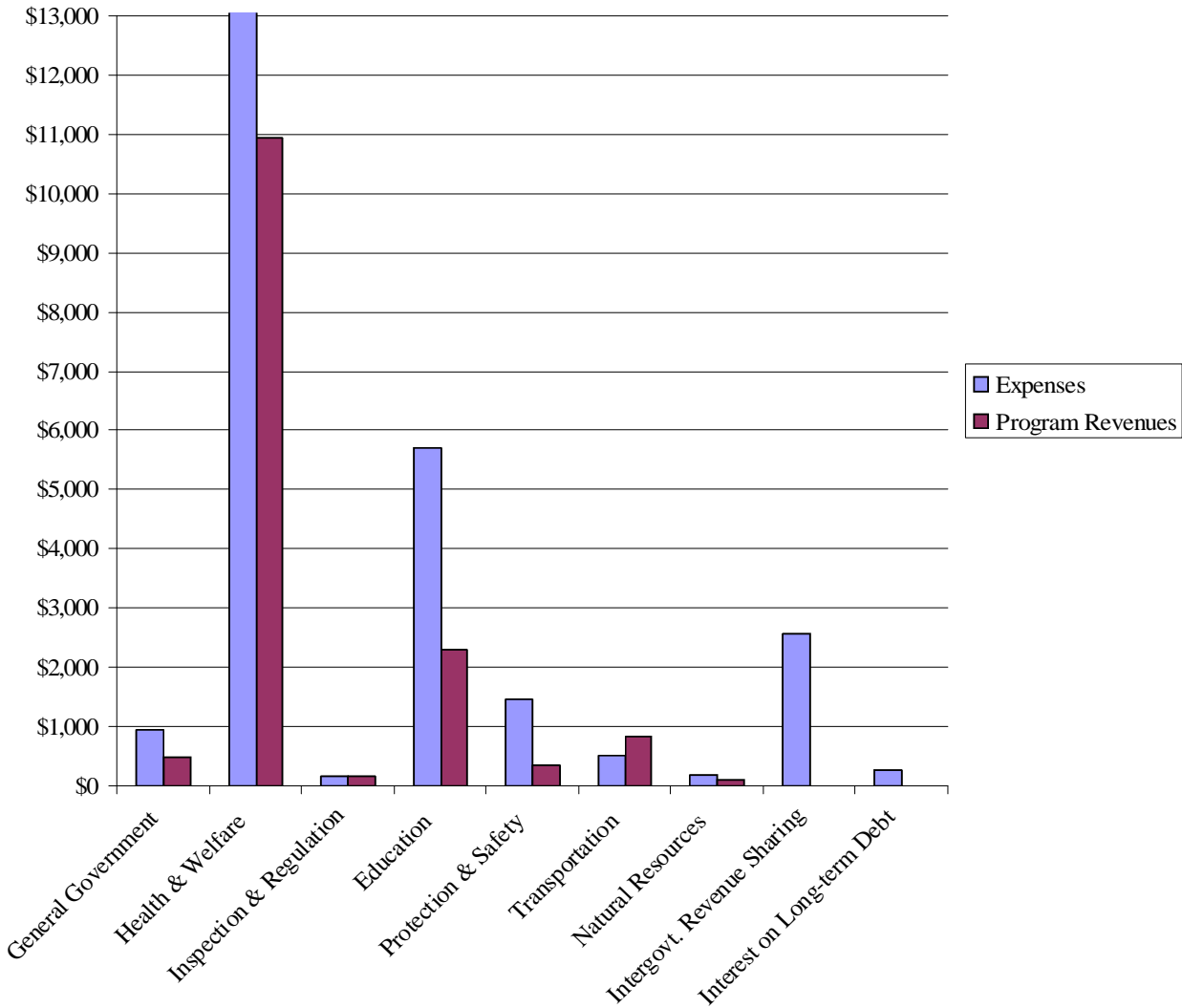
## Change in Net Assets

*Governmental Activities* – During the prior fiscal year, expenses were higher than revenues, resulting in a decrease in net assets of \$2.3 billion. However, during the current fiscal year, program revenues increased and several expenses were decreased by legislative cuts to result in a positive change in net assets of \$130.370 million. Operating grant and contribution revenues increased \$3.1 billion, or 29%, as compared to fiscal year 2009. These revenues partially consisted of federal stimulus funds received through the American Recovery and Reinvestment Act of 2009 (ARRA). Reported income tax and sales tax revenues decreased by \$316.081 million, or 10%, and \$413.513 million, or 8%, as compared to fiscal year 2009, respectively. The costs of the State's health and welfare increased \$1.0 billion, or 9%, as compared to fiscal year 2009, primarily due to the spending of ARRA funds. However, expenses were reduced, from the prior year, by a combined total of \$687.522 million for inspection and regulation, education, protection and safety, transportation, and natural resources.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2010 and 2009. 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	
	2010	2009	2010	2009
<b>Functions/Programs:</b>				
General government	\$ 941,813	\$ 928,485	\$ 458,954	\$ 594,087
Health and welfare	13,090,357	12,055,439	2,147,391	2,654,326
Inspection and regulation	157,786	176,354	(5,925)	4,577
Education	5,706,667	6,084,342	3,410,225	5,128,458
Protection and safety	1,451,571	1,514,282	1,102,866	1,277,463
Transportation	511,397	695,070	(334,359)	(86,556)
Natural resources	183,535	228,430	75,171	129,374
Intergovernmental revenue sharing	2,585,683	2,755,710	2,585,683	2,755,710
Interest on long-term debt	261,518	222,851	261,518	222,851
Total Governmental Activities	<u>\$ 24,890,327</u>	<u>\$ 24,660,963</u>	<u>\$ 9,701,524</u>	<u>\$ 12,680,290</u>

**Expenses and Program Revenues**  
**Governmental Activities for Fiscal Year 2010**  
(in millions of dollars)



*Business-type Activities* – The net assets decreased by \$311.779 million, or 11%. This decrease was primarily caused by the net decrease in the Unemployment Compensation Fund of \$550.848 million and partially offset with the net increase in the Universities Fund of \$234.069 million. The Unemployment Compensation Fund had an increase in costs of sales and benefits of \$1.0 billion, which was mostly offset by increases in unemployment assessments and intergovernmental revenue of \$88.238 million and \$858.030 million, respectively. However, operating expenses still exceeded operating revenues by \$554.948 million for the current year. Arizona’s unemployment rate increased from 9.3% at June 30, 2009, to 9.6% at June 30, 2010. On average, there were 299 thousand individuals who were unemployed during fiscal year 2010 compared with 233 thousand individuals who were unemployed during fiscal year 2009. The Universities Fund net increase was primarily attributed to increased tuition and fee rates and enrollment. Federal Fiscal Stabilization Funds received from ARRA were used to help offset reductions in State appropriations.

A comparison of the net cost (income) of services by function for the State’s business-type activities is shown on the next page for fiscal years 2009 and 2010. 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	
	2010	2009	2010	2009
<b>Functions/Programs:</b>				
Universities	\$ 3,343,377	\$ 3,290,033	\$ 837,324	\$ 1,129,521
Unemployment Compensation	2,103,028	1,086,330	546,269	445,737
Industrial Commission				
Special Fund	67,750	30,055	50,170	5,135
Lottery	432,150	395,950	(119,342)	(88,536)
Other	126,029	142,229	(7,522)	(1,857)
Total Business-type Activities	<u>\$ 6,072,334</u>	<u>\$ 4,944,597</u>	<u>\$ 1,306,899</u>	<u>\$ 1,490,000</u>

### FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

**Governmental funds** – The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

#### General Fund

The General Fund is the chief operating fund of the State. At June 30, 2010, unreserved fund balance of the General Fund had a deficit of \$825.081 million, while total fund balance closed the year at a deficit of \$754.731 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents a negative 4% of total expenditures and other financing uses, while total fund balance represents a negative 3% of the same amount.

The fund balance of the State's General Fund increased \$223.547 million during the fiscal year. The primary reason for the increase in fund balance during the fiscal year is the State issued \$425.420 million of revenue bonds and \$998.795 million of certificates of participation. Otherwise, the fund balance of the State's General Fund would have decreased during the fiscal year, as expenditures were \$21.9 billion and revenues were \$21.0 billion. Although intergovernmental revenues increased \$2.2 billion (21%) from the prior fiscal year, sales tax revenues decreased \$298.994 million (6%) and income tax revenues decreased \$332.376 million (11%). In particular, sales taxes paid by retail stores and construction contractors decreased by 7% and 37%, respectively, when compared to fiscal year 2009 sales tax receipts. In addition, income tax collections decreased from the previous fiscal year as a result of the, on average, 299 thousand individuals that were unemployed during fiscal year 2010 compared with 233 thousand individuals who were unemployed during fiscal year 2009 and a decrease in the amount of corporate income taxes collected during the fiscal year.

Health and welfare expenditures and intergovernmental revenue (including federal grants and county funding) increased by \$1.1 billion, or 9%, and \$2.2 billion, or 21%, as compared to fiscal year 2009, respectively. The increase in expenditures in fiscal year 2010 can be attributed to increased enrollment in the Arizona Health Care Cost Containment System's (AHCCCS) programs. During the final six months of fiscal year 2010, the AHCCCS enrollment growth began to slow following the most significant period of enrollment increase since the Proposition 204 expansion in calendar years 2001 to 2003. From February 2007 to December 2009, AHCCCS enrollment increased in 31 out of 34 months for a total increase of 342,500 members, or an increase of 33.4%. The total enrollment decreased by 14,239 from December 2009 to August 2010, primarily driven by the January 1, 2010 enrollment cap in the KidsCare program and decreases to the Federal Emergency Services (FES) undocumented population. Excluding the KidsCare and FES populations, the Title XIX full services membership populations increased by 31,700, or 2.6%, from December 2009 to

August 2010. The intergovernmental revenue increase was partially due to the receipt of federal stimulus funds from ARRA.

Education expenditures decreased by \$173.061 million, or 3%, compared to fiscal year 2009. The decrease can be primarily attributed to a decrease in State assistance for kindergarten through twelfth grade (K-12) and University operating expenditures to address budget shortfalls. In addition, the Arizona Department of Education's spending was reduced by \$250.000 million due to the restoration of the State Equalization Tax Rate in fiscal year 2010. This was expected to generate a corresponding amount in new local property tax funds.

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

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased \$54.753 million during fiscal year 2010. The fund balance increase was due, in part, to a decrease in the distributions to Arizona counties and cities during fiscal year 2010, as collections for the Transportation and Aviation Planning, Highway Maintenance and Safety Fund decreased. In addition, the Transportation and Aviation Planning, Highway Maintenance and Safety Fund transfers to the General Fund and other State agencies decreased in fiscal year 2010 because the amount stipulated by the State Legislature decreased.

#### **Land Endowments Fund**

The 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. The Land Endowments Fund total fund balance increased \$478.820 million during fiscal year 2010. Endowment investments increased \$477.338 million, at fiscal year end, due to receipts from land sales of \$78.564 million and a net increase in the fair value of investments of \$374.553 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 statements analysis on **page 27**.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budgetary Comparison Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 133**. Differences between the original budget of \$15.2 billion and the final amended budget of \$16.3 billion resulted in a \$1.1 billion net increase in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. \$218.235 million increase due to prior fiscal year obligations that were paid in the current fiscal year per ARS §35-191
2. \$2.5 billion increase for the Department of Education's Basic State Aid Entitlement and Additional State Aid to Schools, which usually are included in the original budget, but were vetoed and made later under supplemental appropriations
3. \$874.834 million decrease to the AHCCCS was primarily due to the expected General Fund savings that are associated with the enhanced Federal Medical Assistance Percentage (FMAP) and the Medicare Clawback payments implemented by ARRA
4. \$350.875 million decrease to the Department of Economic Security was primarily due to agency budget reductions and the expected General Fund savings that are associated with the enhanced FMAP and the Medicare Clawback payments implemented by ARRA
5. \$200.000 million decrease for the deferral of appropriations to the Universities Fund

6. \$71.750 million decrease to the Universities Fund due to the expected General Fund savings that are associated with ARRA
7. \$47.333 million decrease for reductions to the Universities Fund appropriations
8. \$34.462 million increase to the Universities Fund to make debt service payments associated with the financing of research infrastructure projects
9. \$20.000 million increase for the Parks Board "Growing Smarter" transfer to the Land Conservation Fund per ARS §41-511.23 to provide grants to purchase State trust land for conservation purposes

The actual expenditures were less than the final budget by \$698.532 million, after adjustments. Of this amount, \$55.354 million will continue as legislative multiple fiscal year spending authority for fiscal years 2011 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$643.178 million represents the unused portion of the State's legislatively authorized annual operating budget.

**Additional budgetary information can be found on pages 160-162 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, 2010 totaled \$22.7 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 7%, with a 7% increase in capital assets used for governmental activities and a 4% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$342.884 million.

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

- i The Universities' additions to capital assets totaled \$354.428 million and included increased investments in instruction, research, student housing, athletic facilities, and other capital projects.
- i The ADOT started or completed roads and bridges totaling \$1.4 billion during the fiscal year.

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, 2010 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,602,541	\$ 2,488,112	\$ 185,292	\$ 181,400	\$ 2,787,833	\$ 2,669,512
Buildings	1,895,998	1,754,959	3,982,408	3,877,636	5,878,406	5,632,595
Improvements other than buildings	151,356	135,097	4,811	4,811	156,167	139,908
Equipment	728,811	713,524	1,413,422	1,345,615	2,142,233	2,059,139
Software and other intangibles	130,988	61,223	-	-	130,988	61,223
Collections (non-depreciable)	-	-	17,749	17,882	17,749	17,882
Infrastructure	11,058,408	10,647,110	383,883	367,408	11,442,291	11,014,518
Construction in progress	3,823,110	3,199,253	255,196	131,054	4,078,306	3,330,307
Development in progress	84,277	83,069	-	-	84,277	83,069
Less: accumulated depreciation	(1,349,975)	(1,222,790)	(2,712,620)	(2,521,193)	(4,062,595)	(3,743,983)
Total	<u>\$ 19,125,514</u>	<u>\$ 17,859,557</u>	<u>\$ 3,530,141</u>	<u>\$ 3,404,613</u>	<u>\$ 22,655,655</u>	<u>\$ 21,264,170</u>

The governmental activities capital asset ending balances for the year ended June 30, 2009 have been reclassified due to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, that the ADOT is responsible for maintaining, using the modified approach as described in Note 1H. Assets accounted for under the modified approach include 6,789 center lane miles (18,771 travel lane miles) and 4,700 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 3.71 was achieved for fiscal year 2010.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2010, a CRI of 93.2% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of \$10.000 million were started during fiscal year 2010 (expressed in thousands):

<b>Project Description</b>	<b>Contract Start Date</b>	<b>Contract Amount</b>	<b>Current Year Expenditures <sup>1</sup></b>
Major widening of Interstate 10 from Sarival Avenue to Dysart Road in Maricopa County.	9/18/09	\$ 30,936	\$ 15,244
Major widening of Interstate 10 from Verrado Way to Sarival Avenue in Maricopa County.	7/17/09	21,800	11,825
Capacity additions and reconstruction of State Route 260 in Little Green Valley in Gila County.	7/17/09	19,699	5,395
Major widening of US 60 from State Route Loop 303 to 99th Avenue in Maricopa County.	11/20/09	17,970	5,022
Construction of a traffic interchange on State Route Loop 101 at Beardsley Road and Union Hills Drive in Maricopa County.	10/16/09	14,771	5,741
Major widening of Interstate 10 at the Picacho Peak traffic interchange in Pinal County.	7/17/09	13,133	8,954
Major widening of State Route 87 from Four Peaks Road to Dos S Ranch Road in Maricopa County.	2/10/10	10,777	-

<sup>1</sup> Construction expenditures are strictly those costs paid to the primary contractor for each project shown.

In addition to many smaller projects, the following major highway construction projects had expenditures in excess of \$15.000 million in fiscal year 2010 (expressed in thousands):

<b>Project Description</b>	<b>Project Expenditures <sup>2</sup></b>
State Route Loop 202 from the Interstate 10 and State Route 51 interchange to State Route Loop 101 in Maricopa County.	\$ 145,804
State Route Loop 303 from Happy Valley Parkway to Lake Pleasant Parkway in Maricopa County.	54,746
Interstate 17 from Jomax Road to Carefree Highway in Maricopa County.	47,732
State Route Loop 303 from Lake Pleasant Parkway to Interstate 17 in Maricopa County.	44,276
State Route Loop 303 and Interstate 10 traffic interchange in Maricopa County.	43,823
Interstate 10 and Twin Peaks traffic interchange in Pima County.	40,131
US Highway 93 at Hoover Dam in Mohave County.	38,922
Interstate 10 from Prince Road to 29th Street in Pima County.	17,467
State Route Loop 202 from State Route Loop 101 to Gilbert Road in Maricopa County.	16,914
State Route Loop 303 traffic interchanges at Bell, Waddell, and Cactus Roads in Maricopa County.	16,881
Interstate 10 from Sarival Avenue to State Route Loop 101 in Maricopa County.	16,655
Interstate 10 from Sarival Avenue to Dysart Road in Maricopa County.	15,781
State Route 24 (Williams Gateway Airport) from State Route Loop 202 to Ellsworth Road in Maricopa County.	15,400

<sup>2</sup> Project expenditures include not only construction costs, but also engineering and design work, payroll (if applicable), and any other project related costs.

**More detailed information regarding capital assets is on pages 90 and 91.**

### 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:

- i The State issued revenue bonds totaling \$425.420 million to provide monies to deposit in the State's General Fund to pay appropriated expenditures of the State and to pay the costs of issuing the bonds.
- i The Universities issued revenue bonds for \$505.110 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure, and refund obligations from certain previously issued bonds.
- i The State issued \$998.795 million of certificates of participation to finance the acquisition of certain property from the State by the Trustee and to pay the costs of the issuances. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State.

State of Arizona-Primary Government  
Outstanding Major Long-Term Debt as of June 30, 2010  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 3,522,605	\$ 3,251,580	\$ 1,692,825	\$ 1,239,675	\$ 5,215,430	\$ 4,491,255
Capital leases	412,919	236,125	171,448	175,453	584,367	411,578
Certificates of participation	2,571,125	1,649,870	840,719	872,829	3,411,844	2,522,699
Total	<u>\$ 6,506,649</u>	<u>\$ 5,137,575</u>	<u>\$ 2,704,992</u>	<u>\$ 2,287,957</u>	<u>\$ 9,211,641</u>	<u>\$ 7,425,532</u>

**More detailed information regarding long-term debt begins on page 97.**

### ECONOMIC CONDITION AND OUTLOOK

Arizona's economy, along with the rest of the nation, continued to contract in fiscal year 2010, as problems in the financial and housing markets continued, along with continued decline in labor markets. The current set of elements inhibiting growth in the economy include high levels of unemployment, large debt loads, reduced income and wealth, weak housing and commercial real estate markets, rising health care costs, and budget deficits in state and local governments. In addition, Arizona's personal income figures have demonstrated near historic lows in over-the-year growth.

According to the Arizona Department of Commerce, Research Administration (RA), impetus provided by the federal government economic stimulus programs and improved private sector employment observed domestically helped reduce projected losses in Arizona's nonfarm employment in 2010 to 25,700. In contrast, in 2011, the anticipated winding down of the federal government economic stimulus programs, lackluster growth in consumer and business spending currently observed within the private sector, low population growth, limited consumer and small business lending by banks, and deficits in the State and local budgets have decreased the amount of projected gains by the RA in Arizona's nonfarm employment to 16,500.

The State is experiencing its worst economic recession since World War II. As reported in the State's financial statements over the period of fiscal year end 2007 through fiscal year end 2010, the sales tax and income tax revenues in the State's General Fund decreased by \$1.3 billion, or 23%, and \$1.8 billion, or 39%, respectively. Due to the continued economic downturn and an on-going structural deficit, the State's General Fund was projected with a fiscal



year 2010 ending balance shortfall. The State Legislature enacted a series of laws that eliminated the shortfall and made progress towards correcting the State's structural deficit. Significant measures include deep cuts to State agencies' General Fund spending authority, transfer of amounts from other funds, and increased temporary suspension of cash payments to the Universities and K-12 education. Furthermore, the State Legislature authorized sale-leaseback transactions of certain property through the issuance of COPs and the issuance of State Lottery Revenue Bonds, the proceeds of which were deposited in the State's General Fund to pay appropriated expenditures.

The State will continue to use ARRA federal stimulus funds as part of the measures to balance the budget. The State is scheduled to receive ARRA funding through fiscal year 2011 which is a direct help to the General Fund, to be used largely for education and for health/welfare programs. For the years ended June 30, 2010 and 2009, the State recorded \$1.7 billion and \$768.530 million in ARRA revenue, respectively. Additionally, a temporary 1-cent increase in the transaction privilege tax referred to the voters by the State Legislature was approved in the special election held on May 18, 2010. The increase is effective June 1, 2010 and expires May 31, 2013. The temporary sales tax is estimated to generate an additional \$846 million to the General Fund in fiscal year 2011.

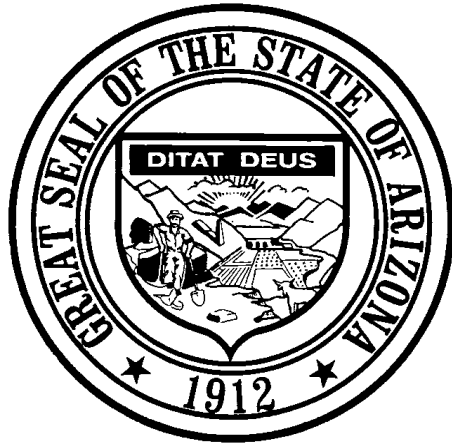
Further, the decline in tax revenues created problems in the management of the State's cash flow needs. As a result, throughout most of fiscal year 2010, the State Treasurer issued Treasurer's Warrant Notes (TWNs) in lieu of immediate payment of warrants presented to the State Treasurer for authorized General Fund expenditures. No TWNs were outstanding at June 30, 2010, and cash flow projections indicate that TWNs will not be needed in fiscal year 2011.

Despite imposing the largest spending reductions in State history, eliminating State services and programs, and reducing the State workforce by approximately 10%, the General Fund is projected with a fiscal year 2011 ending balance shortfall of approximately \$764 million. In development of the fiscal year 2012 budget, the State will be addressing most of the remaining structural deficit of approximately \$1.5 billion, or 16% of the continuing budget. The Medicaid program, which has federal and voter mandated funding, is a major cost component creating the structural deficit. There has been tremendous growth in Medicaid spending, which over the last four years, has increased by approximately 65% and now accounts for 29% of the State's budget. The State can no longer afford the Medicaid program as it currently exists and discussion of potential reform of this program is being considered to control these costs. The State continues to work towards creating a permanent budget restructuring that realigns the State's revenues and expenditures so that the State's structural deficit can be eliminated.

### **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 Arizona Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at <http://www.gao.az.gov/financials/>.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 68**.



# BASIC FINANCIAL STATEMENTS

## **BASIC FINANCIAL STATEMENTS**

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STATE OF ARIZONA  
**STATEMENT OF NET ASSETS**  
JUNE 30, 2010  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
				RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	
<b>ASSETS</b>						
Current Assets:						
Cash	\$ 5,774	\$ 479,888	\$ 485,662	\$ 9,380	\$ -	\$ 1,214
Cash with U.S. Treasury	-	16,690	16,690	-	-	-
Cash and pooled investments with State Treasurer	1,671,434	76,457	1,747,891	-	2,018	71,827
Restricted cash and pooled investments with State Treasurer	-	66,819	66,819	-	-	-
Cash held by trustee	-	-	-	-	-	4,703
Collateral investment pool	714,163	44,180	758,343	-	-	3,636
Short-term investments	-	105,865	105,865	-	-	124,297
Restricted investments held by trustee	-	-	-	-	-	15,819
Receivables, net of allowances:						
Taxes	598,706	86,661	685,367	2,092	-	-
Interest	240,686	3,397	244,083	7	-	12,779
Loans and notes	28,906	7,863	36,769	-	-	-
Patient accounts receivable	-	-	-	-	-	77,503
Other	129,574	158,176	287,750	-	-	57,469
Internal balances	(149,905)	149,905	-	-	-	-
Due from U.S. Government	901,555	87,902	989,457	-	-	-
Due from local governments	26,784	-	26,784	-	-	-
Due from others	60	-	60	-	-	-
Inventories, at cost	13,120	26,450	39,570	-	-	12,300
Other current assets	55,959	4,262	60,221	40	-	5,624
Total Current Assets	4,236,816	1,314,515	5,551,331	11,519	2,018	387,171
Noncurrent Assets:						
Restricted assets:						
Cash	66	17,851	17,917	-	-	-
Cash and pooled investments with State Treasurer	1,038,242	-	1,038,242	-	10,465	-
Cash held by trustee	40,107	348,951	389,058	18,439	-	-
Investments	2,517	10,248	12,765	-	-	-
Investments held by trustee	-	233,202	233,202	-	-	49,785
Receivables, net of allowances:						
Loans and notes	581,925	34,147	616,072	-	-	1,158,137
Other	-	7,473	7,473	6,367	-	-
Securities held in escheat	51,204	-	51,204	-	-	-
Investments	-	488,518	488,518	-	-	105,257
Endowment investments	2,713,668	254,052	2,967,720	-	-	-
Deferred outflow - interest rate swap	-	11,126	11,126	-	-	-
Other noncurrent assets	12,613	20,053	32,666	1,944	-	48,998
Capital assets:						
Infrastructure, land, and other non-depreciable Buildings, equipment, and other depreciable, net of accumulated depreciation	17,546,716	458,237	18,004,953	42,761	-	27,485
	1,578,798	3,071,904	4,650,702	28,493	-	285,774
Total Noncurrent Assets	23,565,856	4,955,762	28,521,618	98,004	10,465	1,675,436
Total Assets	27,802,672	6,270,277	34,072,949	109,523	12,483	2,062,607

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

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET ASSETS**  
JUNE 30, 2010  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
				RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable and other current liabilities	\$ 508,751	\$ 135,803	\$ 644,554	\$ 4,204	\$ -	\$ 58,997
Payable for securities purchased	-	4,567	4,567	-	-	-
Accrued liabilities	921,352	88,646	1,009,998	261	-	48,534
Obligations under securities loan agreements	714,163	44,180	758,343	-	-	3,636
Due to U.S. Government	5,301	7,650	12,951	-	-	-
Due to local governments	1,207,082	31	1,207,113	-	-	-
Due to others	178,433	103,573	282,006	-	-	-
Unearned deferred revenue	81,871	117,405	199,276	-	-	-
Current portion of accrued insurance losses	53,764	24,088	77,852	-	-	5,568
Current portion of long-term debt	400,716	95,640	496,356	8,196	-	45,510
Current portion of other long-term liabilities	170,884	15,472	186,356	-	-	9,182
Total Current Liabilities	4,242,317	637,055	4,879,372	12,661	-	171,427
Noncurrent Liabilities:						
Unearned deferred revenue	81,956	15,170	97,126	-	-	2,412
Contracts payable	-	12,450	12,450	908	-	-
Accrued insurance losses	319,953	391,196	711,149	-	-	8,845
Funds held for others	-	30,244	30,244	-	-	-
Long-term debt	6,801,550	2,639,360	9,440,910	94,770	-	1,186,124
Derivative instrument - interest rate swap	-	11,126	11,126	-	-	-
Other long-term liabilities	125,841	54,490	180,331	-	-	8,887
Total Noncurrent Liabilities	7,329,300	3,154,036	10,483,336	95,678	-	1,206,268
Total Liabilities	11,571,617	3,791,091	15,362,708	108,339	-	1,377,695
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	15,738,121	1,352,658	17,090,779	36,293	-	47,457
Restricted for:						
Federal grants	47,463	-	47,463	-	-	-
Capital projects	565,534	2,819	568,353	-	-	-
Unemployment Compensation	-	68,155	68,155	-	-	-
Debt service	25,262	34,393	59,655	12,920	10,465	-
Permanent fund and Universities fund:						
Expendable	181,728	202,691	384,419	-	-	-
Nonexpendable	3,330,361	166,399	3,496,760	-	-	-
Loans and other financial assistance:						
Expendable	-	75,619	75,619	-	-	379,482
Other purposes	497,932	26	497,958	-	-	22,127
Unrestricted (deficit)	(4,155,346)	576,426	(3,578,920)	(48,029)	2,018	235,846
Total Net Assets	\$ 16,231,055	\$ 2,479,186	\$ 18,710,241	\$ 1,184	\$ 12,483	\$ 684,912

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

STATE OF ARIZONA  
**STATEMENT OF FINANCIAL POSITION**  
 UNIVERSITIES - AFFILIATED COMPONENT UNITS  
 JUNE 30, 2010  
 (Expressed in Thousands)

**ASSETS**

Cash and cash equivalent investments	\$	69,068
Receivables:		
Pledges receivable		151,092
Other receivables		21,360
Total receivables		<u>172,452</u>
Investments:		
Investments in securities		981,522
Investments held in trust for Universities		35,334
Other investments		49,259
Total investments		<u>1,066,115</u>
Net direct financing leases		121,342
Property and equipment, net of accumulated depreciation		417,242
Licenses		4,530
Other assets		<u>41,325</u>
Total Assets		<u>1,892,074</u>

**LIABILITIES**

Liability under Universities' endowment trust agreements		101,901
Bonds payable		653,219
Unearned revenue		30,889
Other liabilities		<u>74,987</u>
Total Liabilities		<u>860,996</u>

**NET ASSETS**

Permanently restricted		699,171
Temporarily restricted		336,414
Unrestricted		<u>(4,507)</u>
Total Net Assets	\$	<u>1,031,078</u>

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



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STATE OF ARIZONA  
**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b><u>FUNCTIONS/PROGRAMS</u></b>				
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government	\$ 941,813	\$ 208,316	\$ 274,543	\$ -
Health and welfare	13,090,357	109,405	10,833,561	-
Inspection and regulation	157,786	143,329	20,382	-
Education	5,706,667	66,911	2,229,531	-
Protection and safety	1,451,571	158,867	189,838	-
Transportation	511,397	123,372	146,936	575,448
Natural resources	183,535	67,313	40,472	579
Intergovernmental revenue sharing	2,585,683	-	-	-
Interest on long-term debt	261,518	-	-	-
Total Governmental Activities	24,890,327	877,513	13,735,263	576,027
Business-type Activities:				
Universities	3,343,377	1,432,055	1,061,435	12,563
Unemployment Compensation	2,103,028	358,865	1,197,894	-
Industrial Commission Special Fund	67,750	17,580	-	-
Lottery	432,150	551,492	-	-
Other	126,029	132,809	742	-
Total Business-type Activities	6,072,334	2,492,801	2,260,071	12,563
Total Primary Government	\$ 30,962,661	\$ 3,370,314	\$ 15,995,334	\$ 588,590
<b>COMPONENT UNITS:</b>				
Governmental Activities:				
Rio Nuevo	\$ 9,602	\$ 3,733	\$ -	\$ -
Greater Arizona Development Authority	2,228	-	-	-
Total Governmental Activities	\$ 11,830	\$ 3,733	\$ -	\$ -
Business-type Activities:				
Water Infrastructure Finance Authority	\$ 79,530	\$ 36,137	\$ 72,203	\$ -
University Medical Center	550,982	567,639	-	1,475
Arizona Power Authority	30,850	30,927	-	-
Total Business-type Activities	\$ 661,362	\$ 634,703	\$ 72,203	\$ 1,475
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				
Miscellaneous				
Contributions to permanent endowments				
Extraordinary Items:				
Insurance recovery, net of impairment loss				
Transfers				
Total General Revenues, Contributions, Extraordinary Items, and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
			RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	
\$	(458,954)	\$	(458,954)		
	(2,147,391)		(2,147,391)		
	5,925		5,925		
	(3,410,225)		(3,410,225)		
	(1,102,866)		(1,102,866)		
	334,359		334,359		
	(75,171)		(75,171)		
	(2,585,683)		(2,585,683)		
	(261,518)		(261,518)		
	(9,701,524)		(9,701,524)		
	\$	(837,324)	(837,324)		
		(546,269)	(546,269)		
		(50,170)	(50,170)		
		119,342	119,342		
		7,522	7,522		
		(1,306,899)	(1,306,899)		
	(9,701,524)	(1,306,899)	(11,008,423)		
			\$	(5,869)	\$
				(2,228)	
			\$	(5,869)	\$
				(2,228)	
					\$
					28,810
					18,132
					77
					47,019
5,029,050	52,318	5,081,368	9,322	-	-
2,809,995	-	2,809,995	-	-	-
332,893	-	332,893	-	-	-
31,417	-	31,417	-	-	-
1,583,790	-	1,583,790	-	-	-
535,435	-	535,435	-	-	-
37,665	70,766	108,431	204	459	10,000
13,213	-	13,213	-	-	-
64,005	-	64,005	-	-	-
204,295	52,072	256,367	-	-	-
-	3,020	3,020	-	-	-
-	7,080	7,080	-	-	-
(809,864)	809,864	-	-	-	-
9,831,894	995,120	10,827,014	9,526	459	10,000
130,370	(311,779)	(181,409)	3,657	(1,769)	57,019
16,100,685	2,790,965	18,891,650	(2,473)	14,252	627,893
\$	16,231,055	\$	18,710,241	\$	12,483
\$	2,479,186	\$	1,184	\$	684,912

STATE OF ARIZONA  
**STATEMENT OF ACTIVITIES**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES</b>				
Contributions	\$ 9,851	\$ 82,642	\$ 15,358	\$ 107,851
Rental revenue	48,598	-	-	48,598
Sales and services	39,400	85	-	39,485
Net investment income	24,613	28,233	25,714	78,560
Net assets released from restrictions	118,990	(111,442)	(7,548)	-
Licensing revenue	2,434	-	-	2,434
Other revenues	29,299	4,290	156	33,745
Total Revenues	273,185	3,808	33,680	310,673
<b>EXPENSES</b>				
Program services:				
Payments to Universities	92,186	-	-	92,186
Leasing related expenses	8,651	-	-	8,651
Payments on behalf of Universities	18,440	-	-	18,440
Other program services	10,782	-	-	10,782
Personal services, operations, and administrative expenses	67,191	-	-	67,191
Fundraising expenses	8,250	-	-	8,250
Interest	27,590	-	-	27,590
Depreciation and amortization	20,937	-	-	20,937
Other expenses	9,201	7	6	9,214
Total Expenses	263,228	7	6	263,241
Increase in Net Assets	9,957	3,801	33,674	47,432
Net Assets - Beginning	(14,890)	332,829	665,707	983,646
Transfers	426	(216)	(210)	-
Net Assets - Ending	\$ (4,507)	\$ 336,414	\$ 699,171	\$ 1,031,078

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

STATE OF ARIZONA  
**BALANCE SHEET**  
GOVERNMENTAL FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	TRANSPORTATION & AVIATION PLANNING,				
	GENERAL	HIGHWAY	LAND	OTHER	
	FUND	MAINTENANCE & SAFETY FUND	ENDOWMENTS FUND	GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS</b>					
Cash	\$ 1,405	\$ -	\$ 28	\$ 4,341	\$ 5,774
Cash and pooled investments with State Treasurer	520,494	35,072	43,663	904,854	1,504,083
Collateral investment pool	42,018	15,266	631,827	25,052	714,163
Receivables, net of allowances:					
Taxes	476,876	60,649	-	61,181	598,706
Interest	25	-	240,661	-	240,686
Loans and notes	-	8,461	602,370	-	610,831
Other	79,743	7,661	10,422	23,904	121,730
Due from U.S. Government	785,757	110,329	-	-	896,086
Due from local governments	26,784	-	-	-	26,784
Due from others	-	-	-	60	60
Due from other Funds	33,783	-	-	19,251	53,034
Inventories, at cost	2,025	8,404	-	66	10,495
Restricted assets:					
Cash	66	-	-	-	66
Cash and pooled investments with State Treasurer	51,339	706,631	-	280,272	1,038,242
Cash held by trustee	12,983	-	-	27,124	40,107
Investments	2,517	-	-	-	2,517
Securities held in escheat	51,204	-	-	-	51,204
Endowment investments	-	-	2,713,668	-	2,713,668
Other	10,883	40,051	-	1	50,935
Total Assets	<u>\$ 2,097,902</u>	<u>\$ 992,524</u>	<u>\$ 4,242,639</u>	<u>\$ 1,346,106</u>	<u>\$ 8,679,171</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and other current liabilities	\$ 233,944	\$ 150,625	\$ 40	\$ 38,701	\$ 423,310
Accrued liabilities	445,695	11,659	485	22,228	480,067
Obligations under securities loan agreements	42,018	15,266	631,827	25,052	714,163
Due to U.S. Government	5,301	-	-	-	5,301
Due to local governments	1,035,043	110,291	-	61,748	1,207,082
Due to others	178,162	-	1	270	178,433
Due to other Funds	211,995	7,937	1,655	15,994	237,581
Unavailable deferred revenue	634,150	8,461	837,136	940	1,480,687
Unearned deferred revenue	66,325	-	96,542	960	163,827
Total Liabilities	<u>2,852,633</u>	<u>304,239</u>	<u>1,567,686</u>	<u>165,893</u>	<u>4,890,451</u>
Fund Balances:					
Reserved for:					
Highway construction	-	554,180	-	255,317	809,497
Other construction	-	-	-	45,403	45,403
School facilities improvements	14,764	-	-	-	14,764
Permanent funds	-	-	2,674,953	-	2,674,953
Continuing appropriations	55,354	87,653	-	28,697	171,704
Debt service	-	-	-	26,389	26,389
Other fund balance reservations	232	40,327	-	-	40,559
Unreserved	(825,081)	6,125	-	-	(818,956)
Unreserved reported in:					
Non-major special revenue funds	-	-	-	824,407	824,407
Total Fund Balances	<u>(754,731)</u>	<u>688,285</u>	<u>2,674,953</u>	<u>1,180,213</u>	<u>3,788,720</u>
Total Liabilities and Fund Balances	<u>\$ 2,097,902</u>	<u>\$ 992,524</u>	<u>\$ 4,242,639</u>	<u>\$ 1,346,106</u>	<u>\$ 8,679,171</u>

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

STATE OF ARIZONA  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2010

(Expressed in Thousands)

<b>Total fund balances - governmental funds</b>	\$	3,788,720
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,063,763
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Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the governmental funds.	1,769
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Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,480,687
--	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	(322,972)
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The allocation of the internal service fund accumulated net loss results in an amount due from business-type activities, which is not reported in the governmental funds.	32,904
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Deferred issue costs are reported as current expenditures in the governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.	12,613
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Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. These amounts consist of:

Revenue bonds	(3,522,605)	
Grant anticipation notes	(304,480)	
Certificates of participation	(2,571,125)	
Capital leases	(412,919)	
Installment purchase contracts	(901)	
Notes payable	(60,712)	
Premium on debt	(334,721)	
Deferred amount on refundings	5,197	(7,202,266)

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.	(414,409)
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Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds.	(25,468)
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Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. Those liabilities consist of:

Compensated absences	(163,098)	
Pollution remediation obligations	(21,190)	(184,288)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Those assets consist of:

Other non-current assets	2
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<b>Net assets of governmental activities</b>	<b>\$</b>	<b>16,231,055</b>
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The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	TRANSPORTATION & AVIATION PLANNING,				
	GENERAL	HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
	FUND				
<b>REVENUES</b>					
Taxes:					
Sales	\$ 4,370,699	\$ 199,672	\$ -	\$ 447,606	\$ 5,017,977
Income	2,805,338	-	-	88	2,805,426
Tobacco	67,815	-	-	265,078	332,893
Property	21,890	9,527	-	-	31,417
Motor vehicle and fuel	-	1,585,919	-	-	1,585,919
Other	451,407	-	-	84,028	535,435
Intergovernmental	12,794,911	722,937	-	44,699	13,562,547
Licenses, fees, and permits	91,565	109,025	600	224,336	425,526
Earnings on investments	10,766	6,769	385,393	19,636	422,564
Sales and charges for services	98,552	866	71,060	41,828	212,306
Fines, forfeitures, and penalties	38,355	-	-	185,645	224,000
Gaming	5,417	-	-	72,137	77,554
Tobacco settlement	105,394	-	-	-	105,394
Proceeds from sale of trust land	-	-	78,564	-	78,564
Other	169,478	10,588	2,084	48,073	230,223
Total Revenues	21,031,587	2,645,303	537,701	1,433,154	25,647,745
<b>EXPENDITURES</b>					
Current:					
General government	790,719	-	-	140,531	931,250
Health and welfare	12,789,086	-	6,496	258,890	13,054,472
Inspection and regulation	45,194	-	-	112,267	157,461
Education	5,192,311	-	16,985	493,667	5,702,963
Protection and safety	1,274,928	-	2,669	139,831	1,417,428
Transportation	58	550,303	-	34,002	584,363
Natural resources	55,754	-	7,795	112,019	175,568
Intergovernmental revenue sharing	1,527,963	1,046,576	-	-	2,574,539
Debt service:					
Principal	57,283	17,607	-	213,282	288,172
Interest and other fiscal charges	89,831	878	-	195,318	286,027
Capital outlay	73,199	511,135	210	706,797	1,291,341
Total Expenditures	21,896,326	2,126,499	34,155	2,406,604	26,463,584
Excess (Deficiency) of Revenues Over Expenditures	(864,739)	518,804	503,546	(973,450)	(815,839)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	621,254	1,879	28	483,089	1,106,250
Transfers out	(1,037,393)	(501,646)	(24,754)	(308,419)	(1,872,212)
Proceeds from sale of capital assets	-	3,088	-	-	3,088
Capital lease and installment purchase contracts	2,501	-	-	185,335	187,836
Proceeds from notes and loans	-	32,628	-	-	32,628
Bonds issued	425,420	-	-	-	425,420
Certificates of participation issued	998,795	-	-	-	998,795
Premium on debt issued	77,709	-	-	-	77,709
Total Other Financing Sources (Uses)	1,088,286	(464,051)	(24,726)	360,005	959,514
Net Change in Fund Balances	223,547	54,753	478,820	(613,445)	143,675
Fund Balances - Beginning	(978,278)	633,532	2,196,133	1,793,658	3,645,045
Fund Balances - Ending	\$ (754,731)	\$ 688,285	\$ 2,674,953	\$ 1,180,213	\$ 3,788,720

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

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, 2010  
(Expressed in Thousands)

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>143,675</b>
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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 reflect post-GASB 34 costs charged to projects which, at the time of GASB 34 implementation, had been considered to be complete. This is the amount by which capital outlays and infrastructure adjustments exceeded depreciation in the current period.

Capital outlay	1,291,341	
Infrastructure adjustment	92,252	
Depreciation expense	<u>(106,923)</u>	1,276,670

The net expense of internal service funds is included with governmental activities in the Statement of Activities.	(9,604)
--	---------

Some revenues reported in the Statement of Activities are not currently available at year-end and are not reported as revenue in the governmental funds.

Sales taxes	11,073	
Income taxes	4,569	
Accrued interest on land sales' contracts	86,223	
Operating grants	88,933	
Right-of-way lease revenue	<u>2,200</u>	192,998

Certain revenues that are reported as resources in the funds, but were earned in prior fiscal years, are not reported in the Statement of Activities.

Tobacco settlement	(5,034)	
Other revenue	<u>(310)</u>	(5,344)

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 FY 2010, mortgage payments exceeded gains resulting from current year land sales. Additionally, an increase in the allowance for doubtful accounts does not require the use of current financial resources and, therefore, is not reported in the governmental funds.

Excess of mortgage receipts over gain on sale of land	(8,666)	
Increase in allowance for doubtful accounts	<u>(5,893)</u>	(14,559)

The Notes to the Financial Statements are an integral part of this statement.	(Continued)
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## 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, 2010

(Expressed in Thousands)

Some expenses reported in the 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	(33,594)	
Other expenses	<u>(15,433)</u>	(49,027)

Certain expenditures that are reported in the governmental funds in the current year, but were incurred in prior fiscal years, are not reported in the Statement of Activities.

Compensated absences	3,644	
Pollution remediation obligations	1,623	
Interest on long-term obligations	<u>966</u>	6,233

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

Bonds issued	(425,420)	
Certificates of participation issued	(998,795)	
Proceeds from notes and loans	(32,628)	
Premium on debt issued	<u>(77,709)</u>	(1,534,552)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Debt service principal	288,172	
Debt premium/discount amortization	28,601	
Amortization of bond issuance costs	(1,083)	
Amortization of deferred amount	<u>(3,974)</u>	311,716

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

(187,836)**Change in net assets of governmental activities**\$ 130,370

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

STATE OF ARIZONA  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 438,231	\$ -	\$ 38,149	\$ -	\$ 3,508
Cash with U.S. Treasury	-	16,690	-	-	-
Cash and pooled investments with State Treasurer	22,669	-	2,800	36,194	14,794
Restricted cash and pooled investments with State Treasurer	-	-	-	-	66,819
Collateral investment pool	-	-	44,180	-	-
Short-term investments	105,761	-	-	-	104
Receivables, net of allowances:					
Taxes	-	82,736	3,925	-	-
Interest	794	-	2,570	-	33
Loans and notes	3,373	-	-	-	4,490
Other	89,511	49,582	2,552	7,090	9,441
Due from U.S. Government	82,822	4,538	-	-	542
Due from other Funds	200,000	-	-	-	104
Inventories, at cost	16,508	-	-	3,927	6,015
Other current assets	3,371	-	-	-	891
Total Current Assets	963,040	153,546	94,176	47,211	106,741
Noncurrent Assets:					
Restricted assets:					
Cash	17,851	-	-	-	-
Cash held by trustee	348,951	-	-	-	-
Investments	10,248	-	-	-	-
Investments held by trustee	233,202	-	-	-	-
Receivables, net of allowances:					
Loans and notes	29,833	-	-	-	4,314
Other	7,473	-	-	-	-
Investments	182,490	-	304,500	1,528	-
Endowment investments	254,052	-	-	-	-
Deferred outflow - interest rate swap	11,126	-	-	-	-
Other noncurrent assets	11,849	-	-	8,204	-
Capital assets:					
Land and other non-depreciable	452,066	-	2,997	1,021	2,153
Buildings, equipment, and other depreciable, net of accumulated depreciation	3,034,753	-	15,639	2,458	19,054
Total Noncurrent Assets	4,593,894	-	323,136	13,211	25,521
Total Assets	5,556,934	153,546	417,312	60,422	132,262

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

		GOVERNMENTAL	
TOTAL		ACTIVITIES -	
ENTERPRISE		INTERNAL	
FUNDS		SERVICE FUNDS	
\$	479,888	\$	-
	16,690		-
	76,457		167,351
	66,819		-
	44,180		-
	105,865		-
	86,661		-
	3,397		-
	7,863		-
	158,176		7,844
	87,902		3,700
	200,104		3,115
	26,450		2,627
	4,262		5,024
	<u>1,364,714</u>		<u>189,661</u>
	17,851		-
	348,951		-
	10,248		-
	233,202		-
	34,147		-
	7,473		-
	488,518		-
	254,052		-
	11,126		-
	20,053		-
	458,237		165
	<u>3,071,904</u>		<u>61,586</u>
	<u>4,955,762</u>		<u>61,751</u>
	<u>6,320,476</u>		<u>251,412</u>

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 122,532	\$ -	\$ 6,573	\$ 4,364	\$ 2,334
Payable for securities purchased	-	-	4,567	-	-
Accrued liabilities	66,448	20,161	-	-	2,037
Obligations under securities loan agreements	-	-	44,180	-	-
Due to U.S. Government	-	7,650	-	-	-
Due to local governments	-	-	-	-	31
Due to others	19,568	57,357	-	26,648	-
Due to other Funds	-	223	-	17,071	1
Unearned deferred revenue	109,257	-	-	-	8,148
Current portion of accrued insurance losses	-	-	24,088	-	-
Current portion of long-term debt	95,544	-	-	-	96
Current portion of other long-term liabilities	14,179	-	-	329	964
Total Current Liabilities	<u>427,528</u>	<u>85,391</u>	<u>79,408</u>	<u>48,412</u>	<u>13,611</u>
Noncurrent Liabilities:					
Unearned deferred revenue	15,170	-	-	-	-
Contracts payable	-	-	-	-	12,450
Accrued insurance losses	-	-	391,196	-	-
Funds held for others	30,244	-	-	-	-
Long-term debt	2,639,227	-	-	-	133
Derivative instrument - interest rate swap	11,126	-	-	-	-
Other long-term liabilities	54,411	-	-	-	79
Total Noncurrent Liabilities	<u>2,750,178</u>	<u>-</u>	<u>391,196</u>	<u>-</u>	<u>12,662</u>
Total Liabilities	<u>3,177,706</u>	<u>85,391</u>	<u>470,604</u>	<u>48,412</u>	<u>26,273</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,309,565	-	18,636	3,479	20,978
Restricted for:					
Capital projects	2,819	-	-	-	-
Unemployment Compensation	-	68,155	-	-	-
Debt service	34,393	-	-	-	-
Universities fund:					
Expendable	202,691	-	-	-	-
Nonexpendable	166,399	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	75,619
Other	-	-	-	-	26
Unrestricted (deficit)	<u>663,361</u>	<u>-</u>	<u>(71,928)</u>	<u>8,531</u>	<u>9,366</u>
Total Net Assets	<u>\$ 2,379,228</u>	<u>\$ 68,155</u>	<u>\$ (53,292)</u>	<u>\$ 12,010</u>	<u>\$ 105,989</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

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

<u>TOTAL</u>		GOVERNMENTAL	
<u>ENTERPRISE</u>		<u>ACTIVITIES -</u>	
<u>FUNDS</u>		<u>INTERNAL</u>	
		<u>SERVICE FUNDS</u>	
\$	135,803	\$	85,445
	4,567		-
	88,646		1,408
	44,180		-
	7,650		-
	31		-
	103,573		-
	17,295		1,377
	117,405		-
	24,088		53,764
	95,640		-
	15,472		10,062
	<u>654,350</u>		<u>152,056</u>
	15,170		-
	12,450		-
	391,196		319,953
	30,244		-
	2,639,360		-
	11,126		-
	54,490		102,375
	<u>3,154,036</u>		<u>422,328</u>
	<u>3,808,386</u>		<u>574,384</u>
	1,352,658		61,751
	2,819		-
	68,155		-
	34,393		-
	202,691		-
	166,399		-
	75,619		-
	26		-
	609,330		(384,723)
\$	<u>2,512,090</u>	\$	<u>(322,972)</u>
	<u>(32,904)</u>		
\$	<u>2,479,186</u>		

STATE OF ARIZONA  
**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
<b>OPERATING REVENUES</b>					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of \$331,218	\$ 1,022,319	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprises, net of scholarship allowances of \$19,355	343,238	-	-	-	-
Educational department	66,498	-	-	-	-
Lottery	-	-	-	551,492	-
Other	-	-	-	-	131,482
Unemployment assessments	-	357,047	-	-	-
Workers' compensation assessments	-	-	14,664	-	-
Intergovernmental	532,007	1,188,130	-	-	742
Nongovernmental grants and contracts	115,679	-	-	-	-
Licenses, fees, and permits	-	-	-	-	761
Earnings on investments	-	-	-	-	566
Fines, forfeitures, and penalties	-	1,818	-	-	-
Settlement income	-	-	2,916	-	-
Other	30,223	1,085	-	322	1,893
Total Operating Revenues	2,109,964	1,548,080	17,580	551,814	135,444
<b>OPERATING EXPENSES</b>					
Cost of sales and benefits	804,164	2,103,028	63,284	385,620	84,040
Scholarships and fellowships	195,840	-	-	-	-
Personal services	2,025,816	-	-	6,078	25,813
Contractual services	-	-	-	14,791	7,432
Depreciation and amortization	218,577	-	1,339	353	2,106
Insurance	-	-	-	57	448
Other	-	-	-	3,172	6,068
Total Operating Expenses	3,244,397	2,103,028	64,623	410,071	125,907
Operating Income (Loss)	(1,134,433)	(554,948)	(47,043)	141,743	9,537
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Share of State sales tax revenues	52,318	-	-	-	-
Intergovernmental	245,075	-	-	-	-
Gifts and donations	159,377	-	-	-	-
Gain (loss) on sale of capital assets	(817)	-	-	-	-
Investment income	29,773	9,764	38,951	1,735	307
Endowment earnings on investments	9,297	-	-	-	-
Other non-operating revenue	17,050	-	1,788	-	528
Distributions to local governments	-	-	-	(22,079)	-
Interest expense	(102,267)	-	-	-	(38)
Other non-operating expense	(10,002)	-	(3,127)	-	(84)
Total Non-Operating Revenues (Expenses)	399,804	9,764	37,612	(20,344)	713
Income (Loss) Before Contributions, Extraordinary Items, and Transfers	(734,629)	(545,184)	(9,431)	121,399	10,250
Capital grants and contributions	12,563	-	-	-	-
Contributions to permanent endowments	3,020	-	-	-	-
Extraordinary Items:					
Insurance recovery, net of impairment loss	7,080	-	-	-	-
Transfers in	946,035	-	2,000	-	81
Transfers out	-	(5,664)	-	(119,780)	(12,808)
Change in Net Assets	234,069	(550,848)	(7,431)	1,619	(2,477)
Total Net Assets - Beginning	2,145,159	619,003	(45,861)	10,391	108,466
Total Net Assets - Ending	\$ 2,379,228	\$ 68,155	\$ (53,292)	\$ 12,010	\$ 105,989

Change in net assets of enterprise funds  
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

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

		GOVERNMENTAL	
TOTAL		ACTIVITIES -	
ENTERPRISE		INTERNAL	
FUNDS		SERVICE FUNDS	
\$	1,022,319	\$	-
	343,238		-
	66,498		-
	551,492		-
	131,482	904,701	
	357,047		-
	14,664		-
	1,720,879		-
	115,679		-
	761		-
	566		-
	1,818		-
	2,916		-
	33,523	149	
	<u>4,362,882</u>	<u>904,850</u>	
	3,440,136	720,885	
	195,840	-	
	2,057,707	29,722	
	22,223	31,408	
	222,375	13,586	
	505	55,388	
	<u>9,240</u>	<u>9,702</u>	
	<u>5,948,026</u>	<u>860,691</u>	
	<u>(1,585,144)</u>	<u>44,159</u>	
	52,318	-	
	245,075	-	
	159,377	-	
	(817)	189	
	80,530	27	
	9,297	-	
	19,366	98	
	(22,079)	-	
	(102,305)	(1)	
	<u>(13,213)</u>	<u>(271)</u>	
	<u>427,549</u>	<u>42</u>	
	<u>(1,157,595)</u>	<u>44,201</u>	
	12,563	3,386	
	3,020	-	
	7,080	-	
	948,116	6,038	
	<u>(138,252)</u>	<u>(49,940)</u>	
	<u>(325,068)</u>	<u>3,685</u>	
	<u>2,837,158</u>	<u>(326,657)</u>	
\$	<u>2,512,090</u>	\$	<u>(322,972)</u>
\$	<u>(325,068)</u>		
	<u>13,289</u>		
\$	<u>(311,779)</u>		

STATE OF ARIZONA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ -	\$ -	\$ -	\$ 263,951	\$ 131,869
Receipts from assessments	-	339,745	13,539	-	-
Receipts from student tuition and fees	989,823	-	-	-	-
Receipts from sales and services of auxiliary enterprises	342,775	-	-	-	-
Receipts from sales and services of educational departments	62,036	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from grants and contracts	625,100	1,183,591	-	-	435
Receipts from student loans collected	4,938	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	15,270
Receipts from settlement income	-	-	2,915	-	-
Payments to suppliers, prize winners, claimants, insurance companies, or beneficiaries	(798,531)	(2,123,766)	(23,292)	(134,621)	(100,370)
Payments to employees	(2,006,789)	-	-	(6,024)	(25,823)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(189,830)	-	-	-	-
Payments for student loans issued	(6,478)	-	-	-	-
Payments for loans to local governments	-	-	-	-	(23)
Other receipts (payments)	23,111	10,413	-	10,691	(1,025)
Net Cash Provided (Used) by Operating Activities	(953,845)	(590,017)	(6,838)	133,997	20,333
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Custodial funds received	358,276	-	-	-	-
Office rental receipts	-	-	450	-	-
Share of State sales tax receipts	52,284	-	-	-	-
Grants and contributions received	1,097,315	-	-	-	-
Transfers from other Funds	969,267	-	2,000	-	81
Custodial funds disbursed	(373,066)	-	-	-	-
Grants and contributions disbursed	(683,362)	-	-	-	-
Distributions to local governments	-	-	-	(22,079)	-
Transfers to other Funds	-	(5,648)	-	(111,354)	(12,808)
Other receipts (payments)	11,915	-	(1,680)	-	(15)
Net Cash Provided (Used) by Non-capital Financing Activities	1,432,629	(5,648)	770	(133,433)	(12,742)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	465	-	-	-	-
Proceeds from capital debt, installment purchase contracts, and capital leases	504,726	-	-	-	-
Capital grants and contributions received	9,060	-	-	-	-
Transfers from other funds	34,625	-	-	-	-
Acquisition and construction of capital assets	(351,646)	-	(678)	(44)	(770)
Interest paid on capital debt, installment purchase contracts, and capital leases	(102,763)	-	-	-	(37)
Principal paid on capital debt, installment purchase contracts, and capital leases	(105,147)	-	-	-	(80)
Other receipts (payments)	-	-	(172)	-	(503)
Net Cash (Used) by Capital and Related Financing Activities	(10,680)	-	(850)	(44)	(1,390)

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



		GOVERNMENTAL	
TOTAL		ACTIVITIES -	
ENTERPRISE		INTERNAL	
FUNDS		SERVICE FUNDS	
\$	395,820	\$	-
	353,284		-
	989,823		-
	342,775		-
	62,036		-
	-	911,024	
	1,809,126		-
	4,938		-
	15,270		-
	2,915		-
	(3,180,580)	(785,723)	
	(2,038,636)	(29,948)	
	-	(10,942)	
	(189,830)	-	
	(6,478)	-	
	(23)	-	
	43,190	220	
	(1,396,370)	84,631	

	358,276	-	
	450	-	
	52,284	-	
	1,097,315	-	
	971,348	6,038	
	(373,066)	-	
	(683,362)	-	
	(22,079)	-	
	(129,810)	(49,940)	
	10,220	(266)	
	1,281,576	(44,168)	

	465	1,096	
	504,726	-	
	9,060	-	
	34,625	-	
	(353,138)	(3,475)	
	(102,800)	-	
	(105,227)	-	
	(675)	92	
	(12,964)	(2,287)	

(Continued)

STATE OF ARIZONA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	278,670	-	187,421	-	-
Interest and dividends from investments	19,307	9,765	13,842	136	488
Change in cash collateral received from securities lending transactions	-	-	(556)	-	(2,691)
Purchase of investments	(326,475)	-	(204,071)	-	(2)
Other (payments)	-	-	(1,247)	-	(33)
Net Cash Provided (Used) by Investing Activities	(28,498)	9,765	(4,611)	136	(2,238)
Net Increase (Decrease) in Cash and Cash Equivalents	439,606	(585,900)	(11,529)	656	3,963
Cash and Cash Equivalents - Beginning	388,096	602,590	96,658	35,538	81,158
Cash and Cash Equivalents - Ending	\$ 827,702	\$ 16,690	\$ 85,129	\$ 36,194	\$ 85,121

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES:**

Operating income (loss)	\$ (1,134,433)	\$ (554,948)	\$ (47,043)	\$ 141,743	\$ 9,537
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	218,577	-	1,339	353	2,106
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(24,671)	(49,441)	(689)	(1,236)	15,599
(Increase) in due from U.S. Government	-	(4,538)	-	-	(306)
(Increase) decrease in due from other Funds	-	-	-	-	(11)
(Increase) decrease in inventories, at cost	2,691	-	-	(1,560)	95
(Increase) decrease in other assets	(180)	-	-	126	(538)
Increase (decrease) in accounts payable	(7,710)	-	2,759	(147)	(3,454)
Increase (decrease) in accrued liabilities	1,871	(303)	-	(5,282)	(1,685)
Increase in due to U.S. Government	-	7,649	-	-	-
Increase in due to others	-	11,564	-	-	-
Increase in due to other Funds	-	-	-	-	-
(Decrease) in deferred revenue	(9,990)	-	-	-	(1,022)
Increase in accrued insurance losses	-	-	36,764	-	-
Increase (decrease) in other liabilities	-	-	32	-	12
Net Cash Provided (Used) by Operating Activities	\$ (953,845)	\$ (590,017)	\$ (6,838)	\$ 133,997	\$ 20,333

**SCHEDULE OF NONCASH INVESTING, CAPITAL  
AND NON-CAPITAL FINANCING ACTIVITIES**

Assets acquired under capital leases	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Capital lease obligations assumed by other Funds	-	-	-	-	-
Contribution of capital assets from other Funds	-	-	-	-	-
Gifts and conveyances of capital assets	1,165	-	-	-	-
(Loss) on disposal of capital assets, net	(2,276)	-	-	-	-
Change in fair value of investments	8,466	-	24,655	-	-
Amortization of bond discount and issuance costs	(2,346)	-	-	-	-
Amortization of bond premium	1,728	-	-	-	-
Amortization of deferred rent	4,900	-	-	-	-
Amortization of deferred costs of refundings	1,497	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	\$ 23,134	\$ -	\$ 24,655	\$ -	\$ -

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
466,091	-
43,538	26
(3,247)	-
(530,548)	-
(1,280)	-
(25,446)	26
(153,204)	38,202
1,204,040	129,149
\$ 1,050,836	\$ 167,351

\$ (1,585,144) \$ 44,159

222,375	13,586
(60,438)	7,050
(4,844)	(1,500)
(11)	841
1,226	122
(592)	2,319
(8,552)	5,249
(5,399)	(32)
7,649	-
11,564	-
-	214
(11,012)	-
36,764	13,904
44	(1,281)
\$ (1,396,370)	\$ 84,631

\$ 10,000	\$ -
-	3,082
-	305
1,165	-
(2,276)	-
33,121	-
(2,346)	-
1,728	-
4,900	-
1,497	-
\$ 47,789	\$ 3,387

STATE OF ARIZONA  
**STATEMENT OF FIDUCIARY NET ASSETS**  
FIDUCIARY FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash	\$ 74,066	\$ -	\$ 36,578
Cash and pooled investments with State Treasurer	-	-	192,731
Short-term investments	-	-	3,552
Receivables, net of allowances:			
Accrued interest and dividends	71,907	10,854	1
Securities sold	261,720	-	-
Forward contracts receivable	711,480	-	-
Contributions	61,811	-	-
Court fees	872	-	-
Due from other Funds	7,543	-	-
Miscellaneous receivables	15,971	-	-
Total receivables	<u>1,131,304</u>	<u>10,854</u>	<u>1</u>
Due from others	-	-	82,351
Investments, at fair value:			
Temporary investments	1,320,643	-	-
U.S. Government securities	3,445,520	1,569,759	-
Corporate bonds	3,206,843	13,057	-
Corporate notes	-	717,222	-
Corporate stocks	17,682,177	-	-
Real estate	1,307,212	-	-
Private equity	948,789	-	-
Opportunistic investments	882,306	-	-
Collateral investment pool	3,005,171	117,442	-
Repurchase agreements	-	1,817,796	-
Money market mutual funds	-	1,025	-
Other investments	665,489	8,725	-
Total investments	<u>32,464,150</u>	<u>4,245,026</u>	<u>-</u>
Custodial securities in safekeeping	-	-	3,628,892
Other assets	-	-	5,125
Property and equipment, net of accumulated depreciation	<u>4,767</u>	<u>-</u>	<u>-</u>
Total Assets	<u>33,674,287</u>	<u>4,255,880</u>	<u>3,949,230</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	41,054	-	-
Payable for securities purchased	553,901	-	-
Management fee payable	-	214	-
Obligation under securities loan agreements	3,005,171	117,442	-
Forward contracts payable	695,488	-	-
Due to local governments	-	306	129,466
Due to others	-	-	3,819,764
Due to other Funds	<u>7,543</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>4,303,157</u>	<u>117,962</u>	<u>3,949,230</u>
<b>NET ASSETS</b>			
Held in trust for:			
Pension benefits	28,125,156	-	-
Other post-employment benefits	1,245,974	-	-
Pool participants	-	4,137,918	-
Total Net Assets	<u>\$ 29,371,130</u>	<u>\$ 4,137,918</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 ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
<b>ADDITIONS:</b>		
Member contributions	\$ 1,006,081	\$ -
Employer contributions	1,207,510	-
Member purchase of service credit	83,251	-
Court fees	9,538	-
Investment income:		
Net increase in fair value of investments	3,110,723	8,841
Interest income	258,565	14,256
Dividends	338,532	-
Other investment income	158,770	-
Securities lending income	18,741	193
Total investment income	3,885,331	23,290
Less investment expenses:		
Investment activity expenses	137,990	2,508
Securities lending expenses	2,197	114
Net investment income	3,745,144	20,668
Capital share and individual account transactions:		
Shares sold	-	5,400,670
Reinvested interest income	-	19,679
Shares redeemed	-	(5,542,087)
Net capital share and individual account transactions	-	(121,738)
Other additions	4,294	-
Total Additions	6,055,818	(101,070)
<b>DEDUCTIONS:</b>		
Retirement, disability, and survivor benefits	2,785,129	-
Refunds to withdrawing members, including interest	184,020	-
Administrative expense	38,415	-
Dividends to investors	-	19,122
Other deductions	12,628	-
Total Deductions	3,020,192	19,122
Change in net assets held in trust for:		
Pension benefits	2,909,653	-
Other post-employment benefits	125,973	-
Pool participants	-	(120,192)
Net Assets - Beginning	26,335,504	4,258,110
Net Assets - Ending	\$ 29,371,130	\$ 4,137,918

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

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET ASSETS**  
 COMPONENT UNITS - PROPRIETARY FUNDS  
 JUNE 30, 2010  
 (Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	TOTAL
<b>ASSETS</b>				
Current Assets:				
Cash	\$ -	\$ 1,214	\$ -	\$ 1,214
Cash and pooled investments with State Treasurer	66,324	-	5,503	71,827
Cash held by trustee	4,703	-	-	4,703
Collateral investment pool	3,636	-	-	3,636
Short-term investments	-	124,297	-	124,297
Restricted investments held by trustee	-	11,773	4,046	15,819
Receivables, net of allowances:				
Interest	12,762	17	-	12,779
Patient accounts receivable	-	77,503	-	77,503
Other	6,195	47,886	3,388	57,469
Inventories, at cost	-	12,300	-	12,300
Other current assets	-	3,917	1,707	5,624
Total Current Assets	93,620	278,907	14,644	387,171
Noncurrent Assets:				
Restricted investments held by trustee	-	43,234	6,551	49,785
Loans and notes receivable, net of allowances	1,158,137	-	-	1,158,137
Investments	105,257	-	-	105,257
Other noncurrent assets	4,996	14,802	29,200	48,998
Capital assets:				
Land and other non-depreciable	-	27,485	-	27,485
Buildings, equipment, and other depreciable	101	548,929	1,322	550,352
Less: accumulated depreciation	(101)	(263,295)	(1,182)	(264,578)
Total Noncurrent Assets	1,268,390	371,155	35,891	1,675,436
Total Assets	1,362,010	650,062	50,535	2,062,607
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	-	55,353	3,644	58,997
Accrued liabilities	10,235	37,757	542	48,534
Obligations under securities loan agreements	3,636	-	-	3,636
Current portion of accrued insurance losses	-	5,568	-	5,568
Current portion of long-term debt	36,995	4,295	4,220	45,510
Current portion of other long-term liabilities	85	9,036	61	9,182
Total Current Liabilities	50,951	112,009	8,467	171,427
Noncurrent Liabilities:				
Unearned deferred revenue	2,412	-	-	2,412
Accrued insurance losses	-	8,845	-	8,845
Long-term debt	872,607	275,617	37,900	1,186,124
Other long-term liabilities	-	8,887	-	8,887
Total Noncurrent Liabilities	875,019	293,349	37,900	1,206,268
Total Liabilities	925,970	405,358	46,367	1,377,695
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	47,317	140	47,457
Restricted for:				
Loans and other financial assistance	379,482	-	-	379,482
Other	-	22,127	-	22,127
Unrestricted	56,558	175,260	4,028	235,846
Total Net Assets	\$ 436,040	\$ 244,704	\$ 4,168	\$ 684,912

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

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**  
COMPONENT UNITS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	TOTAL
<b>OPERATING REVENUES</b>				
Sales and charges for services	\$ -	\$ 567,639	\$ 30,927	\$ 598,566
Intergovernmental	72,203	-	-	72,203
Licenses, fees, and permits	13,248	-	-	13,248
Earnings on investments	22,889	-	-	22,889
Total Operating Revenues	<u>108,340</u>	<u>567,639</u>	<u>30,927</u>	<u>706,906</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and benefits	-	124,812	28,621	153,433
Interest on program loans	37,769	-	-	37,769
Personal services	1,348	252,252	-	253,600
Contractual services	1,240	102,276	-	103,516
Aid to local governments	31,477	-	-	31,477
Depreciation and amortization	-	26,487	31	26,518
Other	7,696	32,163	2,190	42,049
Total Operating Expenses	<u>79,530</u>	<u>537,990</u>	<u>30,842</u>	<u>648,362</u>
Operating Income	<u>28,810</u>	<u>29,649</u>	<u>85</u>	<u>58,544</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	6,066	3,908	26	10,000
Interest expense	-	(11,783)	(8)	(11,791)
Other non-operating expense	-	(1,209)	-	(1,209)
Total Non-Operating Revenues (Expenses)	<u>6,066</u>	<u>(9,084)</u>	<u>18</u>	<u>(3,000)</u>
Income Before Contributions	<u>34,876</u>	<u>20,565</u>	<u>103</u>	<u>55,544</u>
Capital grants and contributions	-	1,475	-	1,475
Change in Net Assets	34,876	22,040	103	57,019
Total Net Assets - Beginning	<u>401,164</u>	<u>222,664</u>	<u>4,065</u>	<u>627,893</u>
Total Net Assets - Ending	<u>\$ 436,040</u>	<u>\$ 244,704</u>	<u>\$ 4,168</u>	<u>\$ 684,912</u>

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

STATE OF ARIZONA  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2010  
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
<b>ASSETS</b>					
Cash and cash equivalent investments	\$ 9,619	\$ 37,173	\$ 2,054	\$ 20,222	\$ 69,068
Receivables:					
Pledges receivable	92,581	14,068	-	44,443	151,092
Other receivables	3,168	-	933	17,259	21,360
Total receivables	<u>95,749</u>	<u>14,068</u>	<u>933</u>	<u>61,702</u>	<u>172,452</u>
Investments:					
Investments in securities	495,102	346,558	25,423	114,439	981,522
Investments held in trust for Universities	-	30,525	-	4,809	35,334
Other investments	39,146	6,606	620	2,887	49,259
Total investments	<u>534,248</u>	<u>383,689</u>	<u>26,043</u>	<u>122,135</u>	<u>1,066,115</u>
Net direct financing leases	26,975	-	46,592	47,775	121,342
Property and equipment, net of accumulated depreciation	18,756	13,113	233,141	152,232	417,242
Licenses	-	-	-	4,530	4,530
Other assets	14,799	2,960	5,768	17,798	41,325
Total Assets	<u>700,146</u>	<u>451,003</u>	<u>314,531</u>	<u>426,394</u>	<u>1,892,074</u>
<b>LIABILITIES</b>					
Liability under Universities' endowment trust agreements	80,344	16,134	-	5,423	101,901
Bonds payable	79,554	-	346,488	227,177	653,219
Unearned revenue	3,961	-	-	26,928	30,889
Other liabilities	33,589	4,500	14,658	22,240	74,987
Total Liabilities	<u>197,448</u>	<u>20,634</u>	<u>361,146</u>	<u>281,768</u>	<u>860,996</u>
<b>NET ASSETS</b>					
Permanently restricted	345,464	311,411	-	42,296	699,171
Temporarily restricted	170,164	106,147	-	60,103	336,414
Unrestricted (deficit)	<u>(12,930)</u>	<u>12,811</u>	<u>(46,615)</u>	<u>42,227</u>	<u>(4,507)</u>
Total Net Assets	<u>\$ 502,698</u>	<u>\$ 430,369</u>	<u>\$ (46,615)</u>	<u>\$ 144,626</u>	<u>\$ 1,031,078</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, 2010  
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
<b>REVENUES</b>					
Contributions	\$ 42,034	\$ 50,893	\$ -	\$ 14,924	\$ 107,851
Rental revenue	1,151	-	16,349	31,098	48,598
Sales and services	22,855	-	8,466	8,164	39,485
Net investment income	34,231	33,650	166	10,513	78,560
Licensing revenue	-	-	-	2,434	2,434
Other revenues	4,120	9,899	4,771	14,955	33,745
Total Revenues	104,391	94,442	29,752	82,088	310,673
<b>EXPENSES</b>					
Program services:					
Payments to Universities	41,971	41,672	511	8,032	92,186
Leasing related expenses	-	-	-	8,651	8,651
Payments on behalf of Universities	-	13,194	-	5,246	18,440
Other program services	5,770	-	-	5,012	10,782
Personal services, operations, and administrative expenses	25,394	4,117	10,413	27,267	67,191
Fundraising expenses	-	5,593	-	2,657	8,250
Interest	2,199	-	14,071	11,320	27,590
Depreciation and amortization	2,415	-	11,285	7,237	20,937
Other expenses	7,173	-	457	1,584	9,214
Total Expenses	84,922	64,576	36,737	77,006	263,241
Increase (decrease) in net assets	19,469	29,866	(6,985)	5,082	47,432
Net Assets - Beginning	483,229	400,503	(39,630)	139,544	983,646
Net Assets - Ending	\$ 502,698	\$ 430,369	\$ (46,615)	\$ 144,626	\$ 1,031,078

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

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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STATE OF ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

<b>NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
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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 16 – *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 separate columns in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB Statement No. 14, *The Financial Reporting Entity* 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.

In addition, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB 39) 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 State reports the following blended component units:

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 Arizona Revised Statutes (ARS) 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 Public Safety Personnel Retirement System (PSPRS) is an agent, multi-employer public employee retirement system that benefits public safety employees of certain State and local governments. The PSPRS is jointly administered by the Board of Trustees (formerly Fund Manager) and 225 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Board of Trustees is a seven-member board appointed by the Governor and approved by the Senate to serve a fixed five-year term. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multi-employer public employee retirement plan that benefits elected officials and judges of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS administers the EORP plan according to the provisions of ARS Title 38, Chapter 5, Article 3.

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2010

The Corrections Officer Retirement Plan (CORP) is an agent, multi-employer public employee retirement plan that benefits prison and jail employees of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS and 24 local boards administer the CORP plan according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained from the applicable plan's office or website at:

Arizona State Retirement System  
P.O. Box 33910  
Phoenix, Arizona 85067-3910  
(602) 240-2000 or (800) 621-3778  
**www.azasrs.gov**

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, or the Corrections Officer Retirement Plan  
3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016  
(602) 255-5575  
**www.psprs.com**

The State reports the following discretely presented component units:

*Governmental Funds:*

Greater Arizona Development Authority (GADA) – The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA was created by an Act of the Arizona Legislature in 1997 and is a body, corporate and politic, of the State. The GADA is governed by a nine member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five year terms. The GADA fund was originally capitalized with General Fund appropriations and requests for additional capitalization of the GADA must be approved by the Arizona Legislature. Complete financial statements may be obtained from the GADA's administrative office at 1700 West Washington Street, Executive Tower, Suite 600, Phoenix AZ 85007, (602) 771-1100.

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) – The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. Under applicable ARS, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The Rio Nuevo is governed by a nine member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. Complete financial statements may be obtained from Beach Fleischman & Co. PC, c/o Jim Lovelace, 1985 E. River Rd. #201, Tucson, AZ 85718-7176, (520) 321-4600.

*Proprietary Funds:*

University Medical Center (UMC) – The UMC is the primary teaching hospital for the Colleges of Medicine, Nursing, Pharmacy, and Public Health, and the School of Health-Related Professions of the University of Arizona (U of A). The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a private, not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the U of A and the State remained. The ABOR confirms all members of the UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the UMC's administrative offices or website at 1501 N. Campbell Ave., Tucson, Arizona 85724, (520) 694-6501, **www.azumc.com**.

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

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2010

two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices at 1810 West Adams Street, Phoenix, Arizona 85007, (602) 368-4265.

Water Infrastructure Finance Authority (WIFA) – The 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 WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors. The ten Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1100 West Washington Street, Suite 290, Phoenix, Arizona 85007, (602) 364-1324.

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 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc., and Campus Research Corporation (CRC). The Collegiate Golf Foundation and University Public Schools, Inc. are included because each is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship or close affiliation to the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

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

Arizona State University Foundation (ASU Foundation) – The ASU Foundation's resources are disbursed at the discretion of the Foundation's independent board of directors, in accordance with donor directions and Foundation policy.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for either use by students of ASU or ASU itself.

University of Arizona Foundation (U of A Foundation) – The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs.

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

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment – These three foundations receive funds primarily through donations, dues, and/or affinity partners and contribute funds to ASU for support of various programs.

Arizona State University Research Park, Inc. (ASU Research Park) – ASU Research Park manages a research park to promote and support research activities in coordination with ASU.

Mesa Student Housing, LLC and Downtown Phoenix Student Housing, LLC – These foundations provide facilities for use by students of ASU.

Collegiate Golf Foundation – This foundation operates an ASU-owned golf course.

University Public Schools, Inc. (UPSI) – The UPSI operates two public schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

University of Arizona Alumni Association (U of A Alumni Association) – The U of A 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.

STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

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 (Park) and related properties. The CRC currently leases from the U of A the remaining 67.00% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the 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.

Northern Arizona University Foundation, Inc. (NAU Foundation) – The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of NAU for advancement of its mission.

Northern Arizona Capital Facilities Finance Corporation (NACFFC) – The NACFFC was established for the purpose of acquiring, developing, constructing, maintaining, and operating student housing and other capital facilities and equipment for the use and benefit of NAU's students.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained at the following addresses:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Collegiate Golf Foundation, Mesa Student Housing, LLC, Downtown Phoenix Student Housing, LLC, and the UPSI – Arizona State University, Financial Services, P.O. Box 875812, Tempe, Arizona 85287-5812 or (480) 965-3601

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

Law Association – Law College Association, The University of Arizona, P.O. Box 210176, Tucson, Arizona 85721-0176

CRC – The University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, Tucson, Arizona 85747

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

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 Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, Arizona 85722-3310.

***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 39. 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 is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – ARS §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of improving health care for Arizona residents by providing less expensive financing for health care facilities. Proceeds from bond issues are loaned to various qualifying nonprofit health care organizations. The health care organizations reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) – ARS §41-4502 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-

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member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) – ARS §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.

Arizona Housing Finance Authority (the Authority) – ARS §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority is required to notify and obtain written consent from the governing bodies of any city, town, county, tribal government, or existing corporation for any multifamily residential rental projects planned for their jurisdiction. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

State Compensation Fund – ARS §23-981 established the State Compensation Fund to provide insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits. The State Compensation Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members.

***Joint Ventures***

As described in Note 10, the U of A participates in a joint venture. In accordance with U.S. GAAP, the financial activities of this joint venture 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 assets 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 Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt** consist 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 assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or voter initiative.

**Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

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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:

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

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

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

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

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

The State reports the following major governmental funds:

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

*The Transportation and Aviation Planning, Highway Maintenance and Safety Fund* – accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport.

*The 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.

*The Industrial Commission Special Fund (Special Fund)* – accounts for the payment of workers' compensation claims that are not covered by the State Compensation Fund, the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

*The Lottery* – accounts for the activities of the Arizona State Lottery.



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Additionally, the State reports the following fund types:

*Internal Service Funds* – account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

*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, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governments and organizations.

### **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 31 days after year-end, except for the Transportation and Aviation Planning, Highway Maintenance and Safety Major Fund, as well as certain non-major governmental funds administered by the ADOT, which consider revenues to be available if 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 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.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The State's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

The State's business-type activities and enterprise funds follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

### **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 Assets "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "Cash held by

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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.

- i *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.
- i *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.
- i *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.
- i *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.
- i *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 JP Morgan prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange closing price. In the absence of a closing price, the mid/bid price will be utilized. If no pricing source is available, the cost price or last available price from any source will be utilized. All bonds are priced using an evaluated market price, the closing trade/bid price or the most recent mid/bid price, 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). If no pricing source is available, the cost price or the last available price from any source will be utilized.

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. ASRS’ derivative instruments, which consist of futures, forward contracts, options, swaps, rights, and warrants, are measured at fair value. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments. Private real estate, private equity, and opportunistic partnership investments are valued based on the partnerships’ March 2010 financial statements adjusted for cash flows through June 30, 2010. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment’s degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis. Net investment income (loss) includes net increase (decrease) in the fair value of investments, interest income, dividend income, real estate, private equity, and opportunistic investments income, and total investment expense. This includes investment management, real estate, private equity, and opportunistic investment expenses and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair value. Short term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed income broker/dealers. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

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**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 revenues.

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, 2010. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2010, 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. PROPERTY TAX CALENDAR**

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

**H. CAPITAL ASSETS**

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets 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 GASB Statement No. 34. 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	\$5,000-\$100,000	20-50
Equipment	\$5,000	3-15	\$5,000	3-25
Infrastructure	All capitalized	Not depreciated	\$0-\$100,000	20-100
Software	\$1,000,000	5-10	\$1,000,000	5-10
Other intangibles	\$100,000	Varied	\$100,000	Varied

Other intangibles include licenses and permits, patents, copyrights and trademarks, 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.

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The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this 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 ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. 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. ASU capitalizes all works of art and historical treasures with a unit cost of \$5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

**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 Assets. 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 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 Assets.

**K. DEFERRED REVENUE**

Deferred revenue consists of payments to the State for goods and services not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

**L. 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 service 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 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

For sick leave policy, see Note 11.C.

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**M. LONG-TERM OBLIGATIONS**

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method. Bonds and COPs are reported net of the applicable premium or discount. Bond issuance costs and deferred gains or losses on debt refundings are charged to expense in the period incurred unless those costs are deemed to be material to the State's financial statements by management, in which case, they are deferred and amortized using either the straight-line method or the effective interest method.

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 liabilities are more fully described in Note 7.

**N. NEW ACCOUNTING PRONOUNCEMENTS AND REPORTING ENTITY CHANGE**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by the State. Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions; or to lower the cost of borrowing. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for periods beginning after June 15, 2009. The State has implemented the requirements of this standard, but they had no effect on the financial statements.

In prior years, the Rio Nuevo was reported in the financial statements of the City of Tucson as a discretely component unit and separately issued financial statements were not prepared. In November 2009, the State Legislature passed Senate Bill 1003 which changed the configuration of the Rio Nuevo's Board. The nine member Board is appointed as discussed earlier in Note 1(A). In March 2010, the newly reconstituted Board met for the first time. As a result of this change, it was determined that ultimate financial accountability for the Rio Nuevo is now with the State, rather than with the City of Tucson. Therefore, the Rio Nuevo will be reported in the financial statements of the State of Arizona beginning in fiscal year 2010.

<b>NOTE 2. DEPOSITS AND INVESTMENTS</b>
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**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.

ARS §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

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interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

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

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 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. Please note that in prior years, the Local Government Investment Pool – FF&C was the Local Government Investment Pool – Government and the Local Government Investment Pool – Medium Term was the Local Government Investment Pool – Long Term. In addition, the Local Government Investment Pool – Medium Term FF&C was created during fiscal year 2010 as an additional investment option.

In September of 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of \$39.427 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. As of June 30, 2010, the fair value of the pool was \$7.693 million. The likelihood that these participant monies will be recovered is not known.

The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV 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.

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 enterprise of a like character and with like aims as that of the system, subject to certain statutory limitations and restrictions.

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, real estate, private equity, and opportunistic investments. Per ARS §38-719, no more than 80.00% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5.00% of the voting stock of any one corporation may be owned. No more than 30.00% of the ASRS' assets may be invested in foreign securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. No more than 10.00% 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. No more than 1.00% of the ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona Department of Commerce. ARS §35-392 requires divestment from investments in companies that do business in Sudan, Iran, or other State Sponsors of Terrorism countries under certain conditions. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 50.00% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848, §38-803A(4), and §38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80.00% 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

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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 20.00% 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 exchanged 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 5.00% 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 5.00% 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 ABOR governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per ARS §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 ARS §38-719.

**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 Retirement Systems must be equal to at least 100.00% of the bank balance required to be collateralized (102.00% for the State Treasurer). 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. As of June 30, 2010, some State agencies have uncollateralized and uninsured deposits in the amount of \$467 thousand and \$34.933 million in deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the State's name.

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 regards to custodial credit risk for investments. As of June 30, 2010, the State had \$97.863 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.

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**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 ARS limitations into their investment policy and setting forth various thresholds or parameters 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 ASU policy for operating funds limits the maximum maturity of any fixed rate issue to five years. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with 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 equities in order to manage the exposure to interest rate risk with each different fund manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

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

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (in years)</b>
Asset backed securities	\$ 99,714	1.11
Commercial mortgage backed securities	10,020	28.09
Commercial paper	1,001,686	.11
Corporate notes & bonds	1,400,022	3.86
FDIC certificates of deposit	8,725	.67
Government bonds	10,324	12.22
Government mortgage backed securities	34,473	17.00
Index linked government bonds	11,034	6.23
Money market mutual funds	238,146	.10
Non-government backed collateralized mortgage obligations (CMOs)	9,884	19.22
Repurchase agreements	2,384,724	0.02
U.S. agency securities	1,393,661	1.49
U.S. agency securities - full faith	26,196	2.70
U.S. agency mortgage backed securities	457,846	13.99
U.S. agency mortgage backed securities – full faith	287,557	19.10
U.S. Treasury securities	2,281,341	.88
Other	21,506	4.73
Total Debt Securities	<u>\$ 9,676,859</u>	2.39

The ASRS does not have a formal policy in regards to interest rate risk, but does manage interest rate risk using effective duration. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions. The following table presents ASRS' effective duration by investment type (expressed in thousands):



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<b>Investment Type</b>	<b>Fair Value</b>	<b>Effective Duration (in years)</b>
Asset backed securities	\$ 318,016	2.40
CMOs of government agencies	8,596	(1.00)
Commercial mortgage backed securities	312,398	3.10
Corporate bonds	1,424,474	4.90
Government bonds	1,088,288	4.60
Government mortgage backed securities	1,397,129	1.70
Government related bonds	884,248	3.40
Non-government backed CMOs	91,938	4.60
Total Debt Securities	<u>\$ 5,525,087</u>	3.53

The PSPRS, the EORP, and the CORP do not have a formal policy in regards to interest rate risk. The NAU's and the U of A's investment policies for their operating funds limit the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's and the U of A's endowment funds have no such limitation. The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution (expressed in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>					
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>More than 20</b>
Corporate notes & bonds	\$ 1,051,580	\$ 11,126	\$ 27,864	\$ 29,873	\$ 11,590	\$ 6,183	\$ 964,944
Collateralized bond obligations (CBOs)	27,994	-	-	12,321	-	-	15,673
Collateralized debt obligations (CDOs)	15,398	-	-	-	-	-	15,398
Money market mutual funds	542,883	542,883	-	-	-	-	-
U.S. agency securities	282,234	73,694	140,670	25,587	16,662	12,699	12,922
U.S. Treasury securities	25,956	20,048	5,589	319	-	-	-
Other investments	28,672	71	5,636	22,266	173	47	479
Total Debt Securities	<u>\$ 1,974,717</u>	<u>\$ 647,822</u>	<u>\$ 179,759</u>	<u>\$ 90,366</u>	<u>\$ 28,425</u>	<u>\$ 18,929</u>	<u>\$ 1,009,416</u>

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

<b>Interest Rate Terms</b>	<b>Corporate Notes &amp; Securities</b>	<b>U.S. Agency Securities</b>	<b>Total</b>
The London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point amount which resets from monthly to quarterly.	\$ 371,888	\$ 134,211	\$ 506,099
Corporate asset backed securities with coupon tied to LIBOR plus/minus a fixed basis point amount which resets monthly.	73,741	-	73,741
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.	-	780,499	780,499
U.S. Agency Securities - where on certain specified dates, the issuer can call the security. If the security 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.	-	214,554	214,554
Other securities with high sensitivity to rate changes.	-	131,699	131,699
Total	<u>\$ 445,629</u>	<u>\$ 1,260,963</u>	<u>\$ 1,706,592</u>

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**D. CREDIT RISK**

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

State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, and notes must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P). For investments not rated by Moody's, Fitch rating information is used. 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 assumed to be implicitly guaranteed by the U.S. Government, as some are collateralized with U.S. Agency securities.

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

The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income investments must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. Commercial paper must have a minimum quality rating of P-1 by Moody's and A1 by S & P at the time of purchase. The portion of the bond portfolio in investments rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20.00% or less of the fair value of the fixed income portfolio.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and must be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Also, 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 Ba by Moody's or BB 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, 2010. The ratings are presented using S & P's rating scale (expressed in thousands):

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Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC Thru D	A1	Not Rated
Asset backed securities	\$ 418,434	\$ 170,060	\$ 37,942	\$ 23,268	\$ 65,006	\$ 16,604	\$ 21,572	\$ 83,176	\$ -	\$ 806
Bond mutual funds	22,098	-	-	-	-	-	-	-	-	22,098
CBOs	27,994	-	-	23,262	-	-	-	-	-	4,732
CDOs	15,398	-	-	15,398	-	-	-	-	-	-
CMOs of government sponsored entities	8,596	8,596	-	-	-	-	-	-	-	-
Commercial mortgage backed securities	322,418	251,329	9,774	41,320	10,158	3,020	-	2,543	-	4,274
Commercial paper	1,001,686	-	-	-	-	-	-	-	1,001,686	-
Corporate notes & bonds	3,514,503	135,559	1,275,672	1,079,882	488,021	120,967	265,462	110,017	-	38,923
Government bonds	1,097,697	1,097,697	-	-	-	-	-	-	-	-
Government mortgage backed securities	1,397,129	1,397,129	-	-	-	-	-	-	-	-
Government related bonds	884,248	785,355	50,734	24,415	23,582	162	-	-	-	-
Indexed linked government bonds	10,763	10,763	-	-	-	-	-	-	-	-
Money market mutual funds	781,029	710,345	-	-	-	-	-	-	-	70,684
Non-government backed CMOs	101,822	16,587	1,405	10,836	10,517	2,389	9,302	48,495	-	2,291
Repurchase agreements	310,240	310,240	-	-	-	-	-	-	-	-
U.S. agency mortgage backed securities	457,846	457,846	-	-	-	-	-	-	-	-
U.S. agency securities	1,607,298	1,337,824	788	5,399	-	-	-	-	263,279	8
Other investments	91,658	3,130	11	-	-	-	-	-	-	88,517
Total	\$ 12,070,857	\$ 6,692,460	\$ 1,376,326	\$ 1,223,780	\$ 597,284	\$ 143,142	\$ 296,336	\$ 244,231	\$ 1,264,965	\$ 232,333

**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 5.00% of their investments may be invested in securities issued by any one institution, agency, or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government or mortgage backed securities and agency debentures issued by federal agencies. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50.00% of the market value of the pool. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5.00% 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 used as direct obligations of and fully guaranteed by the U.S. Government. At June 30, 2010, more than 5.00% of the Governmental Activities' total investments were held in the following single issues (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	\$ 564,873	9.20%
Federal National Mortgage Association	808,783	13.17%

At June 30, 2010, more than 5.00% of the Business-type Activities' total investments were held in the following single issues (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Bank	\$ 116,574	9.11%
Federal Home Loan Mortgage Corporation	147,704	11.55%
Federal National Mortgage Association	152,103	11.89%

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**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 is the primary State agency that has foreign currency risk. Per ARS §38-719, no more than 30.00% of the ASRS' assets may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. The following table summarizes the State's foreign currency risk as of June 30, 2010 (expressed in thousands):

<b>Foreign Currency Risk by Investment Type at Fair Value</b>					
<b>Currency</b>	<b>Short Term</b>	<b>Fixed Income</b>	<b>Equities</b>	<b>Other Investments</b>	<b>Total</b>
Australian Dollar	\$ 192	\$ 413	\$ 73,904	\$ 49	\$ 74,558
Bermudian Dollar	-	2,232	-	-	2,232
Brazilian Real	6	167	773	-	946
British Pound Sterling	(42)	8,030	380,065	22,968	411,021
Canadian Dollar	696	27,986	20,465	133	49,280
Czech Koruna	63	-	4,719	-	4,782
Danish Krone	6	-	20,165	20	20,191
Euro Currency	8,464	9,265	662,396	54,027	734,152
Hong Kong Dollar	185	-	93,838	39	94,062
Israeli Shekel	-	-	503	76	579
Japanese Yen	4,934	-	406,279	922	412,135
Mexican Peso	-	-	606	-	606
New Zealand Dollar	5	-	5,037	7	5,049
Norwegian Krone	41	-	2,527	40	2,608
Singapore Dollar	14	-	24,292	25	24,331
South African Rand	-	-	13,272	-	13,272
South Korean Won	-	-	21,091	-	21,091
Swedish Krona	6	372	31,603	27	32,008
Swiss Franc	4	-	212,888	37	212,929
Thailand Baht	-	-	1,017	-	1,017
Various mutual funds	-	1,272	43,769	642	45,683
Total	\$ 14,574	\$ 49,737	\$ 2,019,209	\$ 79,012	\$ 2,162,532

**G. UNEMPLOYMENT COMPENSATION**

Pursuant to Section 904 of the Social Security Act (42 U.S.C. §1104), unemployment insurance contributions from Arizona employers are deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major enterprise fund, has been established for this purpose.

**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. Industrial Commission**

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a

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contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2010. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102.00% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105.00% of the market value of securities loaned plus accrued interest. The market value at June 30, 2010 for loaned securities collateralized by cash and non-cash collateral was \$43.005 million and \$0, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at \$44.180 million and \$0, respectively at June 30, 2010. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 90 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 24 days as of June 30, 2010. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either the lender or the borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2010, the Commission had \$44.180 million outstanding as payable for securities lending. A maximum restriction on the amount of securities that can be lent out at any one time of \$43.976 million was set by the Commission on September 29, 2008.

## **2. Arizona State Retirement System**

The ASRS is permitted by ARS §38-715(D) (3), to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. The ASRS currently receives as collateral at least 102.00% of the market value of the loaned securities and maintains collateral at no less than 100.00% for the duration of the loan. At year-end, the ASRS had no counter party risk to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Cash collateral received may be reinvested. 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. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2010, the fair value of securities on loan was \$3.9 billion; \$2.3 billion in cash collateralized loans and \$1.6 billion in non-cash collateralized loans. Cash of \$2.4 billion received as collateral for securities loaned was reinvested and had a net asset value of \$2.4 billion, as of June 30, 2010. The securities lending payable at June 30, 2010 was \$2.4 billion. The ASRS is indemnified against gross negligence and borrower default by the lending agents.

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

The PSPRS, the EORP, and the CORP are permitted by ARS Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. 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 102.00% of the fair value of the loaned U.S. Government or corporate security. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan. Securities on loan are carried at fair value. As of June 30, 2010, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$481.292 million, \$29.368 million, and \$117.191 million, respectively. At June 30, 2010, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were \$494.161 million, \$30.153 million, and \$120.325 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent.

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**I. DERIVATIVES**

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

- i It has one or more underlyings 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.
- i 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.
- i 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.

The ASRS is the primary State agency that has investment derivatives. The ASRS's derivatives are considered "Investment Derivative Instruments" as defined in GASB 53. All funds are considered fiduciary funds.

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 Assets. 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 Assets.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2010 financial statements are as follows (expressed in thousands):

<b>Investment Derivatives by Type</b>					
<b>Investment Derivatives</b>	<b>Changes in Fair Value Classification</b>	<b>Amount</b>	<b>Fair Value at June 30, 2010 Classification</b>	<b>Amount</b>	<b>Notional</b>
Commodity futures	Net increase (decrease) in fair value of investments	\$ 7,357	Forward contracts payable	\$ (579)	\$ 14,551
Credit default swaps written	Net increase (decrease) in fair value of investments	30	Temporary investments, other investments	58	13,900
Fixed income futures	Net increase (decrease) in fair value of investments	72,987	Forward contracts receivable	15,289	(22,064,950)
Fixed income options written	Net increase (decrease) in fair value of investments	513	Temporary investments, other investments	(749)	(90,100)
Foreign currency futures	Net increase (decrease) in fair value of investments	35,085	Forward contracts receivable	16,088	81,103
Foreign currency options written	Net increase (decrease) in fair value of investments	40	Not applicable	-	-
Futures options written	Net increase (decrease) in fair value of investments	(137)	Temporary investments	(877)	(570)
Foreign currency forwards	Net increase (decrease) in fair value of investments	27,547	Forward contracts receivable	6,207	683,735
Index futures	Net increase (decrease) in fair value of investments	26,949	Forward contracts payable	(24,588)	7,405
Fixed interest rate swaps	Net increase (decrease) in fair value of investments	(207)	Other investments	167	34,000
Rights	Net increase (decrease) in fair value of investments	1,111	Corporate stocks	74	1,334
Warrants	Net increase (decrease) in fair value of investments	(208)	Corporate stocks	675	479
Total		<u>\$171,067</u>		<u>\$ 11,765</u>	<u>\$(21,319,113)</u>

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

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The credit quality ratings of counterparties as described by NRSROs and the counterparties related risk concentration, as of June 30, 2010, are as follows (expressed in thousands):

<b>Counterparty Risk and Ratings</b>					
<b>Counterparty Name</b>	<b>Total</b>	<b>Risk Concentration</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Moody's</b>
Bank of America	\$ 955	8.12%	A+	A+	Aa3
Barclays	1,433	12.18%	AA-	AA-	Aa3
BNP Paribas SA	577	4.90%	AA	AA-	Aa2
Citibank N.A.	459	3.90%	A+	A+	A1
Credit Suisse London	580	4.93%	A+	AA-	Aa1
Deutsche Bank London	987	8.39%	A+	AA-	Aa3
Goldman Sachs International	7	0.06%	A	A+	A1
HSBC Bank USA	36	0.31%	AA	AA	Aa3
JP Morgan Securities, Inc.	167	1.42%	A+	AA-	Aa3
JP Morgan Chase Bank N.A.	914	7.77%	AA-	AA-	Aa1
Royal Bank of Scotland PLC	1,206	10.25%	A+	AA-	Aa3
Standard Chartered Bank	646	5.49%	A+	A+	A2
State Street Bank and Trust Co.	893	7.59%	AA-	A+	Aa2
USB AG	2,904	24.68%	A+	A+	Aa3
Westpac Banking Corporation	1	0.01%	AA	AA	Aa1
Total	<u>\$ 11,765</u>	<u>100.00%</u>			

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.

The ASRS's derivatives do not have contingent features.

The aggregate fair value of investment derivative instruments in asset positions at June 30, 2010 was \$38.600 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties fail to perform as contracted. There was no collateral received or netting arrangements in place at June 30, 2010 with counterparties that would reduce this exposure.

The ASRS has exposure to interest rate risk due to the investment in an interest rate swap agreement. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The fair value balance and notional amount of the interest rate swap outstanding as of June 30, 2010, for the year then ended, as reported in the June 30, 2010 financial statements are as follows (expressed in thousands):

<b>Interest Rate Risk for Interest Rate Swap</b>			
<b>Asset ID</b>	<b>Asset Description</b>	<b>Fair Value</b>	<b>Notional</b>
SWU058948	IRS BRL R F 11.57000 / IRS BRL P V 00MCETIP	\$ 167	\$ 34,000

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 2.F.

Refer to Note 7.A.4.c. for information on debt derivatives utilized by ASU.

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

The State Treasurer issues a separately published Annual Financial Report. The report provides 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 Financial Report can be obtained from their office location or website at:

Arizona State Treasurer's Office  
1700 W. Washington St.  
Phoenix, Arizona 85007  
(602) 604-7800 or (877) 365-8310  
[www.aztreasury.gov](http://www.aztreasury.gov)

The Treasurer's financial statements are audited by the Office of the Auditor General.

**NOTE 3. RECEIVABLES/DEFERRED REVENUE**

**A. TAXES RECEIVABLE**

The following table summarizes taxes receivable at June 30, 2010 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Industrial Commission Special Fund	Non-Major Governmental Funds	Government-wide Total
Sales	\$ 500,811	\$ -	\$ -	\$ -	\$ 43,374	\$ 544,185
Income – individual and corporate	205,210	-	-	-	-	205,210
Motor vehicle and fuel	-	60,649	-	-	-	60,649
Luxury	6,052	-	-	-	17,807	23,859
Unemployment	-	-	82,736	-	-	82,736
Other	-	-	-	3,925	-	3,925
Gross taxes receivable	712,073	60,649	82,736	3,925	61,181	920,564
Allowance for uncollectible taxes	(235,197)	-	-	-	-	(235,197)
Net Taxes Receivable	\$ 476,876	\$ 60,649	\$ 82,736	\$ 3,925	\$ 61,181	\$ 685,367



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**B. DEFERRED REVENUE**

At June 30, 2010, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

<b>Current Deferred Revenue for Governmental Funds:</b>	<b>Unavailable</b>	<b>Unearned</b>	<b>Total Deferred Revenue</b>
General Fund:			
Delinquent sales tax	\$ 120,150	\$ -	\$ 120,150
Delinquent income tax	102,750	-	102,750
Tobacco settlement	54,106	-	54,106
Child support administrative reimbursements	4,334	-	4,334
Advance insurance premium taxes	-	40,681	40,681
Advance land lease payments	-	291	291
Public assistance overpayments	826	-	826
Vaccine & commodity food supplement	-	1,176	1,176
Advance county acute and long term care payments	-	19,334	19,334
Federal grants	351,982	-	351,982
Other	2	-	2
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Loans & notes receivable for asset purchases and construction	8,461	-	8,461
Land Endowments Fund:			
Land sales receivable	240,697	-	240,697
Land leases receivable	8,429	-	8,429
Advance land lease payments	-	19,429	19,429
Non-Major Funds:			
Public assistance overpayments	940	-	940
Advance payments for Hawaii/Arizona PMMIS Alliance	-	955	955
Other	-	5	5
Total Current Deferred Revenue for Governmental Funds	<u>892,677</u>	<u>81,871</u>	<u>974,548</u>
<b>Noncurrent Deferred Revenue for Governmental Funds:</b>			
General Fund:			
Advance land lease payments	-	4,843	4,843
Land Endowments Fund:			
Land sales receivable	588,010	-	588,010
Advance land lease payments	-	77,113	77,113
Total Noncurrent Deferred Revenue for Governmental Funds	<u>588,010</u>	<u>81,956</u>	<u>669,966</u>
Total Current and Noncurrent Deferred Revenue for Governmental Funds	<u>\$ 1,480,687</u>	<u>\$ 163,827</u>	<u>\$ 1,644,514</u>
<b>Current Deferred Revenue for Proprietary Funds:</b>		<b>Unearned</b>	
Universities:			
Unexpended cash advances received		\$ 43,456	
Auxiliary sales and services		5,662	
IBM lease related to acquisition of research park		4,900	
Student tuition and fees		52,432	
Deposits		1,189	
Other		1,618	
Non-Major Funds:			
Policyholders' advance premiums		5,062	
Magazine subscriptions		2,462	
Other		624	
Total Current Deferred Revenue for Proprietary Funds		<u>\$ 117,405</u>	
<b>Noncurrent Deferred Revenue for Proprietary Funds:</b>			
Universities:			
IBM lease related to acquisition of research park		\$ 15,170	
Total Noncurrent Deferred Revenue for Proprietary Funds		<u>\$ 15,170</u>	

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**NOTE 4. CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2010 were as follows (expressed in thousands):

	<b>Primary Government</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments &amp; Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Non-depreciable capital assets:					
Land	\$ 2,488,112	\$ 113,866	\$ -	\$ 563	\$ 2,602,541
Construction in progress	3,199,253	944,748	(305,450)	(15,441)	3,823,110
Development in progress	83,069	1,208	-	-	84,277
Infrastructure	10,631,789	420,342	(15,343)	-	11,036,788
Total Non-depreciable Capital Assets	16,402,223	1,480,164	(320,793)	(14,878)	17,546,716
Depreciable capital assets:					
Buildings	1,754,959	154,910	(403)	(13,468)	1,895,998
Improvements other than buildings	135,097	2,174	(143)	14,228	151,356
Equipment	713,524	28,725	(39,642)	26,204	728,811
Software and other intangibles	61,223	15,740	(1,100)	55,125	130,988
Infrastructure	15,321	15	-	6,284	21,620
Total Depreciable Capital Assets	2,680,124	201,564	(41,288)	88,373	2,928,773
Less accumulated depreciation for:					
Buildings	(591,563)	(41,321)	185	8,768	(623,931)
Improvements other than buildings	(74,618)	(7,074)	143	953	(80,596)
Equipment	(522,210)	(63,675)	37,885	(2,182)	(550,182)
Software and other intangibles	(27,492)	(7,790)	1,100	(51,002)	(85,184)
Infrastructure	(6,907)	(649)	-	(2,526)	(10,082)
Total Accumulated Depreciation	(1,222,790)	(120,509)	39,313	(45,989)	(1,349,975)
Total Depreciable Capital Assets, Net	1,457,334	81,055	(1,975)	42,384	1,578,798
Total Governmental Activities Capital Assets, Net	<u>\$ 17,859,557</u>	<u>\$ 1,561,219</u>	<u>\$ (322,768)</u>	<u>\$ 27,506</u>	<u>\$ 19,125,514</u>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Adjustments &amp; Reclassifications</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>					
Non-depreciable capital assets:					
Land	\$ 181,400	\$ 4,276	\$ (384)	\$ -	\$ 185,292
Construction in progress	131,054	196,393	(1,148)	(71,103)	255,196
Collections	17,882	8	(141)	-	17,749
Total Non-depreciable Capital Assets	330,336	200,677	(1,673)	(71,103)	458,237
Depreciable capital assets:					
Buildings	3,877,636	59,196	(5,169)	50,745	3,982,408
Improvements other than buildings	4,811	-	-	-	4,811
Equipment	1,345,615	93,932	(32,218)	6,093	1,413,422
Infrastructure	367,408	1,982	(14)	14,507	383,883
Total Depreciable Capital Assets	5,595,470	155,110	(37,401)	71,345	5,784,524
Less accumulated depreciation for:					
Buildings	(1,445,451)	(119,636)	2,149	6	(1,562,932)
Improvements other than buildings	(2,688)	(187)	-	(6)	(2,881)
Equipment	(943,624)	(89,865)	28,798	(2)	(1,004,693)
Infrastructure	(129,430)	(12,687)	3	-	(142,114)
Total Accumulated Depreciation	(2,521,193)	(222,375)	30,950	(2)	(2,712,620)
Total Depreciable Capital Assets, Net	3,074,277	(67,265)	(6,451)	71,343	3,071,904
Total Business-type Activities Capital Assets, Net	<u>\$ 3,404,613</u>	<u>\$ 133,412</u>	<u>\$ (8,124)</u>	<u>\$ 240</u>	<u>\$ 3,530,141</u>

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The governmental activities capital asset beginning balances for the year ended June 30, 2010 have been reclassified due to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

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

General government	\$ 24,453
Health and welfare	16,109
Inspection and regulation	1,814
Education	5,063
Protection and safety	43,905
Transportation	19,648
Natural resources	9,517
Total Governmental Activities	<u>\$ 120,509</u>

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

Lottery	\$ 353
Industrial Commission Special Fund	1,339
Universities	218,577
Other	2,106
Total Business-type Activities	<u>\$ 222,375</u>

<b>NOTE 5. PENSION BENEFITS</b>
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The State participates in the ASRS, the PSPRS, the EORP, and the CORP. Benefits are established by State statutes and provide retirement, death, and survivor benefits to State employees, public school employees and employees of counties, municipalities, and other State political subdivisions.

**A. PARTICIPATING EMPLOYERS**

The number of participating government employers as of June 30, 2010 is shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	78	143	21	1
Counties and county agencies	15	21	15	14
State	1	1	1	1
Special districts	93	60	-	-
School districts	243	-	-	-
Charter schools	156	-	-	-
Community college districts	10	-	-	-
Dispatchers	-	-	-	8

**B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS**

For the ASRS, contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Pension benefit and refund payments are recognized when due and payable in accordance with the terms of the plan.

For the PSPRS, the EORP, and the CORP, member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension benefits are recognized when due and payable in accordance with the terms of the plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

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**C. FUNDING POLICY**

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements may be amended by the Arizona State Legislature.

**Cost-sharing plans**

For the year ended June 30, 2010, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 9.00% and 8.34% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$155.349 million, \$155.820 million, and \$162.121 million, respectively, for the primary government which were equal to the required contributions for these years.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 24.36% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2010, 2009, and 2008 were \$2.643 million, \$2.830 million, and \$2.230 million, respectively, which were equal to the required contributions for these years.

**Agent plans**

For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 9.84 - 42.86%. Active CORP members were required by statute to contribute 8.41% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 7.44 - 8.12%.

**D. ANNUAL PENSION COST**

The State's annual pension costs, required contributions, and excess other post-employment benefit (OPEB) contributions applied to pensions (see Note 6.A. and B. for explanation) for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2010, is as follows (expressed in thousands):

	Annual Pension Costs	Pension Contributions Made Required Contributions	Excess OPEB Contributions
PSPRS	\$ 29,008	\$ 29,008	\$ 417
CORP	33,251	33,251	2,161

The State's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension for the current and preceding year follows for each of the agent, multiple-employer defined benefit pension plans. (expressed in thousands)

	Fiscal Year Ended	Annual Pension Costs	Percentage of Annual Cost Contributed	Net Pension
PSPRS	6/30/10	\$ 29,008	101%	\$ 1,691
	6/30/09	30,588	102%	1,274
	6/30/08	25,879	102%	600
CORP	6/30/10	33,251	106%	6,952
	6/30/09	35,022	106%	4,791
	6/30/08	26,405	110%	2,603

**E. FUNDED STATUS AND FUNDING PROGRESS**

The State's funded status for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuation, is as follows (expressed in thousands):

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Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2010	\$ 554,211	\$ 891,215	\$ (337,004)	62.2%	\$ 92,791	(363.2)%
CORP	6/30/2010	838,549	980,676	(142,127)	85.5%	363,999	(39.0)%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**F. ACTUARIAL METHODS AND ASSUMPTIONS**

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit pension plans for the most recent actuarial valuation as of 6/30/10 and actuarial valuation as of 6/30/08 that was used to determine the fiscal year 2010 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/08	6/30/08	6/30/10	6/30/10
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.50%	8.50%
Projected salary increases	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%
includes inflation at	5.00%	5.00%	5.50%	5.50%
Cost-of-living adjustments	None	None	None	None
Amortization method	level percent closed for unfunded actuarial accrued liability, open for excess	level percent closed for unfunded actuarial accrued liability, open for excess	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess	26 years for unfunded actuarial accrued liability, 20 years for excess	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	smoothed market value	smoothed market value	7-year smoothed market	7-year smoothed market

**G. UNIVERSITIES' RETIREMENT PLANS**

Faculty, academic professionals, service professionals, and administrative staff at the three universities (the ASU, the NAU, and the U of A) may select one of four retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The ASRS is a defined benefit plan and the other three plans are defined contribution plans. The three defined contribution plans are administered by independent insurance and annuity companies approved by the ABOR. In addition, the U of A employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions made by employees vest immediately and the Universities' contributions vest no later than after five years of full-time employment. Employees and Universities' contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company. Universities' contributions and associated investment earnings must be distributed to the employee in the form of an annuity paid over the employee's life.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2010, plan members and the three Universities were each required by statute to contribute an amount equal to

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7.00% of an employee's compensation, except for a 7.40% member contribution and an 8.06% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2010, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	\$ 30,139	\$ 30,139	\$ 60,278
VALIC	2,639	2,639	5,278
Fidelity	13,986	13,986	27,972
ASRS	19	18	37

<b>NOTE 6. OTHER POST-EMPLOYMENT BENEFITS</b>
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**A. PLAN DESCRIPTION**

**Cost-sharing plans**

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

The EORP, by statute, is a cost-sharing, multiple employer plan. However, because of its statutory structure, in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, paragraphs 5 and 41, the EORP's health insurance premium subsidy benefit (OPEB) is reported for such purposes as an agent, multiple-employer plan. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP's OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes or the RSI that follows.

**Agent plans**

In addition to pension benefits described, the PSPRS and the CORP each offer a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. The PSPRS and the CORP do not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent agreement. In addition, the PSPRS and the CORP are not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefits payments. Therefore, in accordance with GASB Statement No. 43, the health insurance subsidy benefit is reported as an agency fund. There are no accumulated assets or liabilities, only contributions and benefit distributions are presented in these funds. All assets of the PSPRS and the CORP are available to pay both pension benefits and the health insurance subsidy benefits. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

**B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS**

**Cost-sharing plan**

The ASRS recognition of contributions for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B. Benefit and refund payments are recognized when due and payable in accordance with the terms of the HBS plan and LTD plan.

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**Agent plans**

The PSPRS and the CORP recognition of employer contributions and refunds for the health insurance subsidy benefit are the same as the pension benefit in Note 5.B. Contributions in excess of the health insurance subsidy payments are reported as excess pension contributions in the pension benefit plan. Health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the plan.

**C. FUNDING POLICY**

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements are established and may be amended by the Arizona State Legislature.

**Cost-sharing plan**

For the year ended June 30, 2010, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.40% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.66% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$7.451 million, \$9.751 million, and \$10.070 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$12.294 million, \$18.722 million, and \$21.146 million, respectively, for the primary government which were equal to the required contributions for these years.

**Agent plans**

For the year ended June 30, 2010, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.16 - 3.53% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 0.97 - 1.07% of covered payroll.

**D. ANNUAL OPEB COST**

The State's annual OPEB costs, OPEB contributions made, and increase in OPEB obligation for each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2010, is as follows (expressed in thousands):

	Annual OPEB Costs	OPEB Contributions Made	Increase in OPEB Obligation
PSPRS	\$ 2,074	\$ 1,657	\$ 417
CORP	3,996	1,835	2,161

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding year follows for each of the agent, multiple-employer defined benefit post-employment plans. (expressed in thousands)

	Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
PSPRS	6/30/10	\$ 2,074	79.9%	\$ 1,691
	6/30/09	2,401	71.9%	1,274
	6/30/08	2,350	74.5%	600
CORP	6/30/10	3,996	45.9%	6,952
	6/30/09	3,918	44.2%	4,791
	6/30/08	4,301	39.5%	2,603

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**E. FUNDED STATUS AND FUNDING PROGRESS**

The State's funded status for each of the agent, multiple-employer defined benefit post-employment plans, as of the year ended June 30, 2010, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as Percentage of Covered Payroll
PSPRS	6/30/2010	-	\$ 26,846	\$ (26,846)	0.0%	\$ 92,791	(28.9)%
CORP	6/30/2010	-	46,868	(46,868)	0.0%	363,999	(12.9)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**F. ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit post-employment plans for the most recent actuarial valuation as of 6/30/10 and actuarial valuation as of 6/30/08 that was used to determine the fiscal year 2010 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/08	6/30/08	6/30/10	6/30/10
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.50%	8.50%
Projected salary increases	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%
includes inflation at	5.00%	5.00%	5.50%	5.50%
Cost-of-living adjustments	None	None	None	None
Amortization method	level percent closed for unfunded actuarial accrued liability, open for excess	level percent closed for unfunded actuarial accrued liability, open for excess	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess	26 years for unfunded actuarial accrued liability, 20 years for excess	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	not applicable	not applicable	not applicable	not applicable



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<b>NOTE 7. LONG-TERM OBLIGATIONS</b>
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**A. REVENUE BONDS**

**Governmental Activities**

**1. Department of Administration**

On June 15, 2010, the State sold State Lottery Revenue Bonds Series 2010A (2010A Bonds) for \$425.420 million to (i) provide monies to deposit in the State's General Fund to pay appropriated expenditures of the State and (ii) pay costs of issuing the 2010A Bonds. The 2010A Bonds include \$425.420 million of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from July 1, 2013 to July 1, 2029. The bonds maturing on or after July 1, 2021 are subject to optional redemption, without premium, on or after January 1, 2020. The bonds maturing on or after July 1, 2017 are subject to mandatory redemption prior to maturity, pursuant to the debt documents. The 2010A Bonds were sold with net original issue premium of \$30.187 million. The State Lottery realized net proceeds of \$450.000 million, after payment of \$5.607 million for issuance costs, underwriter discounts, and bond insurance, and immediately transferred these monies to the State's General Fund.

The State has pledged portions of its gross revenues towards the payment of debt service on the 2010A Bonds. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State's General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2010, pledged revenues totaled \$64.298 million, of which 3.5% (\$2.255 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 \$677.598 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 original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.7 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 has been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$1.7 billion in outstanding Highway Revenue Bonds issued since 2001. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2033. The total principal and interest remaining to be paid on the bonds is \$2.5 billion. Principal and interest paid for the current year and total pledged revenues were \$155.800 million and \$502.900 million, respectively. The annual principal and interest payments on the bonds required 31.00% of the pledged revenues.

The Maricopa County Regional Area Road Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$777.130 million.

On September 21, 2007, the ADOT adopted a Master Resolution relating to Transportation Excise Tax Revenue Bonds. On April 17, 2009, the ADOT adopted the Second Supplemental Resolution authorizing the issuance of the second series of bonds under the Master Resolution in an amount not to exceed \$440.000 million. No debt service reserve is required for the outstanding bonds.

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Transportation Excise Tax Revenue Bonds aggregating \$404.805 million are subject to redemption prior to their maturity dates at the option of the ADOT in whole or in part, at any time, on or after July 1, 2017. These bonds may be redeemed at par, plus accrued interest to the date fixed for redemption. Transportation Excise Tax Revenue Bonds aggregating \$339.010 million are not subject to redemption.

The ADOT has pledged future transportation excise taxes to repay \$743.815 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona. 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 \$1.1 billion. Principal and interest paid for the current year and total pledged revenues were \$71.500 million and \$199.700 million, respectively. The annual principal and interest payments on the bonds required 35.80% of the pledged revenues.

In prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have 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 assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2010 totaled \$134.765 million.

### **3. School Facilities Board**

In prior fiscal years, the School Facilities Board (SFB) refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have 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 assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the SFB at June 30, 2010 totaled \$535.310 million.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, State school trust revenue bonds, and State school trust revenue refunding bonds outstanding at June 30, 2010. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of \$72.263 million are not available to pay debt service on the State school trust revenue bonds and State school trust revenue refunding bonds per the debt documents. At June 30, 2010, pledged revenues totaled \$542.538 million, of which 16.32% (\$88.553 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2021 is \$859.635 million.

### **Business-Type Activities**

#### **4. Universities**

##### **a. University of Arizona**

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

On June 15, 2010, the U of A sold SPEED Revenue Bonds Taxable Series 2010 Build America Bonds for \$147.475 million dated June 23, 2010. The 2010 Bonds include \$29.675 million of serial bonds with interest rates ranging from 4.31% to 6.06% and

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maturity dates ranging from 2016 to 2025. The 2010 Bonds also include two term bonds consisting of \$63.580 million with an interest rate of 6.42% due August 1, 2035; and \$54.220 million with an interest rate of 6.64% due August 1, 2044. The serial bonds with maturity on or after August 1, 2021, are subject to optional redemption without premium. The term bonds are subject to mandatory sinking fund redemption without premium. All of the 2010 bonds are subject to extraordinary optional redemption should the Federal government fail to provide the interest subsidy described below. The U of A realized net proceeds of \$146.126 million after payment of \$1.349 million for issuance costs and underwriter discounts. The net proceeds will be used to finance the Health Science Education Building and building renewal projects. Under the bond resolution, up to 80% of the debt service payments on the 2010 Bonds are payable from the U of A's SPEED revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the 2010 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 U of A's system revenue bonds.

The 2010 SPEED Revenue Bonds 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 with 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. The U of A is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2010. 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, 2010, pledged revenues totaled \$783.300 million, of which 6.20% (\$48.400 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.00% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2044 is \$1.1 billion.

**b. Northern Arizona University**

On December 17, 2009, the NAU sold \$108.860 million of Taxable Series 2009A System Revenue Bonds and \$5.640 million of Tax Exempt Series 2009B System Revenue Bonds for the purpose of construction and improvement of a new Health and Learning Center, demolition and reconstruction of Lumberjack Stadium, improvements to utility extensions for the northeast portion of the NAU Campus, and various other capital projects. The Taxable Series 2009A Bonds included serial bonds of \$27.290 million with interest rates ranging from 4.84% to 5.84% and two term bonds of \$26.610 million and \$54.960 million, with interest rates of 6.59% and 6.69%, respectively, that mature on June 1, 2030 and 2039, respectively. The term bonds are subject to annual sinking fund contributions. The Tax Exempt Series 2009B Bonds have an interest rate of 5.00%. Both bond issues are generally subject to redemption prior to maturity. The 2009 System Revenue Bonds are secured by a first lien on certain gross revenues of the University that primarily consist of student tuition and fees, and certain auxiliary revenues and are on parity with the NAU's previously issued System Revenue Bonds.

On April 28, 2010, the NAU sold \$64.785 million of SPEED Revenue Bonds Taxable Series 2010 for the purpose of the Skydome Renovation Project, Liberal Arts Building Renovation Project, Hotel and Restaurant Management School Renovation Project, North Campus Utilities Upgrade Project, and the North Union Building Renovation Project. The Taxable Series 2010 Bonds included serial bonds of \$38.930 million with interest rates ranging from 4.27% to 6.27%. The 2010 Bonds also included a \$25.855 million term bond, with an interest rate of 6.59% that matures on August 1, 2030, and is subject to annual sinking fund contributions. The bonds are generally subject to redemption prior to maturity. The 2010 Taxable Bonds are limited obligations that are payable solely from and secured solely by a pledge from the NAU Account of the SPEED Fund which is derived from certain revenues of the Arizona State Lottery not to exceed 80% of annual debt service and other NAU monies equal to at least 20%, and as much as 100% of annual debt service. To the extent monies of the SPEED Fund are not sufficient to make the debt service payments, the 2010 Taxable Bonds are also secured by a pledge of certain gross revenues, but that pledge is junior and subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

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The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of 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. The NAU is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as nonoperating revenue.

In prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2010, \$41.130 million of such bonds outstanding are considered defeased.

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, 2010. 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. At June 30, 2010, pledged revenues totaled \$198.200 million, of which 9.40% (\$18.700 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of June 1, 2040 is \$680.000 million.

**c. Arizona State University**

At June 30, 2010, the ASU held a combination of fixed and variable rate bonds. The ASU's fixed rate bonded debt consists of various issues of system revenue bonds that are generally callable at a prescribed date with interest payable semi-annually. Certain system revenue bonds of the ASU were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all such bonds outstanding at June 30, 2010 was \$36.100 million.

In April 2010, the ASU issued \$178.350 million in system revenue bonds, Taxable Series 2010A and Tax-Exempt Series 2010B, to fund construction of the Interdisciplinary Science and Technology Building IV. The Taxable Series 2010A bonds were issued as Build America Bonds under the provisions of ARRA. As such, the ASU is eligible to receive Direct Payments from the U. S. Treasury equal to 35.00% of the interest owing on such Bonds on each interest payment date. In order to receive such Direct Payments, the ASU must file certain required information with the Federal government between 90 and 45 days prior to 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. The ASU is currently not aware of any issues that may adversely impact the receipt of Direct Payments from the Federal government related to such designated Build America Bonds. For accounting purposes, the Direct Payments are recorded as nonoperating revenue and, as such, are not netted against interest expense. The 2010A Build America Bonds were issued for \$166.000 million with an average maturity of 19.5 years and the 2010B Bonds were issued for \$12.400 million with an average maturity of 4.2 years, and the combined average interest rate is 5.99% gross of Direct Payments and 3.94% net of Direct Payments.

The ASU has outstanding two series of Variable Rate Demand System Revenue Refunding Bonds, Series 2008A and 2008B (2008A&B Bonds), totaling \$103.680 million with final maturities of July 1, 2034. Both series continue to bear interest at a weekly rate not to exceed 12.00% per annum based upon prevailing market conditions, as determined by the respective remarketing agents. The bonds are subject to conversion, at the option of the Arizona Board of Regents (ABOR) on behalf of the ASU, to a different or alternate adjustable rate mode, or a fixed rate pursuant to the bond indenture. The interest rate in effect on June 30, 2010 was 0.18% for the Series 2008A and 0.17% for the Series 2008B bonds.

The variable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice to the remarketing agents. To provide credit and liquidity support for the Bonds, the ASU entered into an Irrevocable Letter of Credit and Reimbursement Agreement (LOC) with Lloyds TSB Bank, PLC, upon execution of the refunding

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bonds. The LOC expires on June 15, 2012. Assuming all of the \$51.800 million Series 2008A and \$51.800 million Series 2008B bonds are not resold within 90 days, the ASU would be responsible to make quarterly installment principal payments of \$5.200 million over a five-year period, plus interest to be calculated as established in the letter of credit. The ASU has agreed to pay TSB Bank, PLC, an annual commitment fee for the letter of credit of 1.55% per annum on the stated amount which includes outstanding principal of the bonds, plus 51 days of interest, at an assumed rate of 12.00% per annum.

Effective January 1, 2007, the ASU entered into a swap agreement (hedging derivative instrument) on \$103.000 million, notional amount, relating to the 2008A&B Bonds. The \$103.000 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The notional amount under the swap decreases as principal payments are made on the 2008A&B Bonds. The intention of the swap was to effectively change the variable rate interest on the 2008A&B Bonds to a synthetic fixed rate. The swap agreement expires on July 1, 2034. 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 ASU is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty and the variable rate paid to bondholders. The SIFMA rate at June 30, 2010 was 0.25%. At June 30, 2010, 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	(.25)
Net interest rate swap payments		3.66
Variable-rate bond coupon payments	Spread to SIFMA	.18
Synthetic fixed interest rate on bonds		3.84

As of June 30, 2010, the swap had a fair value of \$(11.126) million, which represents the cost to the ASU to terminate the swap. The June 30, 2009 fair value was \$(5.700) million.

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), the fair value of the ASU's hedging derivative instrument will be reported on the Statement of Net Assets as an asset (deferred outflow) and a liability (derivative instrument). In addition, in the year of implementation, GASB 53 requires retroactive restatement of the financial statements for the effect of the hedging derivative instrument; however, as the hedging derivative has been effective, the ASU did not restate the financial statements retroactively.

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.

As of June 30, 2010, 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 becomes positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A by Standard & Poor's and A2 by Moody's Investor Services as of June 30, 2010. Based on the 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.

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 which is also a variable rate with a spread to SIFMA. This basis risk can be the result of a downgrade of the ASU's rating or the pricing of the ASU's bonds by the remarketing agent at rates higher than the SIFMA index.

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 a default occurs regarding the swap agreement, the non-defaulting party may designate a date to terminate the agreement. The ASU will revert to a variable rate if the counterparty defaults or if the swap is terminated. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

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Securities and cash restricted for bonds debt service held by the trustee at June 30, 2010 totaled \$54.300 million.

The ASU has pledged portions of its revenues towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2010. The related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. 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. For the year ended June 30, 2010, pledged revenues totaled \$782.700 million, of which 7.00% (\$54.600 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for system revenue bonds through final maturity of July 1, 2039 is \$1.2 billion. In addition, the ASU has pledged the same revenues on a subordinate basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2010 were \$10.200 million with annual debt service requirements of approximately \$1.200 million through July 1, 2021.

**Summary of Revenue Bonds**

The following schedule summarizes revenue bonds outstanding at June 30, 2010 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2010
Governmental Activities:				
Department of Transportation	2001-2009	2011-2033	2.00-5.50%	\$2,416,440
School Facilities Board	2001-2008	2011-2021	.14-5.75%	680,745
Department of Administration	2010	2013-2029	3.00-5.00%	425,420
Proprietary Funds:				
University Revenue Bonds	1992-2010	2011-2045	.18-6.64%	1,692,825

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2010 are as follows (expressed in thousands):

Annual Debt Service							
Governmental Activities				Business-type Activities			
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2011	\$ 162,520	\$ 174,930	\$ 337,450	\$ 58,505	\$ 81,185	\$ 3,716	\$ 143,406
2012	170,705	165,776	336,481	53,050	79,938	3,632	136,620
2013	196,225	157,083	353,308	58,850	77,466	3,544	139,860
2014	205,960	147,324	353,284	65,460	74,639	3,452	143,551
2015	215,325	136,972	352,297	68,735	71,601	3,355	143,691
2016-2020	1,218,525	515,051	1,733,576	321,385	312,375	15,141	648,901
2021-2025	895,465	247,322	1,142,787	310,080	238,464	11,884	560,428
2026-2030	334,975	75,242	410,217	318,275	157,220	7,732	483,227
2031-2035	122,905	12,484	135,389	237,405	89,574	2,440	329,419
2036-2040	-	-	-	168,435	34,060	-	202,495
2041-2045	-	-	-	32,645	5,604	-	38,249
Total	<u>\$ 3,522,605</u>	<u>\$ 1,632,184</u>	<u>\$ 5,154,789</u>	<u>\$ 1,692,825</u>	<u>\$ 1,222,126</u>	<u>\$ 54,896</u>	<u>\$ 2,969,847</u>

**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 original amount of GANs issued in prior years and outstanding at the start of the fiscal year was \$329.650 million.

The ADOT has pledged federal revenues to repay \$304.480 million in outstanding GANs issued since 2003. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The bonds are payable solely from federal revenues and are payable through 2016. The total principal and interest remaining to be

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paid on the bonds is \$353.289 million. Principal and interest paid for the current year and total pledged revenues were \$41.540 million and \$544.500 million, respectively. The annual principal and interest payments on the bonds required 7.60% 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, 2010
Governmental Activities:				
Department of Transportation	2004-2009	2011-2016	2.50-5.00%	\$ 304,480

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

Annual Debt Service			
Governmental Activities			
Fiscal Year	Total Principal	Total Interest	Total Debt Service
2011	\$ 70,570	\$ 14,834	\$ 85,404
2012	43,885	11,405	55,290
2013	45,340	9,284	54,624
2014	55,265	7,121	62,386
2015	53,330	4,389	57,719
2016	36,090	1,776	37,866
Total	<u>\$ 304,480</u>	<u>\$ 48,809</u>	<u>\$ 353,289</u>

## C. CERTIFICATES OF PARTICIPATION

### Governmental Activities

#### 1. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the Trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State 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 scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

On January 26, 2010, the State of Arizona, acting through the Director of the Department of Administration, issued COPs Series 2010A for \$709.090 million. The 2010A COPs include \$709.090 million of serial certificates with interest rates ranging from 2.00% to 5.25% and maturity dates ranging from 2013 to 2030. The 2010A certificates maturing on or after October 1, 2020 are subject to optional redemption, prior to maturity, without premium. The 2010A certificates maturing on or after October 1, 2017 are subject to mandatory redemption pursuant to the COP documents. The State realized net proceeds of \$735.419 million after

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receipt of \$34.187 million net original issue premium and payment of \$7.858 million of issuance costs, including underwriters' discount. The 2010A COPs were issued to: (i) finance the acquisition of certain property from the State by the Trustee and (ii) pay the costs of issuance. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State during fiscal year 2010.

On June 29, 2010, the State of Arizona, acting through the Director of the Department of Administration, issued COPs Series 2010B for \$289.705 million. The 2010B COPs include \$289.705 million of serial certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2013 to 2030. The 2010B certificates maturing on or after October 1, 2020 are subject to optional redemption, prior to maturity, without premium. The 2010B certificates maturing on or after October 1, 2017 are subject to mandatory redemption pursuant to the COP documents. The State realized net proceeds of \$300.000 million after receipt of \$13.335 million net original issue premium and payment of \$3.040 million of issuance costs, including underwriters' discount. The 2010B COPs were issued to: (i) finance the acquisition of certain property from the State by the Trustee and (ii) pay the costs of issuance. The net proceeds received by the Trustee were immediately transferred from the Proceeds Fund to the State's General Fund to pay appropriated expenditures of the State.

## **2. School Facilities Board**

In prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased COPs are not reflected in the accompanying financial statements. Refunded COPs for the SFB at June 30, 2010 totaled \$311.130 million.

### **Business-Type Activities**

## **3. Universities**

### **a. University of Arizona**

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B. At June 30, 2010, the outstanding principal balance for the COPs Series 2001B was \$1.980 million, which will be paid by investments held in an irrevocable trust with a fair market value of \$2.121 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2005, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A. At June 30, 2010, the total outstanding principal balance for the COPs Series 2001A was \$8.730 million, which will be paid by investments held in an irrevocable trust with a fair value of \$8.832 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2007, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A, 2001B, and 2002A. At June 30, 2010, the total outstanding principal balance for the COPs Series 2001A, 2001B, and 2002A was \$59.195 million, which will be paid by investments held in an irrevocable trust with a fair value of \$59.930 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

### **b. Arizona State University**

At June 30, 2010, the ASU has issued fixed rate COPs. The ASU's non-bonded debt consists of various issues of COPs that are generally callable at a prescribed date with interest payable semi-annually. Certain COPs of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased COPs are not included in the accompanying financial statements. The principal amount of all such COPs outstanding at June 30, 2010 was \$65.400 million.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2010 totaled \$7.300 million.



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A summary of the COPs issued as of June 30, 2010 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
<b>Governmental Activities:</b>					
Department of Administration:					
Refunding Certificates of 92A, 92C, & 1091	2001	2012	\$ 57,930	\$ 7,050	4.25 – 5.25
Health Lab/HRIS 2002A	2002	2023	63,270	35,800	4.25 – 5.50
Refunding Certificates of 92B	2003	2011	75,295	25,265	3.80 – 5.50
Refunding Certificates of 93B	2004	2012	16,725	4,530	3.75 – 5.00
1000 Bed Prison 2004B	2004	2019	31,965	22,865	4.00 – 5.25
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	238,990	230,030	3.25 – 5.00
General Fund Budget Reconciliation 2010A	2010	2030	709,090	709,090	2.00 – 5.25
General Fund Budget Reconciliation 2010B	2010	2030	289,705	289,705	2.00 – 5.00
School Facilities Board:					
New School Construction 2003A	2003	2014	372,730	107,980	3.50 – 5.00
New School Construction 2003B	2004	2015	194,610	69,550	3.70 – 5.25
New School Construction 2004A	2004	2019	47,160	32,795	2.75 – 5.00
New School Construction 2004B	2005	2017	190,040	91,415	4.25 – 5.25
New School Construction 2004C	2005	2020	47,585	37,460	4.75 – 5.00
Refunding Certificates of 2003A	2005	2018	201,125	198,050	3.00 – 5.00
Refunding Certificates of 2003B	2005	2019	80,055	77,150	3.00 – 5.00
Refunding Certificates of 2004B	2005	2020	53,045	52,355	3.00 – 5.00
New School Construction 2008	2009	2024	580,035	580,035	4.00 – 5.75
Total Governmental Activities			<u>\$ 3,249,355</u>	<u>\$ 2,571,125</u>	
<b>Business-Type Activities:</b>					
Arizona State University:					
Towers Project	1991	2011	\$ 4,500	\$ 415	6.89
Downtown Center – 1999A	1999	2025	5,620	4,265	5.78
Downtown Center – 1999B	1999	2025	5,165	4,170	8.02
2002 Certificates of Participation	2002	2027	103,800	18,185	4.76
2004 West Campus – Refunding	2004	2010	22,495	-	2.36
2004 Certificates of Participation	2005	2031	80,275	74,350	4.89
2005A Certificates of Participation	2005	2031	110,115	101,550	4.36
2006 Certificates of Participation	2006	2031	15,810	14,450	4.52
2006 Refunding Certificates of Participation	2007	2027	65,890	64,580	4.15
University of Arizona:					
Fixed Student Union A	1999	2020	21,607	4,364	5.13 – 5.30
Park Std. Union/Learning Svcs/6th St Garage/TEP Bldg.	2001	2012	31,695	1,990	4.30 – 4.45
Gittings Bldg/Highland Infra/Life Sci.	2001	2014	21,425	2,185	4.75 – 5.00
Student Housing, Health Bldg., UA North	2002	2022	76,965	11,640	4.38 – 5.50
Meinel Bldg & Refund COPS 1994B	2002	2023	29,845	26,640	4.75 – 5.13
Refund COPS 1997 & Portion of Series 2001B	2003	2022	10,615	10,615	3.50 – 5.00
Med. Research. Bldg./Biomed Sci.&Biotech/Tech. Infra.	2004	2031	153,960	138,340	3.77 – 5.25
Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A	2004	2029	42,020	30,510	4.50 – 5.25
Refund COPS 1999A	2005	2024	12,660	12,660	4.00 – 5.00
Refund COPS 1999	2005	2024	14,825	14,825	5.00
Refund COPS 2001A	2005	2022	16,330	16,330	4.13 – 5.00
Refund COPS 1999, 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	29,460	26,565	3.63 – 5.00
Refund COPS 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	58,650	57,120	3.75 – 5.00
Biomed Research Collaborative Bldg. Project	2006	2031	18,240	16,825	4.00 – 5.00
Refund COPS 2001A, 2001B, 2002A, 2004B	2007	2031	105,080	104,830	3.50 – 4.50
Northern Arizona University:					
2004 Certificates of Participation	2005	2031	37,585	34,740	4.85
2005 Certificates of Participation	2006	2031	40,255	37,095	4.65
2006 Certificates of Participation	2006	2031	12,445	11,480	4.35
Total Business-Type Activities			<u>\$ 1,147,332</u>	<u>\$ 840,719</u>	
<b>Total Certificates of Participation</b>			<u><u>\$ 4,396,687</u></u>	<u><u>\$ 3,411,844</u></u>	

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Principal and interest debt service requirements on COPs outstanding at June 30, 2010 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
2011	\$ 109,980	\$ 128,358	\$ 238,338	\$ 28,605	\$ 39,187	\$ 67,792
2012	115,430	119,865	235,295	34,802	38,433	73,235
2013	156,705	113,455	270,160	36,506	36,959	73,465
2014	164,250	105,697	269,947	38,303	35,190	73,493
2015	172,290	97,451	269,741	38,314	33,914	72,228
2016-2020	858,630	352,923	1,211,553	244,614	132,242	376,856
2021-2025	577,525	176,110	753,635	225,125	73,396	298,521
2026-2030	416,315	52,327	468,642	160,690	27,241	187,931
2031-2035	-	-	-	33,760	839	34,599
Total	<u>\$ 2,571,125</u>	<u>\$ 1,146,186</u>	<u>\$ 3,717,311</u>	<u>\$ 840,719</u>	<u>\$ 417,401</u>	<u>\$ 1,258,120</u>

**D. LEASES**

**1. Leases**

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

- i Title to or ownership of the asset is transferred to the State at the end of the lease.
- i The lease contains a bargain purchase option.
- i The lease term is equal to 75.00% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)
- i The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90.00% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

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The future minimum lease payments for long-term capital leases as of June 30, 2010 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2011	\$ 45,955	\$ 12,754
2012	45,648	13,107
2013	44,632	13,040
2014	44,941	12,551
2015	45,277	12,269
2016-2020	229,752	59,710
2021-2025	254,929	60,813
2026-2030	47,475	62,423
2031-2035	4,172	49,218
2036-2039	-	6,035
Total minimum lease payments	762,781	301,920
Less: amount representing interest	(266,237)	(130,472)
Less: amount representing executory costs	(83,625)	-
Present Value of Net Minimum Lease Payments	\$ 412,919	\$ 171,448

**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	\$ 435	\$ 1,763
Buildings	387,728	192,778
Infrastructure	-	39
Software	1,745	-
Equipment	9,560	1,834
	399,468	196,414
Less: accumulated depreciation	(36,105)	(25,521)
Carrying Value	\$ 363,363	\$ 170,893

**E. 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 2010, the State paid for compensated absences as follows: 81.29% from the General Fund, 12.14% from other funds, and 6.57% from other major funds.

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

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

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year	Due Thereafter
<b>Governmental Activities:</b>						
Long-term Debt:						
Revenue bonds	\$ 3,251,580	\$ 425,420	\$ (154,395)	\$ 3,522,605	\$ 162,520	\$ 3,360,085
Grant anticipation notes	329,650	-	(25,170)	304,480	70,570	233,910
Certificates of participation	1,649,870	998,795	(77,540)	2,571,125	109,980	2,461,145
Capital leases	236,125	187,836	(11,042)	412,919	16,004	396,915
Installment purchase contracts	6,343	-	(5,442)	901	656	245
Notes payable	42,668	32,628	(14,584)	60,712	13,983	46,729
Premiums and discounts on debt	285,613	77,709	(28,601)	334,721	30,979	303,742
Deferred amounts on refundings	(9,171)	-	3,974	(5,197)	(3,976)	(1,221)
Total Long-term Debt	5,792,678	1,722,388	(312,800)	7,202,266	400,716	6,801,550
Other Long-term Liabilities:						
Compensated absences	280,413	220,635	(225,513)	275,535	169,869	105,666
Pollution remediation obligations	22,813	-	(1,623)	21,190	1,015	20,175
Total Other Long-term Liabilities	303,226	220,635	(227,136)	296,725	170,884	125,841
Total Long-term Obligations	\$ 6,095,904	\$ 1,943,023	\$ (539,936)	\$ 7,498,991	\$ 571,600	\$ 6,927,391
<b>Business-type Activities:</b>						
Long-term Debt:						
Revenue bonds	\$ 1,239,675	\$ 505,110	\$ (51,960)	\$ 1,692,825	\$ 58,505	\$ 1,634,320
Certificates of participation	872,829	205	(32,315)	840,719	28,605	812,114
Capital leases	175,453	12,043	(16,048)	171,448	4,515	166,933
Installment purchase contracts	16,418	1,471	(4,846)	13,043	3,655	9,388
Notes payable	674	-	(314)	360	68	292
Premiums and discounts on debt	43,112	1,047	(4,454)	39,705	1,922	37,783
Deferred amounts on refundings	(25,294)	-	2,194	(23,100)	(1,630)	(21,470)
Total Long-term Debt	2,322,867	519,876	(107,743)	2,735,000	95,640	2,639,360
Other Long-term Liabilities:						
Compensated absences	70,269	80,384	(80,691)	69,962	15,472	54,490
Total Other Long-term Liabilities	70,269	80,384	(80,691)	69,962	15,472	54,490
Total Long-term Obligations	\$ 2,393,136	\$ 600,260	\$ (188,434)	\$ 2,804,962	\$ 111,112	\$ 2,693,850

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 Assets because \$112.437 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

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**NOTE 8. INTERFUND TRANSACTIONS**

**INTERFUND BALANCES AND TRANSFERS**

**Interfund Receivables/Payables**

Interfund balances as of June 30, 2010 are as follows (expressed in thousands):

<b>Due From</b>	<b>Due To</b>					
	General Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	\$ -	\$ 10,370	\$ 200,000	\$ 10	\$ 1,615	\$ 211,995
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	4,226	3,617	-	94	-	7,937
Land Endowments Fund	498	-	-	-	1,157	1,655
Non-Major Governmental Funds	13,609	2,050	-	-	335	15,994
Unemployment Compensation Fund	11	212	-	-	-	223
Lottery Fund	14,243	2,828	-	-	-	17,071
Non-Major Enterprise Funds	-	-	-	-	1	1
Internal Service Funds	1,196	174	-	-	7	1,377
Total Due From	\$ 33,783	\$ 19,251	\$ 200,000	\$ 104	\$ 3,115	\$ 256,253

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, 2010 are as follows (expressed in thousands):

Transferred From	Transferred To								
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$ -	\$ 661	\$ 28	\$ 90,669	\$ 946,035	\$ -	\$ -	\$ -	\$ 1,037,393
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	188,567	-	-	307,541	-	-	-	5,538	501,646
Land Endowments Fund	14	-	-	24,740	-	-	-	-	24,754
Non-Major Governmental Funds	274,752	218	-	31,368	-	2,000	81	-	308,419
Unemployment Compensation Fund	3,847	-	-	1,817	-	-	-	-	5,664
Lottery Fund	92,856	-	-	26,924	-	-	-	-	119,780
Non-Major Enterprise Funds	12,808	-	-	-	-	-	-	-	12,808
Internal Service Funds	48,410	1,000	-	30	-	-	-	500	49,940
Total Transfers In	\$ 621,254	\$ 1,879	\$ 28	\$ 483,089	\$ 946,035	\$ 2,000	\$ 81	\$ 6,038	\$ 2,060,404

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

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**NOTE 9. FUND DEFICIT**

**A. GENERAL FUND**

The General Fund deficit of \$754.731 million is primarily due to the ongoing economic downturn. Continued slow economic growth resulted in revenues falling short of budgeted levels. For fiscal year 2010, expenditures were \$21.9 billion, while revenues were \$21.0 billion. Sales tax and income tax revenues continued to be significantly impacted by economic conditions but did not experience the decline of previous years. Reported sales tax and income tax decreased by \$298.994 million, or 6.40%, and \$332.376 million, or 10.59%, as compared to fiscal year 2009, respectively.

**B. INDUSTRIAL COMMISSION SPECIAL FUND**

The fund deficit increased from \$45.861 million at June 30, 2009 to \$53.292 million at June 30, 2010, a total increase of \$7.431 million, primarily due to the following factors. During the fiscal year, total investments increased \$42.602 million due to the economic recovery. This increase was offset by an increase in the actuarially determined insurance loss reserve of \$36.764 million over the prior year, a decrease in no insurance settlement income of \$8.287 million, and a decrease of \$4.000 million in the Commission's Administrative Fund (Administrative Fund) transfers.

In 2005, ARS § 23-1081(B) was amended to permit a surplus in the Administrative Fund to be transferred to the Special Fund when the Special Fund is not actuarially sound. During fiscal year 2009, \$6.000 million was transferred from the Administrative Fund to the Special Fund. During fiscal year 2010, \$2.000 million was transferred, resulting in a \$4.000 million decrease.

**C. HEALTHCARE GROUP OF ARIZONA**

In fiscal year 2010, the Healthcare Group of Arizona (HCG) reported operating income of \$1.968 million and an increase in net assets of \$1.779 million. This continues a positive turn-around trend that began in fiscal year 2008 when the HCG began successfully managing both program and administrative costs through a series of cuts, changes, realignments, and premium adjustments to match revenues with expenses. Fiscal year 2010 is the first year since fiscal year 1998 that the HCG has reported income from operations without receiving General Fund subsidies to offset current or prior year losses. Additionally, the HCG made a cash transfer to the General Fund in the amount of \$365 thousand mandated by Laws 2009, Chapter 11. Overall fiscal year 2010 operating results decreased the HCG's net deficit to \$9.010 million at June 30, 2010 as compared to the \$10.789 million net deficit balance at June 30, 2009.

Prior to fiscal year 2008, the HCG was unable to cover its costs due to net medical losses (medical costs exceeded premiums received). Since ending fiscal year 2007 with a liability of \$22.509 million, the HCG has reduced this balance by \$10.127 million using cash generated from operations, General Fund subsidies, reinsurance and other adjustments.

The following table summarizes the HCG's reconciliation liability activity for fiscal year 2010:

	<u>Reconciliation Period</u>				<u>Total</u>
	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>		
Balance June 30, 2009	\$ 9,583	\$ 3,822	\$ -	\$	13,405
Payments made	(680)	(65)	-		(745)
Accruals and adjustments	(220)	(58)	-		(278)
Balance June 30, 2010	\$ 8,683	\$ 3,699	\$ -	\$	12,382

The remaining reconciliation liability will be paid by allocating 2.00% of medical premium revenues for a reconciliation reserve, from residual earnings, and from any subsidies provided by the State Legislature.

There can be no assurance that operating improvements realized over the past three fiscal years will continue to occur or will provide sufficient cash to fund operating expenses. Additionally, if there is an unexpected and adverse change in enrollment and premium increases are not sufficient to fund the reserves for past losses, then the HCG will be required to further scale back administrative expenditures to a level supported by actual enrollment. Should the HCG be required to accelerate payments for prior year reconciliation liabilities before it has sufficient funds to provide such payments and new terms are not negotiated, or the

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Legislature does not provide the HCG with additional subsidies, it raises substantial doubt about the HCG's ability to continue as a going concern.

In conclusion, even though the HCG has posted operating income for the last three fiscal years and management currently projects that the positive trend will continue, \$9.010 million remained as a net deficit at June 30, 2010 due to the outstanding reconciliation liability owed to the HMOs for prior fiscal years. It is not anticipated that operations will generate sufficient cash flow in the near future to entirely pay off the remaining deficit.

The HCG plans to continue operations and to continue to pay down the outstanding liability. Accordingly, the accompanying financial statements have been prepared assuming that the HCG will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the HCG be unable to continue as a going concern.

**D. ARIZONA HIGHWAYS MAGAZINE**

The Arizona Highways Magazine had a fund deficit of \$574 thousand which resulted from legislatively mandated cash transfers to the General Fund totaling \$1.084 million in fiscal year 2010, and \$1.483 million in fiscal year 2009. These transfers were mandated by House Bill 2643 section 44, House Bill 2001 section 148A, and Senate Bill 1001 section 2, effective for fiscal year 2010. The fiscal year 2009 transfers were mandated by House Bill 2209, section 46, and Senate Bill 1001, sections 4, 5, and 7.

**E. RISK MANAGEMENT FUND**

The Risk Management Fund (RMF) deficit of \$322.094 million is primarily due to the RMF receiving annual funding only for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures), and not being funded for non-current accrued insurance losses. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

**F. RETIREE SICK LEAVE FUND (RASL)**

The RASL 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 \$105.322 million fund deficit is primarily due to the above funding mechanism.

<b>NOTE 10. JOINT VENTURE</b>
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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 Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). 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, INAF Astrophysical Observatory, Research Corporation, Ohio State University, and the LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25.00% of the LBT's construction costs and annual operating costs. As of June 30, 2010, the U of A has made cash contributions of \$18.159 million toward the project's construction costs, which were recorded as long-term investments on the Statement of Net Assets. The U of A's financial interest represents its 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; thus, depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$750 thousand in calendar year 2009, as a reduction in its investment. At June 30, 2010, the investment totaled \$16.007 million. According to the audited financial statements of the LBT for the year ended December 31, 2009, assets, liabilities, revenues, and expenses totaled \$129.000 million, \$4.000 million, \$14.000 million, and \$11.000 million, respectively.

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The LBT's separate audited financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

<b>NOTE 11. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE</b>
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**A. INSURANCE LOSSES**

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

The Commission's Special Fund provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Division, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Special Fund encompass claims against uninsured or underinsured employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State'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 incurred but not reported 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 (internal service fund) and the Special Fund (enterprise 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. Investment earnings (including interest, dividends, and securities lending income) and assessments on gross premium revenues primarily fund the Special Fund. To provide funding for workers' compensation claims, the Special Fund may direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers, and self-insured plans during the immediately preceding calendar year. Beginning in calendar year 2004, this 1.50% assessment was levied under ARS §23-1065(A) because of a deficit net assets balance.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2010. The estimated loss reserve of \$415.284 million is \$36.764 million greater than the \$378.520 million reserve estimate at June 30, 2009. The primary reason for this change was a change in actuarial assumptions by AMI Risk Consultants, Inc. In prior years, a confidence level of 50.00% was used in calculating medical and compensation related liabilities. However, current industry standard is 75.00% and this method was adopted for June 30, 2010. In future years, the current industry standard will be applied when calculating medical and compensation related liabilities. A confidence level of 75.00% indicates a confidence that the estimated liability will be adequate to cover actual costs 7.5 out of 10 years. The reserves were discounted at an assumed rate of 2.89% for the compensation claims and zero percent for the medical claims. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund levied the following assessment taxes for calendar year 2010: 1.50% assessment under ARS §23-1065(A), .50% assessment under ARS §23-966(D) based on insolvent carrier losses, and .50% assessment under ARS §23-1065(F), based on the total apportionment liability. The ARS §23-966(D) and ARS §23-1065(F) assessments were not levied during calendar year 2009. The Special Fund has filed pending proof of claim requests with ancillary receivers and liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits ("settlement income") 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 requires the claimant to sign an agreement releasing the State from any further obligation. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.



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

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2009 and June 30, 2010 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2009	\$ 363,927	\$ 61,179	\$ 65,293	\$ 359,813
2010	359,813	70,637	56,733	373,717
Industrial Commission Special Fund:				
2009	382,138	24,467	28,085	378,520
2010	378,520	63,284	26,520	415,284

**B. LITIGATION**

In *Roosevelt Elementary School District No. 66 vs. State of Arizona* and *Somerton Elementary School District No. 11 vs. State of Arizona*, plaintiffs were seeking a declaration that Arizona's funding of the Building Renewal Fund for school district capital resources under ARS §15-2031 is unconstitutional. The actions were originally commenced in 1999 and 2002, but they were remanded by the Arizona Court of Appeals after its decision in *Roosevelt Elem. Sch. Dist. v. State of Arizona*, 205 Ariz. 594, 74 P.3d 258 (App. 2003). On remand, plaintiffs substituted some parties, leaving the plaintiff school districts as Globe Unified School District, Williams Unified School District, and Sierra Vista Unified School District, and discovery recommenced. In October, 2006, the court granted the State summary judgment, finding that the named school districts had failed to seek emergency funding under ARS §15-2022. The court indicated that if the districts proved subsequently that they had sought emergency funding and been rejected, and had exhausted all sources of State funding available to them for their facility needs, they might reinstate their claims. Plaintiff Globe Unified School District is no longer a party. The court later agreed to stay the judgment against plaintiffs through June 1, 2007, and plaintiffs successfully sought even further continuance on the inactive calendar. The plaintiffs moved to add a new plaintiff district, Tempe Union High School District, and to transfer the case to the active calendar and set it for trial. The State objected, and sought dismissal of the cases. The motions were argued in September, 2008, and the court issued an order requiring a further evidentiary hearing on the status of the plaintiff districts' alleged capital needs and financial resources for late February, 2009. In the meantime, plaintiff, Williams Unified School District decided not to continue as a plaintiff in the case. The evidentiary hearing commenced in February, 2009, was continued for another afternoon of hearing in March, 2009, and had a final day of hearing on June 30, 2009. The Superior Court ultimately ruled in favor of the State and dismissed the pending claims. However, the Court further ordered that "[s]hould Plaintiffs in the future establish that they have exhausted all appropriate sources of State funding and yet have been denied emergency funds, their claims may be reinstated" and that the "case be placed on the inactive calendar for dismissal without further notice on December 20, 2010." This resulted in the Plaintiff Tempe District seeking to continue its claims on the inactive calendar for an additional six months because it has pending requests for emergency funding that have not yet been determined by the State School Facilities Board.

In *Rumery v. Martin*, the plaintiff has filed a special action challenging the constitutionality of a state law that would allow administrative expenses of the Land Department to be paid from proceeds of the trust. The legislation allows \$10.000 million of trust proceeds from sale transactions to be transferred into a trust land management account for payment of administrative expenses. The Superior Court ruled against the State on summary judgment. The State received a stay and intends to appeal the decision. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State would have to transfer to the Land Endowments Fund between \$11.546 million to \$18.020 million.

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, 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 internal service funds and the Industrial Commission Special Fund.

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**C. ACCUMULATED SICK LEAVE**

Sick leave includes any approved period of paid absence granted 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 25.00% for 500 hours to a maximum of 50.00% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit is paid out in annual installments over three years. 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 \$110.861 million at June 30, 2010.

**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 \$789.744 million (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$45.806 million and mutual funds valued at \$5.398 million. In accordance with ARS §44-313 and ARS §44-314, for fiscal year 2010, \$24.500 million was deposited in the Department of Revenue Administrative Fund, \$10.500 million was deposited in the Department of Commerce Housing Fund, \$101.669 million was deposited in the General Fund, and \$986 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, 2010, \$183.183 million of this liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona.

**E. CONSTRUCTION COMMITMENTS**

The ADOT had outstanding commitments under construction contracts of \$872.259 million at June 30, 2010.

	(in thousands)	
	Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	\$ 342,338	\$ 151,459
Small urban roadways	205,522	69,585
Urban roadways	78,926	60,169
Large urban roadways	491,815	160,957
Sub-total	1,118,601	442,170
Design contracts	743,505	72,657
Other commitments	554,898	357,432
Total	\$ 2,417,004	\$ 872,259

**F. ARIZONA STATE LOTTERY**

Annuities are purchased for all prizes over \$400 thousand for which winners will receive the jackpot in annual installments for The Pick online game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody's, Duff & Phelps, or Weiss. The Lottery may incur future liabilities on these annuities. Aggregate future payments to prize winners on existing annuities totaled \$65.802 million at June 30, 2010. Approximately \$42.528 million of the total aggregate future payments at June 30, 2010 relate to annuities purchased from five separate insurance companies, of which approximately \$11.732 million relates to a single insurance company.

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**NOTE 12. TOBACCO SETTLEMENT**

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

The State recorded tobacco settlement revenue of \$105.394 million and \$100.360 million in the fund statements and the government-wide statements in fiscal year 2010, respectively. 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, 2010.

**NOTE 13. PUBLIC-PRIVATE PARTNERSHIP**

The State of Arizona has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. The agreement stipulates that Accenture will be paid 85.00% of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture had created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2010, the State has paid Accenture \$153.137 million towards the \$160.936 million contract cost. Included in the \$160.936 million contract cost is capitalized interest charges of \$7.000 million and application support charges of \$54.610 million.

**NOTE 14. TREASURER'S WARRANT NOTES**

Pursuant to ARS §35-185.01 and §35-185.02, the State Treasurer issued Treasurer's Warrant Notes (TWNs) during the current fiscal year. The TWNs were issued in lieu of immediate payment of warrants presented to the State Treasurer for authorized General Fund expenditures. The TWNs were sold to both the State's internal investment pools and a TWNs facility that established a line of credit up to a maximum of \$700.000 million with a financial institution for the purpose of purchasing TWNs. TWNs are issued only in the event the State Treasurer has insufficient funds to redeem warrants presented for payment of authorized expenditures of the State's General Fund. TWNs are issued daily depending on cash flow needs, and are redeemed the next business day. Each TWN issued is numbered consecutively, must be redeemed in numerical order, and can be issued in exchange for a previously issued TWN. Any time TWNs are outstanding, all monies which would normally be deposited into the State General Fund, except amounts sufficient to pay constitutional officers of the State, shall be deposited into the TWN Redemption Fund to redeem outstanding TWNs. TWNs activities for the year ended June 30, 2010 were as follows (expressed in thousands):

Purchaser	Number Of Days TWNs Were Issued	Minimum TWNs Issued	Issue Date	Maximum TWNs Issued	Issue Date	Cumulative TWNs Total	Daily Average Of TWNs Issued
Internal investment pools	93	\$ 7,044	9/18/2009	\$ 537,061	11/23/2009	\$ 19,676,420	\$ 211,574
TWNs facility	132	16,889	6/9/2010	700,000	12/1/2009	74,971,935	567,969
Combined activity	208	7,044	9/18/2009	904,938	12/14/2009	94,648,355	455,040

There were no TWNs outstanding at July 1, 2009. The State's internal investment pools purchased TWNs during the period from July 15, 2009 to January 11, 2010, in daily amounts ranging from \$7.044 million to \$537.061 million. The TWNs facility purchased TWNs during the period from November 24, 2009 to June 11, 2010, in daily amounts ranging from \$16.889 million to \$700.000 million. For 17 days during the period from December 1, 2009 to January 11, 2010, TWNs were purchased by both the TWNs facility (maximum line of credit utilized) and the internal investment pools. The maximum combined TWNs outstanding during fiscal year 2010 were \$904.938 million. The combined daily average of TWNs outstanding during fiscal year 2010 was \$455.040 million. The cumulative total of daily TWNs issued during fiscal year 2010 was \$94.6 billion. The State paid \$3.886 million in interest and fees on the TWNs for fiscal year 2010. No TWNs were outstanding at June 30, 2010.

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**NOTE 15. SUBSEQUENT EVENTS**

On August 3, 2010, the SFB issued Refunding COPs Series 2010A-1, 2010A-2, and 2010A-3 for \$11.100 million, \$10.000 million and \$37.685 million, respectively. The 2010A-1 COPs include \$11.100 million of serial certificates with interest rates ranging from 3.00% to 3.50% and maturity dates ranging from 2019 to 2020. The 2010A-2 COPs include \$10.000 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2020. The 2010A-3 COPs include \$37.685 million of serial certificates with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2019 to 2020. The 2010A-1, 2010A-2, and 2010A-3 COPs are not subject to redemption prior to their stated maturities. The SFB realized net proceeds from the 2010A-1, 2010A-2, and 2010A-3 COPs of \$61.415 million after receipt of \$3.415 million net original issue premium and payment of \$785 thousand for issuance costs. The SFB net proceeds were used to pay the September 1, 2010 principal amounts of \$52.815 million due on the COPs Series 2003B, 2004B, and 2008. In addition, net proceeds were used to pay \$8.600 million of the total September 1, 2010 scheduled interest payment of \$15.179 million on the Series 2008 COPs. The net proceeds were deposited in the respective certificate funds of the COPs Series 2003B, 2004B, and 2008 for payment of the September 1, 2010 amounts due.

In August 2010, the ASU issued \$33.800 million in SPEED bonds, which were also issued on a subordinate lien basis, Taxable Series 2010A and Tax-Exempt Series 2010B, to fund building renewal projects across the ASU's campuses. The Taxable Series 2010A bonds were issued as Build America Bonds for \$26.400 million with an average maturity of 15.4 years and an average interest rate of 3.87%, net of the federal direct payments. The Tax-Exempt Series 2010B bonds were issued for \$7.400 million with an average maturity of 7.5 years and an average interest rate of 2.90%. Up to 80% of the related debt service of these subordinate lien bonds will be paid from the Arizona State Lottery revenues, with the balance being the responsibility of the ASU.

On October 7, 2010 the SFB, through The Bank of New York Mellon Trust Company, NA, issued COPs Series 2010 for \$91.325 million. The 2010 COPs include \$91.325 million of term certificates with an interest rate of 6.00% and a maturity date of September 1, 2027. The 2010 COPs are subject to mandatory and optional prepayment pursuant to the COP documents. Sinking Fund deposits will be made as part of the base rent under the lease to provide funding for principal retirement at maturity. The State realized net proceeds of \$90.432 million after payment of \$893 thousand of issuance costs, including underwriters' discount. The 2010 COPs were issued to: (i) finance the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various schools districts within the State, and (ii) pay the costs of issuance.

On October 14, 2010, the ADOT issued \$180.000 million in Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Fund) 2010 Series to: (i) pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and (ii) pay the costs of issuance. The 2010 Series Bonds were issued as senior lien bonds and mature from July 1, 2011 through July 1, 2025. Net proceeds totaled \$205.288 million (after receipt of \$26.424 million reoffering premium and payment of \$1.136 million in underwriting fees and costs of issuance). The bonds were rated AA+ and Aa1 by S&P and Moody's, respectively.

On January 12, 2011, the ADOT issued \$158.585 million in Grant Anticipation Notes Series 2011A (2011A GANs) to: (i) pay a portion of the costs of certain controlled-access highways, U.S. highways, and State routes within the State and (ii) pay the costs of issuance. The 2011A GANs are limited obligations of the ADOT, with maturity dates of July 1, 2016 through July 1, 2026, and interest rates ranging from 4.00% to 5.25%. The 2011A GANs maturing on or after July 1, 2021 are subject to optional redemption at the discretion of the ADOT. The 2011A GANs are rated AA, Aa2, and AA by Fitch Ratings, Moody's, and S&P, respectively.

In February 2011, the ASU issued \$51.200 million in System Revenue Bonds to fund the acquisition of the Centerpoint building (in downtown Tempe), renovation and expansion of Student Health Services, building renewal and academic renovations, lab and research space renovations, and safety improvements. The bonds were issued with an average maturity of 10.1 years and an average interest rate of 4.51%.

**NOTE 16. 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

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purposes. Each component unit has a June 30 year-end with the exception of the Law College Association, which has a May 31 year-end.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting. The State's component units follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989, except for the UMC, which has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

**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:

- i *Unrestricted net assets* include assets and contributions that are not restricted by donors or for which such restrictions have expired.
- i *Temporarily restricted net assets* include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted if the restrictions are satisfied in the same reporting period in which the contributions are received; however, the component units affiliated with the ASU, other than the ASU Foundation, classify such contributions as unrestricted.
- i *Permanently restricted net assets* include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the board-approved payout be made available for program operations in accordance with donor restrictions.

**3. Cash and Cash Equivalents**

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value.

**4. Investments**

Investments are recorded in accordance with Statements of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership 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 (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increases or decreases in net assets in the Statement of Activities.

**5. Income Taxes**

The Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements, except for the Collegiate Golf Foundation and

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the ACFFC. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. The ACFFC and NACFFC are 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.

**6. Annuities Payable and Other Trust Liabilities**

Annuities payable and other trust liabilities for the U of A Foundation are stated at the actuarially computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the Statement of Financial Position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received.

**7. Contributions**

Contributions are recorded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

**8. Net Assets Released from Restriction**

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the net assets are reclassified to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

**9. Use of Estimates**

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

**B. DEPOSITS AND INVESTMENTS**

**1. Component Units**

**a. Deposits and Investment Policies**

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

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

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

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 WIFA and the UMC do not have a formal policy regarding custodial credit risk for investments. The investments of the UMC are uninsured, unregistered, and held by brokers in the UMC's name.

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**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 WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2010 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Commercial paper	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -
Corporate asset backed securities	2,640	2,640	-	-	-
Corporate notes	12,297	12,297	-	-	-
Guaranteed investment contracts	105,257	-	-	105,257	-
Money market mutual funds	4,703	4,703	-	-	-
Repurchase agreements	7,916	7,916	-	-	-
U.S. agency securities	21,581	21,581	-	-	-
U.S. agency securities – full faith	141	-	141	-	-
U.S. agency mortgage backed securities	606	-	-	-	606
U.S. agency mortgage backed securities -full faith	16	-	-	-	16
U.S. Treasury securities	4,613	4,613	-	-	-
Total	\$ 174,770	\$ 68,750	\$ 141	\$ 105,257	\$ 622

The UMC's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years. The following table presents the estimated maturities of the UMC's investments, utilizing the segmented time distribution method as of June 30, 2010 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Bond mutual funds	\$ 6,988	\$ -	\$ 6,988	\$ -	\$ -
Commercial paper	15,617	15,617	-	-	-
Guaranteed investment contracts	8,615	4,372	-	-	4,243
Money market mutual funds	51,686	51,686	-	-	-
U.S. Treasury securities	8,442	8,442	-	-	-
Total	\$ 91,348	\$ 80,117	\$ 6,988	\$ -	\$ 4,243

**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 WIFA does not have a formal policy regarding credit risk. The following table presents the WIFA's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2010 (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	A1	BB	Not Rated
Commercial paper	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ -
Corporate asset backed securities	2,640	2,640	-	-	-	-	-
Corporate notes	10,311	156	2,924	6,610	-	621	-
Guaranteed investment contracts	105,257	105,257	-	-	-	-	-
Money market mutual funds	4,703	-	-	-	-	-	4,703
U.S. agency securities	21,581	16,990	-	-	4,591	-	-
U.S. agency mortgage backed securities	606	606	-	-	-	-	-
Total	\$ 160,098	\$ 125,649	\$ 2,924	\$ 6,610	\$ 19,591	\$ 621	\$ 4,703

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The UMC's investment policy establishes ranges which limit the level of investments held in domestic and international equities, fixed income securities, and alternative investment strategies. Investment in fixed income securities is limited to investment grade securities with a credit rating of BBB, or equivalent, or better. The portfolio of fixed income securities must maintain an average rating of A or better at all times. The following table presents the UMC's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2010 (expressed in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>Not Rated</b>
Bond mutual funds	\$ 6,988	\$ 5,499	\$ 1,489	\$ -	\$ -
Commercial paper	15,617	-	-	-	15,617
Guaranteed investment contracts	8,615	-	-	4,243	4,372
Hedge fund of funds	33,043	-	-	-	33,043
Money market mutual funds	51,686	-	-	-	51,686
Private equity	3,697	-	-	-	3,697
Other	51,216	-	-	-	51,216
Total	<u>\$ 170,862</u>	<u>\$ 5,499</u>	<u>\$ 1,489</u>	<u>\$ 4,243</u>	<u>\$ 159,631</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 WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2010, an investment in Bayerische Landesbank (fair value of \$40.586 million) was approximately 23.22% of the WIFA's total investments, an investment in AIG Matched Funding Corp. (fair value of \$25.153 million) was approximately 14.39% of the WIFA's total investments, an investment in Royal Bank of Canada (fair value of \$31.374 million) was approximately 17.95% of the WIFA's total investments, and an investment in GE Funding Capital Market Services, Inc. (fair value of \$8.145 million) was approximately 4.66% of the WIFA's total investments.

**f. Foreign Currency Risk**

The UMC's investment policy permits it to invest a portion of its holdings in international equities, private equity, and hedge fund investments. The UMC's current holdings in international securities totaled approximately \$22.608 million, or 15.60% of total investments not held by trustee. The following table summarizes the UMC's foreign currency risk as of June 30, 2010 (expressed in thousands):

<b>Currency</b>	<b>Foreign Currency Risk by Investment Type at Fair Value</b>		
	<b>Fixed Income</b>	<b>Equities</b>	<b>Total</b>
Euro Currency	\$ (293)	\$ 3,865	\$ 3,572
Hong Kong Dollar	-	1,362	1,362
Indonesian Rupiah	93	1,207	1,300
Japanese Yen	(248)	7,495	7,247
Russian Ruble	-	828	828
South African Rand	(49)	1,680	1,631
Other	1,911	4,757	6,668
Total	<u>\$ 1,414</u>	<u>\$ 21,194</u>	<u>\$ 22,608</u>



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**2. Universities-Affiliated Component Units**

Investments of the Universities-affiliated component units include the following amounts at June 30, 2010. Investments are stated at fair value (expressed in thousands):

	ASU Foundation	U of A Foundation	NAU Foundation
Money market funds and cash equivalents	\$ 47,468	\$ -	\$ 122
Domestic/international equity securities and mutual funds	322,544	126,983	41,014
Fixed income	110,266	89,708	23,761
Absolute return limited partnerships and funds	-	113,629	-
Other investments	53,971	46,763	-
Total Investments	<u>\$ 534,249</u>	<u>\$ 377,083</u>	<u>\$ 64,897</u>

**C. PROGRAM LOANS**

The 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 2010 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	\$ 681,426	\$ 168,128	\$ (49,461)	\$ 800,093
Drinking Water Fund	311,215	76,123	(29,294)	358,044
Total	<u>\$ 992,641</u>	<u>\$ 244,251</u>	<u>\$ (78,755)</u>	<u>\$ 1,158,137</u>

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a .30% to 4.00% annual administrative fee.

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 WIFA to the borrowers and interest on the reserve accrues to the borrowers.

**D. PLEDGES RECEIVABLE**

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and any applicable loss allowance. The ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 2.80% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges. The Sun Angel Foundation's pledges receivable are recorded using a 5.14% discount rate for the year ended June 30, 2010.

Pledges receivable, as of June 30, 2010, include the following (expressed in thousands):

	ASU Foundation	Sun Angel Foundation
Gross pledges receivable	\$ 155,337	\$ 9,068
Present value discount	(15,073)	(608)
Allowance for uncollectible pledges	(47,684)	-
Net Pledges Receivable	<u>\$ 92,580</u>	<u>\$ 8,460</u>

**E. DIRECT FINANCING LEASE AGREEMENTS**

**1. ASU Foundation**

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU

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and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2010 is \$26.975 million.

**2. ACFFC**

Pursuant to a sublease agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of 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 2009A and 2009B 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 2009A and 2009B 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. ACFFC's net investment in the Nanotechnology facility direct financing lease is \$34.200 million at June 30, 2010.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of 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 September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 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 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is \$12.400 million at June 30, 2010.

**3. NACFFC**

On May 19, 2005, the NAU entered into a lease purchase agreement with NACFFC. During the 28 year lease term, the NAU will make lease payments on two apartment style student housing complexes, Pine Ridge Village and McKay Village. The NACFFC recorded a sales-type lease receivable of \$13.225 million in fiscal year 2005 for the Pine Ridge complex. The agreement also provided for the NAU's lease purchase agreement of the McKay Village complex for \$22.685 million in fiscal year 2007. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

On September 1, 2006, the NAU entered into a lease purchase agreement with NACFFC. During the 30 year lease term, the agreement provides for the NAU lease purchase of the convention center/parking garage complex for \$12.400 million in fiscal year 2008. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

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**F. CAPITAL ASSETS**

Capital asset activity for the UMC for the fiscal year ended June 30, 2010 was as follows (expressed in thousands):

	University Medical Center				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	\$ 11,692	\$ -	\$ -	\$ 165	\$ 11,857
Construction in progress	102,756	56,517	-	(143,645)	15,628
Total Non-depreciable Capital Assets	114,448	56,517	-	(143,480)	27,485
Depreciable capital assets:					
Buildings	241,389	3,900	-	121,456	366,745
Improvements other than buildings	864	17	(22)	(162)	697
Equipment	156,970	8,420	(6,089)	22,186	181,487
Total Depreciable Capital Assets	399,223	12,337	(6,111)	143,480	548,929
Less accumulated depreciation for:					
Buildings	(121,864)	(10,123)	-	-	(131,987)
Improvements other than buildings	(412)	(43)	-	-	(455)
Equipment	(121,845)	(15,048)	6,040	-	(130,853)
Total Accumulated Depreciation	(244,121)	(25,214)	6,040	-	(263,295)
Total Depreciable Capital Assets, Net	155,102	(12,877)	(71)	143,480	285,634
Total UMC Capital Assets, Net	\$ 269,550	\$ 43,640	\$ (71)	\$ -	\$ 313,119

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2010 include the following (expressed in thousands):

	ASU Foundation	ACFFC	Downtown Phoenix Student Housing
Buildings and improvements	\$ 17,397	\$ 202,983	\$ 113,900
Furniture, fixtures, and equipment	7,860	52,795	10,280
Construction in progress	-	23,263	-
Other property and equipment	-	729	-
Total cost or donated value	25,257	279,770	124,180
Less: Accumulated Depreciation	(6,501)	(46,629)	(7,017)
Total Property and Equipment, Net	\$ 18,756	\$ 233,141	\$ 117,163

**G. LONG-TERM OBLIGATIONS**

**1. Component Units**

**a. Water Infrastructure Finance Authority**

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

During fiscal year 2010, the WIFA issued Water Quality Revenue Bonds, Series 2009A (2009A Bonds) for \$148.785 million. The 2009A Bonds include \$148.785 million of serial bonds due in annual installments through final maturity of fiscal year 2030, with interest rates ranging from 2.00% to 5.00%. The 2009A Bonds were sold to provide financial assistance to entities throughout the State for various wastewater treatment facilities pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Act of 1987. The 2009A Bonds were sold at a net original issue premium of \$12.228 million.

In July 2009, the WIFA issued \$39.655 million of Water Quality Revenue Refunding Bonds Series 2009A to do an advance refunding on the remainder of the 1996A and 1999A bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and

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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 redemption date was September and October 2009, so the amount outstanding on those defeased bonds, as of June 30, 2010, is zero. The advance refunding was done in order to reduce debt payments. The refunding issue decreased the WIFA's total debt service payments by approximately \$3.600 million. The transaction resulted in an economic loss of approximately \$499 thousand.

In prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have 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 assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2010 totaled \$62.995 million.

The \$6.317 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. The amortization for the year ended June 30, 2010 is \$554 thousand. Amortization has been offset against interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2010 is \$4.516 million. Further, bond issuance costs are amortized over the life of the bond and offset to interest expense. The amortization for the ended June 30, 2010 is \$760 thousand.

**b. University Medical Center**

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled \$20.072 million at June 30, 2010, are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements. These principally consist of money market investments, collateralized by U.S. government securities.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board of Regents, the U of A, the State, or any political subdivision thereof.

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**Summary of Revenue Bonds**

The following schedule summarizes revenue bonds outstanding at June 30, 2010 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2010
Component Units:				
Water Infrastructure Finance Authority	2001-2010	2011-2030	2.00-5.38%	\$ 857,910
University Medical Center	1993-2009	2011-2040	4.82-6.48%	282,745
Arizona Power Authority	2001-2004	2011-2018	5.00-5.25%	41,750
Rio Nuevo Multipurpose Facilities Dist	2006-2009	2011-2025	4.90-6.6%	83,010

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2010 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Water Infrastructure Finance Authority		
	Principal	Interest	Total
2011	\$ 36,995	\$ 40,094	\$ 77,089
2012	45,125	38,353	83,478
2013	41,470	36,458	77,928
2014	42,250	34,547	76,797
2015	43,495	32,578	76,073
2016-2020	246,950	129,240	376,190
2021-2025	269,535	65,238	334,773
2026-2030	132,090	13,138	145,228
Total	<u>\$ 857,910</u>	<u>\$ 389,646</u>	<u>\$ 1,247,556</u>

Fiscal Year	Annual Debt Service		
	University Medical Center		
	Principal	Interest	Total
2011	\$ 4,295	\$ 15,059	\$ 19,354
2012	4,515	14,846	19,361
2013	5,555	14,621	20,176
2014	5,845	14,365	20,210
2015	6,145	14,075	20,220
2016-2020	36,165	65,439	101,604
2021-2025	47,640	55,251	102,891
2026-2030	61,435	41,818	103,253
2031-2035	79,435	24,284	103,719
2036-2040	31,715	4,986	36,701
Total	<u>\$ 282,745</u>	<u>\$ 264,744</u>	<u>\$ 547,489</u>

Fiscal Year	Annual Debt Service		
	Arizona Power Authority		
	Principal	Interest	Total
2011	\$ 4,220	\$ 2,064	\$ 6,284
2012	4,585	1,845	6,430
2013	4,810	1,603	6,413
2014	5,065	1,344	6,409
2015	5,330	1,071	6,401
2016-2018	17,740	1,429	19,169
Total	<u>\$ 41,750</u>	<u>\$ 9,356</u>	<u>\$ 51,106</u>

Fiscal Year	Annual Debt Service		
	Rio Nuevo Multipurpose Facilities District		
	Principal	Interest	Total
2011	\$ 3,120	\$ 4,974	\$ 8,094
2012	3,290	4,812	8,102
2013	5,295	4,641	9,936
2014	3,870	4,349	8,219
2015	4,020	4,137	8,157
2016-2020	23,750	17,210	40,960
2021-2025	39,665	9,031	48,696
Total	<u>\$ 83,010</u>	<u>\$ 49,154</u>	<u>\$ 132,164</u>

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

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year	Due Thereafter
<b>Water Infrastructure Finance Authority:</b>						
Long-term Debt:						
Revenue bonds	\$ 742,840	\$ 188,440	\$ (73,370)	\$ 857,910	\$ 36,995	\$ 820,915
Revenue bond premium	48,603	13,921	(4,516)	58,008	-	58,008
Deferred amounts, net	(6,372)	(498)	554	(6,316)	-	(6,316)
Total Long-term Debt	<u>785,071</u>	<u>201,863</u>	<u>(77,332)</u>	<u>909,602</u>	<u>36,995</u>	<u>872,607</u>
Other Long-term Liabilities:						
Compensated absences	65	76	(56)	85	85	-
Total Other Long-term Liabilities	<u>65</u>	<u>76</u>	<u>(56)</u>	<u>85</u>	<u>85</u>	<u>-</u>
Total Long-term Obligations	<u>\$ 785,136</u>	<u>\$ 201,939</u>	<u>\$ (77,388)</u>	<u>\$ 909,687</u>	<u>\$ 37,080</u>	<u>\$ 872,607</u>
<b>University Medical Center:</b>						
Long-term Debt:						
Revenue bonds	\$ 286,890	\$ -	\$ (4,145)	\$ 282,745	\$ 4,295	\$ 278,450
Revenue bond premium and discounts	(2,902)	-	69	(2,833)	-	(2,833)
Total Long-term Debt	<u>283,988</u>	<u>-</u>	<u>(4,076)</u>	<u>279,912</u>	<u>4,295</u>	<u>275,617</u>
Other Long-term Liabilities:						
Compensated absences	14,569	10,166	(9,574)	15,161	9,036	6,125
Other	4,693	468	(2,399)	2,762	-	2,762
Total Other Long-term Liabilities	<u>19,262</u>	<u>10,634</u>	<u>(11,973)</u>	<u>17,923</u>	<u>9,036</u>	<u>8,887</u>
Total Long-term Obligations	<u>\$ 303,250</u>	<u>\$ 10,634</u>	<u>\$ (16,049)</u>	<u>\$ 297,835</u>	<u>\$ 13,331</u>	<u>\$ 284,504</u>
<b>Arizona Power Authority:</b>						
Long-term Debt:						
Revenue bonds	\$ 45,565	\$ -	\$ (3,815)	\$ 41,750	\$ 4,220	\$ 37,530
Revenue bond premium and discounts	1,457	-	(293)	1,164	-	1,164
Deferred amounts, net	(994)	-	200	(794)	-	(794)
Total Long-term Debt	<u>46,028</u>	<u>-</u>	<u>(3,908)</u>	<u>42,120</u>	<u>4,220</u>	<u>37,900</u>
Other Long-term Liabilities:						
Compensated absences	71	51	(61)	61	61	-
Total Other Long-term Liabilities	<u>71</u>	<u>51</u>	<u>(61)</u>	<u>61</u>	<u>61</u>	<u>-</u>
Total Long-term Obligations	<u>\$ 46,099</u>	<u>\$ 51</u>	<u>\$ (3,969)</u>	<u>\$ 42,181</u>	<u>\$ 4,281</u>	<u>\$ 37,900</u>
<b>Rio Nuevo Multipurpose Facilities District:</b>						
Long-term Debt:						
Revenue bonds	\$ 83,610	\$ -	\$ (600)	\$ 83,010	\$ 3,120	\$ 79,890
Certificates of participation	10,085	12,560	(3,200)	19,445	3,360	16,085
City of Tucson loan	6,752	-	(5,036)	1,716	1,716	-
Premiums and discounts on debt	(1,062)	(147)	4	(1,205)	-	(1,205)
Total Long-term Obligations	<u>\$ 99,385</u>	<u>\$ 12,413</u>	<u>\$ (8,832)</u>	<u>\$ 102,966</u>	<u>\$ 8,196</u>	<u>\$ 94,770</u>

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**2. Universities-Affiliated Component Units**

A summary of bonds payable as of June 30, 2010 include the following (expressed in thousands):

	<u>Final Maturity</u>	<u>Amount</u>
ASU Foundation:		
Series 2004A Variable Rate Revenue Bonds	2034	\$ 22,420
Series 2004B Variable Rate Revenue Bonds	2022	9,855
Series 2003 Lease Revenue Bonds	2034	45,810
Capital Lease	2011	1,469
ACFFC:		
Series 2009 Revenue Bonds	2024	41,240
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	11,490
Series 2008 Revenue Bonds	2028	16,315
Series 2008 Revenue Refunding Bonds	2039	145,180
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	51,005
Series 2005 Tax-Exempt Refunding Bonds	2035	16,005
Series 2003 Revenue Bonds	2035	13,120
Series 2002 Revenue Bonds	2018	22,760
Series 2000 Revenue Bonds	2032	9,885
Unamortized Bond Discount		(3,467)
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	119,040
Series 2007B Revenue Bonds	2012	785
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,221)
NACFFC:		
Series 2008 Refunding Bonds	2033	35,845
North Campus Lease Revenue Serial and Term Bonds	2036	11,930
Unamortized Bond Discount		(34)

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

<u>Fiscal Year</u>	<u>ASU Foundation</u>	<u>ACFFC</u>	<u>Downtown Phoenix Student Housing</u>	<u>NACFFC</u>
2011	\$ 1,875	\$ 5,795	\$ -	\$ 850
2012	1,988	8,455	600	915
2013	1,755	8,995	655	985
2014	1,835	9,580	430	1,060
2015	1,940	10,225	610	1,135
Thereafter	70,161	303,438	140,230	42,830
Total	\$ 79,554	\$ 346,488	\$ 142,525	\$ 47,775

**H. CONDUIT DEBT**

During the year ended June 30, 2010, the Greater Arizona Development Authority (GADA) issued \$23.370 million of Bonds, Series 2010A for public infrastructure projects in the City of Flagstaff and the City of Maricopa. The GADA's 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. Eligible applicants include cities, towns, counties, Indian tribes, and certain special districts. Principal and interest are payable semiannually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the GADA from the GADA Fund, which is held by the State Treasurer. Some borrowers also have

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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 GADA bonds.

In previous years, the State appropriated a total of \$20.000 million to the GADA for the express purpose of securing bonds issued by the GADA. As of June 30, 2010, the remaining balance in the appropriations account was \$12.483 million including interest earned. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, the GADA's 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 assets of \$10.465 million in the Pledged Collateral Reserve Fund. As such, the Series 2010A bonds do not constitute a legal debt of the State and are not enforceable against the State. At June 30, 2010, the total outstanding face value of all bonds issued by the GADA was \$379.465 million.

**I. RELATED PARTY TRANSACTIONS**

The UMC and the U of A both provide and receive services from each other under various contracts. Payments to the U of A by the UMC include mission and program support, resident and intern salaries, utilities, leases, ground maintenance, and various administrative functions. Amounts paid to the U of A for these services were approximately \$28.853 million for the year ended June 30, 2010. At June 30, 2010, the amount outstanding for mission support agreements is \$2.500 million.

The UMC has entered into contractual agreements with the U of A to provide support for the academic mission of the U of A. Charges to the U of A for such services and facilities provided by the UMC were approximately \$8.552 million for the year ended June 30, 2010. This amount is included in sales and charges for services in the accompanying financial statements.

The UMC also has an agreement to provide health care services to members of an AHCCCS health plan owned by University Physicians Healthcare (UPH) called University Family Care (UFC). UFC, an AHCCCS-funded health maintenance organization (HMO), manages approximately 15,000 members. The UMC provides health care services to UFC members in the normal course of business. The UMC operates under a contract with UFC at rates that are substantially the same as rates received from other unaffiliated AHCCCS HMOs. Such rates are generally at or below the maximum rates established by AHCCCS and do not cover the UMC's costs of providing care to UFC members. Sales and charges for services include \$40.033 million from this payor, based on negotiated rates.

During fiscal year 2010, AHCCCS committed approximately \$31.000 million to the UMC related to the UMC's eligible unreimbursed Indirect Medical Education (IME) costs. The availability of these funds was made possible due to the UMC's unreimbursed IME costs and facilitated by matching funds made available by the U of A and Pima County. Pursuant to a separate but related agreement, the UMC agreed to pay \$20.000 million of the funds in fiscal year 2010 to UPH in support of unreimbursed costs of residents and fellows incurred by UPH. At June 30, 2010, a receivable in the amount of \$31.000 million is recorded in the accompanying financial statements. At June 30, 2010, accounts payable included \$20.000 million due to UPH under this agreement.

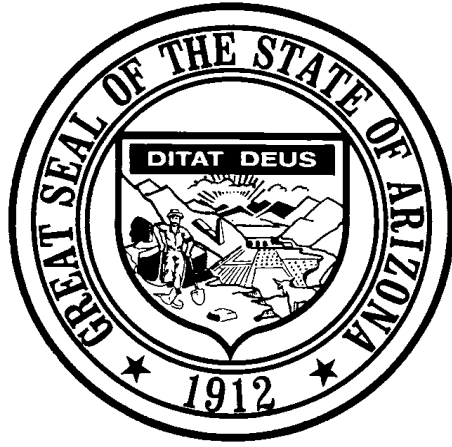
**J. SUBSEQUENT EVENTS**

In June 2010, the ABOR created UA Healthcare, Inc. and approved a change in the UMC's bylaws designating the newly formed UA Healthcare, Inc. as the UMC's sole member and granting UA Healthcare certain reserved power and authority. Effective July 1, 2010, UA Healthcare, Inc. also controls the UPH. The UPH is a not-for-profit corporation created by the U of A in 1985 as the medical practice for physicians at the U of A's College of Medicine. In connection with the establishment of UA Healthcare, Inc. as the sole member of the UMC and the controlling member of the UPH, the UMC and the UPH will be developing an integration plan to enhance the existing relationships between the UMC and the UPH.

In July 2010, the WIFA issued \$138.665 million of Water Quality Revenue Bonds, Series 2010A due in annual principal installments ranging from \$2.500 million to \$75.175 million, plus semi annual interest ranging from 2.00% to 5.00% through October 1, 2030. The WIFA also issued \$42.325 million of Water Quality Revenue Refunding Bonds, Series 2010A due in annual principal installments beginning in October, 2017 and ranging from \$7.765 million to \$12.485 million, plus semi annual interest of 5.00% through October 1, 2020.



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REQUIRED  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	\$ 0	\$ 103,142	\$ 103,142
ADMINISTRATIVE ADJUSTMENTS	0	278,123	278,123
ADMINISTRATIVE ADJUSTMENTS	0	205	205
ADMINISTRATIVE ADJUSTMENTS	0	1,276	1,276
ARIZONA FINANCIAL INFORMATION SYSTEM	1,120,500	1,120,500	1,113,760
BUILDING RENEWAL FY00 - 01	10,186	10,186	0
BUILDING RENEWAL FY05 - 06	4,714	4,714	0
BUILDING RENEWAL FY06 - 07	36,907	36,907	0
BUILDING RENEWAL FY06 - 07	53,241	53,241	26,769
BUILDING RENEWAL FY07 - 08	1,212,841	1,212,841	1,205,765
BUILDING RENEWAL FY08 - 09	193,216	164,735	118,415
BUILDING RENEWAL FY09 - 10	1,000,000	960,000	238,555
CAPITOL MALL FIRE SYSTEM REPLACE	490,931	490,931	44,042
CASH TRANSFER TO GENERAL FUND	0	400,300	400,300
CASH TRANSFER TO GENERAL FUND	0	647,600	647,600
CASH TRANSFER TO GENERAL FUND	0	3,600,900	3,600,900
CASH TRANSFER TO GENERAL FUND	0	1,867,200	1,867,200
CASH TRANSFER TO GENERAL FUND	1,279,700	1,279,700	1,279,700
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT	2,430,000	1,216,800	715,000
DJC HVAC AND ELECTRICAL RENOVATIONS	189,752	189,752	1,876
ENSCO	2,867,300	2,867,300	2,867,300
FEDERAL GOVERNMENT REPAYMENT	0	1,700,000	1,700,000
HB1464 PERSONNEL REFORM	273,045	273,045	0
HRIS CERTIFICATE OF PARTICIPATION	4,354,000	4,354,000	4,318,381
OPERATING LUMP SUM APPROPRIATION	5,590,700	4,801,200	3,052,384
OPERATING LUMP SUM APPROPRIATION	14,064,000	10,530,700	8,241,570
OPERATING LUMP SUM APPROPRIATION	19,214,300	11,133,300	10,831,946
OPERATING LUMP SUM APPROPRIATION	1,258,000	1,266,100	982,021
OPERATING LUMP SUM APPROPRIATION - COSF	5,200,700	5,200,700	5,200,536
OPERATING LUMP SUM OPERATING - FED SURP	449,300	453,300	99,905
PLTO 1 BACKFILL AGENCY RELOCATIONS	243,490	243,490	0
PLTO 1 BACKFILL SPACE RENOVATIONS	106,402	106,402	0
PLTO 1 BACKFILL SPACE RENOVATIONS	348,161	348,161	0
PLTO 1 PROJECT MANAGEMENT	55,659	55,659	0
PRISON CELL LOCKS/DOOR REPLACEMENT GF	88,022	88,022	0
RELOCATION	0	58,149	0
RELOCATION	60,000	60,000	0

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
RELOCATION	60,000	60,000	53,587
RELOCATION FY00 - 01	0	60,000	0
RELOCATION FY01 - 02	0	59,026	0
RELOCATION FY99 - 00	46,526	46,526	0
STATE BOARDS LUMP SUM APPROPRIATION	284,200	285,200	208,425
STATE SURPLUS PROPERTY SALES PROCEEDS	3,000,000	2,352,400	587,330
SW TELECOMMUNICATIONS MGT CONTRACT LEASE	851,800	851,800	851,739
UTILITIES	7,349,900	7,349,900	6,686,028
UTILITIES	625,700	625,700	625,700
<b>ADMINISTRATIVE HEARINGS, OFFICE OF</b>			
OPERATING LUMP SUM APPROPRIATION	999,700	933,300	933,300
OPERATING LUMP SUM APPROPRIATION	14,500	14,500	14,500
<b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	6,465	6,465
AG CONSULTING AND TRAINING PARI-MUTUAL	128,500	128,500	126,609
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	19,805	19,805
ANIMAL DAMAGE CONTROL	65,000	65,000	65,000
OPERATING LUMP SUM APPROPRIATION	11,528,900	8,341,295	8,335,179
RED IMPORTED FIRE ANT	23,200	23,200	23,200
<b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>			
ADMINISTRATIVE ADJUSTMENTS	0	7,996,389	7,996,389
ADMINISTRATIVE ADJUSTMENTS	0	710,250	710,250
ADMINISTRATIVE ADJUSTMENTS	0	24,764,557	24,764,557
ADMINISTRATIVE ADJUSTMENTS	0	402,956	402,956
ADMINISTRATIVE ADJUSTMENTS	0	316	316
ADMINISTRATIVE ADJUSTMENTS	0	18,641	18,641
ADMINISTRATIVE ADJUSTMENTS	0	17,197,343	17,197,343
ADMINISTRATIVE ADJUSTMENTS	0	533,482	533,482
ADMINISTRATIVE ADJUSTMENTS	0	163,123	163,123
ADMINISTRATIVE ADJUSTMENTS	0	2,452	2,452
ADMINISTRATIVE ADJUSTMENTS	0	25,338,611	25,338,611
ADMINISTRATIVE ADJUSTMENTS	0	9,663	9,663
BREAST AND CERVICAL CANCER	407,400	226,900	218,016
BREAST AND CERVICAL CANCER	1,292,200	1,292,200	711,113
BUDGET NEUTRALITY COMPLIANCE FUND	2,993,500	2,993,500	2,235,579
CAPITATION	1,642,435,400	1,480,890,700	1,479,836,591
CAPITATION	722,107,400	454,680,059	453,377,673
CASH REVERSION TO GENERAL FUND	0	112,607	112,607
CASH TRANSFER TO GENERAL FUND	0	1,426,000	1,426,000

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CHIP - PARENTS	1,670,100	1,670,100	1,505,922
CHIP - PARENTS	5,297,400	5,297,400	4,879,134
CHIP - SERVICES	30,483,700	18,204,600	17,819,492
CHIP - SERVICES	104,032,800	67,941,500	67,590,695
CRITICAL ACCESS HOSPITALS	1,117,700	1,117,700	558,875
CRITICAL ACCESS HOSPITALS	582,300	409,240	204,595
DES ELIGIBILITY	26,467,600	26,320,700	21,816,653
DES ELIGIBILITY	29,220,700	29,323,600	17,862,153
DES TITLE XIX PASS THROUGH	154,000	262,700	147,700
DES TITLE XIX PASS THROUGH	203,800	319,800	166,491
DISPROPORTIONATE SHARE PAYMENTS	8,954,300	171,250	0
DISPROPORTIONATE SHARE PAYMENTS	21,395,700	4,552,300	0
DOA DATA CENTER CHARGES	1,724,700	2,483,300	2,430,326
DOA DATA CENTER CHARGES	3,992,800	5,874,400	5,769,823
FEE FOR SERVICE	416,918,100	445,193,500	436,851,725
FEE FOR SERVICE	105,858,600	96,131,030	80,717,626
GRADUATE MEDICAL EDUCATION	14,470,700	0	0
GRADUATE MEDICAL EDUCATION	27,604,600	0	0
INDIAN ADVISORY COUNCIL	116,300	117,100	98,585
INDIAN ADVISORY COUNCIL	116,600	104,900	101,078
KIDSCARE ADMINISTRATION	5,595,600	6,428,500	5,347,572
KIDSCARE ADMINISTRATION	1,764,100	1,733,600	1,639,307
LONG TERM CARE BOARD OF NURSING	104,800	104,800	104,800
LONG TERM CARE BOARD OF NURSING	104,900	104,900	104,800
MEDICAL CLAWBACK PAYMENTS - ACUTE CARE	31,925,600	20,965,952	20,965,952
MEDICAL CLAWBACK PAYMENTS - LTC	12,501,700	8,216,936	8,216,935
MEDICAL CLAWBACK PAYMENTS - LTC	10,454,600	6,860,011	6,860,010
MEDICARE PREMIUMS	73,242,700	75,992,700	75,825,360
MEDICARE PREMIUMS	31,307,300	22,458,842	22,454,529
MENTAL HEALTH - ADULTS	45,368	45,368	0
NEW AND EXPANDED GRADUATE MED ED PROGRAM	958,535	958,535	0
NEW AND EXPANDED GRADUATE MED ED PROGRAM	4,494,824	4,494,824	0
OFFICE OF ADMINISTRATIVE HEARINGS	271,300	272,700	229,951
OPERATING LUMP SUM APPROPRIATION	0	29	0
OPERATING LUMP SUM APPROPRIATION	41,521,800	38,635,900	30,835,300
OPERATING LUMP SUM APPROPRIATION	28,560,600	24,305,550	24,191,474
OPERATING LUMP SUM APPROPRIATION	1,098,657,600	1,098,619,089	1,000,916,515
OPERATING LUMP SUM APPROPRIATION	168,052,400	114,305,941	114,305,941

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PROP 204 ADMIN OPER 100% FPL EXPANSION	4,678,100	5,224,100	4,761,914
PROP 204 ADMIN OPER 100% FPL EXPANSION	0	5	0
PROP 204 ADMIN OPER 100% FPL EXPANSION	4,724,800	3,937,000	3,594,300
PROP 204 CAPITATION	48,996,700	40,367,900	40,367,900
PROP 204 CAPITATION	1,411,264,200	1,314,690,000	1,308,327,487
PROP 204 CAPITATION	118,280,200	108,211,300	105,394,083
PROP 204 CAPITATION	555,523,900	312,373,058	306,145,090
PROP 204 COUNTY HOLD HARMLESS	4,825,600	4,825,600	4,825,600
PROP 204 FEE-FOR-SERVICE	47,238,800	45,582,814	37,697,912
PROP 204 FEE-FOR-SERVICE	183,312,600	223,812,600	222,871,924
PROP 204 MEDICARE	21,732,900	22,982,900	22,927,375
PROP 204 PASS THROUGH ADMIN	21,854,900	18,036,800	18,036,800
PROP 204 PASS THROUGH ADMIN	18,737,300	18,895,500	15,774,600
PROP 204 REINSURANCE	29,998,400	30,872,521	20,532,178
PROP 204 REINSURANCE	57,603,500	62,603,500	59,502,417
REINSURANCE	44,389,000	56,716,600	42,597,235
REINSURANCE	85,232,800	124,132,800	107,837,167
RURAL HOSPITAL REIMBURSEMENT	7,994,600	7,994,600	0
RURAL HOSPITAL REIMBURSEMENT	4,163,500	2,926,400	0
TICKET TO WORK	4,566,200	4,566,200	4,115,758
TICKET TO WORK	2,378,100	1,470,416	1,456,407
<b>ARIZONA STATE UNIVERSITY</b>			
BIOMEDICAL INFORMATICS	3,472,679	2,766,172	2,766,172
DOWNTOWN PHOENIX CAMPUS	35,657,491	27,670,791	27,670,791
OPERATING LUMP SUM APPROPRIATION - MAIN	379,025,264	246,063,198	246,063,197
OPERATING LUMP SUM APPROPRIATION-EAST	32,305,307	21,382,636	21,382,636
OPERATING LUMP SUM APPROPRIATION-WEST	58,305,716	38,898,202	38,898,202
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	0	12,481,636	12,481,636
RESEARCH INFRASTRUCTURE LPP-POLYTECHNIC	0	844,387	844,387
<b>ARTS, ARIZONA COMMISSION ON THE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	212	212
CASH TRANSFER TO GENERAL FUND	0	115,400	115,400
COMMUNITY SERVICE PROJECTS	1,263,100	287,700	287,700
OPERATING LUMP SUM APPROPRIATION	667,700	534,800	534,793
<b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>			
ADMINISTRATIVE ADJUSTMENTS	0	57,062	57,062
LEGAL ARIZONA WORKERS ACT	100,000	100,000	0
MILITARY INSTALLATION/PLANNING	0	99,900	99,900
MILITARY INSTALLATION/PLANNING FY08-09	25,525	25,525	25,525

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	22,828,400	17,690,000	17,495,777
OPERATING LUMP SUM APPROPRIATION	13,378,800	13,440,400	11,330,076
STATE GRAND JURY	179,000	178,900	178,900
<b>AUDITOR GENERAL</b>			
OPERATING LUMP SUM APPROPRIATION	17,502,600	16,533,100	14,333,681
OPERATING LUMP SUM APPROPRIATION FY07-08	190,889	190,889	0
OPERATING LUMP SUM APPROPRIATION FY08-09	276,872	276,872	0
<b>CAPITAL POSTCONVICTION PUBLIC DEFENDER OFFICE, STATE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	2,000	2,000
OPERATING LUMP SUM APPROPRIATION	680,600	646,300	645,687
<b>CHARTER SCHOOLS, STATE BOARD FOR</b>			
ADMINISTRATIVE ADJUSTMENTS	0	4,265	4,265
OPERATING LUMP SUM APPROPRIATION	823,900	823,100	720,745
<b>CHIROPRACTIC EXAMINERS, STATE BOARD OF</b>			
GENERAL FUND TRANSFER TO AGENCY FUND	148,000	148,000	148,000
<b>COMMERCE, DEPARTMENT OF</b>			
AGRICULTURE PRESERVATION DISTRICT	26,747	26,747	0
APPRENTICESHIP SERVICES OFFICE	189,900	189,900	187,155
AZ 21ST CENTURY COMPETITIVE INITIAT FUND	0	18,474,923	18,474,923
CASH TRANSFER TO GENERAL FUND	0	803,900	803,900
COMMERCE AND ECON DEVELOPMENT COMMISSION	866,122	866,122	0
INTERNATIONAL TRADE OFFICES	749,800	749,800	606,569
MILITARY BASE ECONOMIC RESEARCH STUDY	50,000	50,000	0
MILITARY INSTALLATION GF TRANSFER	0	1,879,500	1,879,500
MILITARY INSTALLATION OPERATING	0	75,000	74,929
MILITARY INSTALLATION OPERATING FY05-06	6,172	6,172	0
MILITARY INSTALLATION OPERATING FY06-07	5,114	5,114	0
MILITARY INSTALLATION OPERATING FY07-08	6,820	6,820	0
MILITARY INSTALLATION OPERATING FY08-09	813	813	0
MOTION PICTURE PROD TAX INCENTIVE ADMIN	0	337,700	0
OPERATING LUMP SUM APPROPRIATION	144,700	145,400	0
OPERATING LUMP SUM APPROPRIATION	3,392,900	499,300	496,716
RURAL ECONOMIC DEVELOPMENT	340,100	340,100	325,860
<b>CORPORATION COMMISSION</b>			
OPERATING LUMP SUM APPROPRIATION	1,343,600	589,100	588,797
OPERATING LUMP SUM APPROPRIATION	51,100	51,800	47,703
RAILROAD WARNING SYSTEMS	47,510	47,510	0
<b>CORRECTIONS, STATE DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	4,103,064	4,103,064
ALL OTHER PS AND ERE	177,000	157,600	124,000

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ALL OTHER PS AND ERE	200	200	200
ALL OTHER PS AND ERE	403,000	349,700	348,930
CASH TRANSFER TO GENERAL FUND	0	171,300	171,300
CASH TRANSFER TO GENERAL FUND	0	135,700	135,700
CORRECTIONAL OFFICER EMPLOYEE RELATED EXPENDITURES	128,135,500	130,849,900	130,332,529
CORRECTIONAL OFFICER PERSONAL SERVICES	253,382,100	249,362,100	245,988,835
COUNTY JAIL BEDS	866,200	366,200	364,620
EMPLOYEE RELATED EXPENDITURES	27,913,300	27,769,700	26,714,037
HEALTH CARE ALL OTHER OPERATING EXP	59,038,400	70,168,200	63,962,650
HEALTH CARE EMPLOYEE RELATED EXPENDITURES	14,851,900	14,166,300	13,414,357
HEALTH CARE PERSONAL SERVICES	41,393,000	39,179,000	37,922,924
NEW STATE PRISONS BEDS	16,064,100	16,064,100	16,064,100
NON-HEALTH CARE ALL OTHER OPERATING EXP	180,000	180,000	0
NON-HEALTH CARE ALL OTHER OPERATING EXP	123,309,400	123,309,400	120,781,395
OVERTIME COMPENSATORY TIME	13,420,100	9,441,700	8,511,923
PERSONAL SERVICES	66,324,000	62,880,900	61,719,468
PRIVATE PRISON PER DIEM	64,790,000	62,150,600	61,092,645
PROVISIONAL BEDS	101,388,900	84,682,600	84,401,279
<b>COSMETOLOGY, BOARD OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	252,000	252,000
<b>COURT OF APPEALS DIVISION I</b>			
ADMINISTRATIVE ADJUSTMENTS	0	3,319	3,319
OPERATING LUMP SUM APPROPRIATION - DIV I	9,873,800	9,739,400	9,738,844
<b>COURT OF APPEALS DIVISION II</b>			
OPERATING LUMP SUM - DIVISION II	4,377,000	4,319,200	4,319,200
<b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	1,457,909	1,457,909
OPERATING LUMP SUM - ADMIN/STATEWIDE	4,707,700	4,134,017	4,061,266
OPERATING LUMP SUM - PHOENIX	3,671,200	3,418,222	3,190,030
OPERATING LUMP SUM - PRESCHOOL/OUTREACH	1,503,100	1,431,002	1,430,518
OPERATING LUMP SUM - REGIONAL COOPERATIVES	1,008,700	1,073,000	1,071,053
OPERATING LUMP SUM - TUCSON	10,383,000	10,466,759	9,631,702
SCHOOL BUS REPLACEMENT-PHOENIX	738,000	738,000	738,000
<b>ECONOMIC SECURITY, DEPARTMENT OF</b>			
ADM ATTORNEY GENERAL LEGAL SERVICES	17,300	17,300	10,330
ADM ATTORNEY GENERAL LEGAL SERVICES	747,900	626,200	626,200
ADM ATTORNEY GENERAL LEGAL SERVICES	168,000	168,900	115,704
ADM FINGER IMAGING	461,300	461,600	461,600
ADM FINGER IMAGING	277,500	127,800	61,880

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

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**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
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FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADM OPERATING LUMP SUM APPROPRIATION	823,600	837,500	407,346
ADM OPERATING LUMP SUM APPROPRIATION	4,271,400	4,272,800	4,272,800
ADM OPERATING LUMP SUM APPROPRIATION	26,540,900	22,109,900	22,109,900
ADM STATEWIDE COST ALLOCATION PLAN FUND	1,000,000	1,000,000	1,000,000
ADM TRIAGENCY DISASTER RECOVERY	271,500	271,500	0
ADM WIA OPERATING LUMP SUM	0	225,000	0
ADM-HIGH PERFORMANCE BONUS	21,489	21,489	21,489
ADMIN FED REED ACT GRANT 4050	259,200	259,200	259,200
ADMINISTRATIVE ADJUSTMENTS	0	4,544	4,544
ADMINISTRATIVE ADJUSTMENTS	0	2,860,791	2,860,791
ADMINISTRATIVE ADJUSTMENTS	0	1,527,546	1,527,546
ADMINISTRATIVE ADJUSTMENTS	0	9,216	9,216
ADMINISTRATIVE ADJUSTMENTS	0	26,897	26,897
ADMINISTRATIVE ADJUSTMENTS	0	5,381,177	5,381,177
ADMINISTRATIVE ADJUSTMENTS	0	335,948	335,948
ADMINISTRATIVE ADJUSTMENTS	0	433,075	433,075
ADMINISTRATIVE ADJUSTMENTS	0	19,713,904	19,713,904
ADMINISTRATIVE ADJUSTMENTS	0	207,120	207,120
ADMINISTRATIVE ADJUSTMENTS	0	2,309,051	2,309,051
ADMINISTRATIVE ADJUSTMENTS	0	39,120	39,120
ADMINISTRATIVE ADJUSTMENTS	0	6,056,925	6,056,925
ADMINISTRATIVE ADJUSTMENTS	0	1,394,002	1,394,002
ADMINISTRATIVE ADJUSTMENTS	0	16,617	16,617
ADMINISTRATIVE ADJUSTMENTS	0	2,000,465	2,000,465
ADMINISTRATIVE ADJUSTMENTS	0	13,261	13,261
ADMINISTRATIVE ADJUSTMENTS	0	271,500	271,500
ADMINISTRATIVE ADJUSTMENTS	0	33,071	33,071
ADMINISTRATIVE ADJUSTMENTS	0	1,844,202	1,844,202
ADMINISTRATIVE ADJUSTMENTS	0	8,210,163	8,210,163
ADMINISTRATIVE ADJUSTMENTS	0	165,454	165,454
ADMINISTRATIVE ADJUSTMENTS	0	3,469,371	3,469,371
ADMINISTRATIVE ADJUSTMENTS	0	556,569	556,569
ADMINISTRATIVE ADJUSTMENTS	0	259,200	259,200
ADMINISTRATIVE ADJUSTMENTS	0	3,236,500	3,236,500
ADMINISTRATIVE ADJUSTMENTS	0	1,498,319	1,498,319
ADMINISTRATIVE ADJUSTMENTS	0	299,820	299,820
ADMINISTRATIVE ADJUSTMENTS	0	1,394,179	1,394,179
ADMINISTRATIVE ADJUSTMENTS	0	13,010	13,010

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATIVE ADJUSTMENTS	0	217,195	217,195
ADMINISTRATIVE ADJUSTMENTS	0	2,657,001	2,657,001
ADMINISTRATIVE ADJUSTMENTS	0	33,030	33,030
ADMINISTRATIVE ADJUSTMENTS	0	3,788,513	3,788,513
ADMINISTRATIVE ADJUSTMENTS	0	1,076,995	1,076,995
ADMINISTRATIVE ADJUSTMENTS	0	438,524	438,524
ADMINISTRATIVE ADJUSTMENTS	0	700,295	700,295
ADMINISTRATIVE ADJUSTMENTS	0	53,512,046	53,512,046
ADMINISTRATIVE ADJUSTMENTS	0	1,127,712	1,127,712
ADMINISTRATIVE ADJUSTMENTS	0	34,172	34,172
ADMINISTRATIVE ADJUSTMENTS	0	735,752	735,752
ADMINISTRATIVE ADJUSTMENTS	0	535,356	535,356
ADMINISTRATIVE ADJUSTMENTS	0	55,073	55,073
ASSISTIVE TECHNOLOGY	200,000	0	0
CASH TRANSFER TO GENERAL FUND	0	796,900	796,900
CCA SLIDING FEE SCALES TANF	2,423,734	2,423,734	0
CPS APPEALS	732,300	698,100	698,100
DACS ADULT SERVICES	18,977,700	14,497,400	13,662,770
DACS COMMUNITY AND EMERGENCY SERVICES	5,424,900	4,549,000	3,531,019
DACS COORDINATED HOMELESS PROGRAM	1,155,400	873,100	815,370
DACS COORDINATED HOMELESS PROGRAM	1,649,500	1,649,500	1,469,096
DACS COORDINATED HUNGER PROGRAM	500,000	500,000	318,878
DACS COORDINATED HUNGER PROGRAM	1,514,600	1,254,600	1,187,887
DACS DOMESTIC VIOLENCE PREVENTION	7,626,700	4,808,000	4,637,451
DACS DOMESTIC VIOLENCE PREVENTION	6,620,700	6,620,700	6,302,449
DACS LIFESPAN RESPITE CARE PROGRAM	28,549	28,549	28,549
DACS NAVAJO NATION MULTIPURPOSE FACILITY	390,633	390,633	377,336
DACS NAVAJO NATION SENIOR CENTERS	45,000	45,000	45,000
DACS NAVAJO SENIOR CENTER	45,911	45,911	45,911
DACS NAVAJO SENIOR CENTERS-BIRDSPRINGS	65,000	65,000	65,000
DACS NAVAJO SENIOR CENTERS-WHITE CONE	18,190	18,190	18,190
DACS OPERATING LUMP SUM APPROPRIATION	7,048,500	5,240,600	5,240,600
DACS OPERATING LUMP SUM TANF	247,600	248,800	170,688
DACS TRIBAL SENIOR CENTERS - NAVAJO	46,351	46,351	46,351
DAY CARE SUBSIDY	82,485,800	95,485,800	90,387,912
DAY CARE SUBSIDY CARE TANF	15,083,100	2,717,800	2,437,164
DBME OPERATING LUMP SUM APPROPRIATION	25,716,800	25,573,300	25,573,300
DBME OPERATING LUMP SUM APPROPRIATION	14,940,200	11,021,000	9,788,863

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DBME TANF CASH BENEFITS	41,242,700	11,970,800	11,970,800
DBME TANF CASH BENEFITS	80,630,700	96,498,900	75,343,473
DBME TRIBAL PASS-THRU FUNDING	5,192,300	4,680,300	2,344,953
DBME TUBERCULOSIS CONTROL	32,200	12,200	2,336
DCFS INTENSIVE FAMILY SERVICES	1,985,600	0	0
DCSE ATTORNEY GENERAL LEGAL SERVICES	887,500	678,300	678,300
DCSE ATTORNEY GENERAL LEGAL SERVICES	9,901,400	9,607,500	7,141,019
DCSE COUNTY PARTICIPATION	8,645,200	8,600,200	7,116,594
DCSE GENETIC TESTING	122,400	52,400	52,400
DCSE GENETIC TESTING	360,000	290,000	104,157
DCSE OPERATING LUMP SUM APPROPRIATION	49,513,700	46,661,300	35,094,739
DCSE OPERATING LUMP SUM APPROPRIATION	7,958,600	5,370,200	5,370,200
DCYF ADOPT SVCS FAMILY PRESERVATION NR06	1,000,000	1,000,000	0
DCYF ADOPTION SERVICES (DCFS)	35,942,200	35,442,200	35,442,200
DCYF ADOPTION SERVICES TANF	19,302,400	19,302,400	17,349,876
DCYF ATTORNEY GENERAL LEGAL SERVICES	12,116,600	10,856,400	10,856,400
DCYF ATTORNEY GENERAL LEGAL SERVICES	52,200	52,300	0
DCYF CHILD SUPT SVCS TANF - SSBG	5,371,700	5,371,700	3,249,698
DCYF CHILDREN SUPPORT SVCS - GF	40,403,300	26,733,500	26,733,500
DCYF CHILDREN SUPPORT SVCS - TANF	24,557,400	20,057,400	1,739,192
DCYF COMPREHENSIVE MED & DENTAL (DCFS)	2,057,000	1,757,000	1,757,000
DCYF EDUCATION AND TRAINING VOUCHERS	700,000	200,000	25,000
DCYF EMER PLCMT TANF - SSBG	2,333,700	2,333,700	1,362,900
DCYF EMERGENCY PLACEMENT - GF	2,180,100	1,520,800	1,520,800
DCYF EMERGENCY PLACEMENT - TANF	672,700	672,700	589,186
DCYF FAMILY BUILDERS TANF (DCYJ)	5,200,000	0	0
DCYF FOS CARE PLACEMENT TANF - SSBG	5,074,400	5,074,400	4,513,820
DCYF FOSTER CARE PLACEMENT - GF	17,139,500	14,689,500	14,616,385
DCYF FOSTER CARE PLACEMENT - TANF	1,148,700	1,148,700	1,031,706
DCYF HEALTHY FAMILIES (TANF)	5,034,200	0	0
DCYF HOMELESS YOUTH INTERVENTION	400,000	0	0
DCYF INDEPENDENT LIVING MAINT	2,719,300	2,719,300	2,719,300
DCYF JOINT SUB ABUSE TREAT-GF	5,224,500	4,138,900	3,549,790
DCYF OPERATING LUMP SUM APPROPRIATION	38,112,300	38,301,300	33,481,979
DCYF OPERATING LUMP SUM APPROPRIATION	64,056,100	56,617,700	56,617,700
DCYF PERM GUARD SUBSIDY	1,743,000	1,743,000	1,307,250
DCYF PERMANENT GUARDIANSHIP SUBSIDY	7,192,300	7,072,300	7,021,904
DCYF RESIDENT PLACEMENT TANF - SSBG	9,833,300	9,833,300	9,753,574

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCYF RESIDENTIAL PLACEMENT - GF	6,543,400	4,257,900	4,257,900
DCYF RESIDENTIAL PLACEMENT - TANF	1,333,300	1,333,300	1,327,344
DCYF SUBSTANCE ABUSE TREATMENT (TANF)	2,000,000	2,000,000	1,292,479
DCYF-ADOPTION SVC FAMILY PRES PROJECT	700,000	500,000	130,306
DDD ARIZONA EARLY INTERVENTION PROGRAM	2,041,700	1,343,700	0
DDD ARIZONA TRAINING PROGRAM AT COOLIDGE	566,400	69,300	68,792
DDD CASE MANAGEMENT	4,496,000	3,855,000	3,491,500
DDD HOME AND COMMUNITY BASED SERVICES	20,849,400	10,362,300	8,172,092
DDD HOME&COMM BASED SYS (TFLTC)	848,100	848,100	0
DDD INSTITUTIONAL SERVICES	294,900	144,900	5,106
DDD OPERATING LUMP SUM APPROPRIATION	17,883,400	12,894,700	12,664,000
DDD STATE FUNDED LTC SERVICES	25,620,400	26,195,300	19,810,812
DDD STATE FUNDED LTC SERVICES	762,900	2,062,900	1,958,092
DERS DAYCARE SUBSIDY	81,295,100	11,060,300	11,060,300
DERS JOBS	2,000,000	2,000,000	187,294
DERS OPERATING LUMP SUM - REED ACT GRANT	3,236,500	3,265,000	3,265,000
DERS OPERATING LUMP SUM - WIA	2,283,700	2,300,200	0
DERS OPERATING LUMP SUM APPROPRIATION	10,259,700	6,557,600	6,018,044
DERS OPERATING LUMP SUM APPROPRIATION	6,650,200	6,656,600	2,329,326
DERS OPERATING LUMP SUM APPROPRIATION	10,839,300	10,915,000	9,948,638
DERS WIA DISCRETIONARY	3,614,000	3,614,000	1,457,883
DERS WORKFORCE INVESTMENT ACT PROGRAMS	63,040,600	62,815,600	58,025,861
HEALTHY FAMILIES	5,715,800	0	0
INDEPENDENT LIVING REHABILITATION SVCS	784,200	786,000	720,401
JOBS	1,715,200	161,000	161,000
JOBS	13,866,000	9,894,700	8,821,472
LTC ARIZONA TRAINING PROGRAM AT COOLIDGE	17,018,800	16,709,900	13,915,068
LTC AZ TRAINING PROGRAM COOLIDGE	5,783,200	4,013,400	3,991,600
LTC CASE MANAGEMENT	14,471,500	8,611,000	8,559,100
LTC CASE MANAGEMENT	42,509,800	41,350,300	28,705,023
LTC HOME AND COMMUNITY BASED SERVICES	236,252,000	138,459,400	138,421,300
LTC HOME AND COMMUNITY BASED SERVICES	671,950,900	645,986,600	509,917,183
LTC INSTITUTIONAL SERVICES	15,873,000	21,787,500	16,705,294
LTC INSTITUTIONAL SERVICES	5,430,900	6,143,600	6,116,100
LTC MEDICAL SERVICES	142,813,300	139,089,800	120,585,987
LTC MEDICAL SERVICES	48,904,800	30,818,500	30,777,400
LTC MEDICARE CLAWBACK PAYMENTS	2,456,100	1,612,000	1,604,027
LTC OPERATING LUMP SUM APPROPRIATION	46,396,500	44,999,700	31,308,143

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SPECIAL SUPPLEMENTAL APPROPRIATION	25,000,000	25,000,000	25,000,000
TRANSITIONAL CHILD CARE	36,193,000	23,193,000	19,653,325
VOCATIONAL REHABILITATION SERVICES	4,514,400	3,094,400	3,094,400
<b>EDUCATION, DEPARTMENT OF</b>			
ACHIEVEMENT TESTING	7,896,600	5,568,382	5,568,382
ADDITIONAL STATE AID TO SCHOOLS	0	231,187,643	231,187,643
ADMINISTRATIVE ADJUSTMENTS	0	5,495	5,495
ADULT EDUCATION ASSISTANCE	4,477,900	1,698,735	1,698,735
AIMS INTERVENTION; DROPOUT PREVENTION	5,050,000	2,035,943	2,035,943
BASIC STATE AID DEFERRED PAYMENT FY08	602,627,700	602,627,700	600,255,933
BASIC STATE AID ENTITLEMENT	0	2,233,269,457	2,229,249,414
BASIC STATE AID REDUCED APPORTION COSTS	886,200	886,200	0
CHEMICAL ABUSE	817,100	238,543	238,543
COMPENSATORY INSTRUCTION FUND DEPOSIT	10,000,000	4,863,991	4,863,991
ENGLISH LANGUAGE ACQUISITION	4,805,800	4,121,016	4,121,016
ENGLISH LANGUAGE ACQUISITION FY06 - 07	793,576	793,576	414,301
ENGLISH LANGUAGE INSTRUCTION	0	8,791,400	8,791,400
ENGLISH LEARNER INSTRUCTION FY04 - 05	0	0	-477,213
ENGLISH LEARNER MATERIAL	1,805	1,805	1,734
ENGLISH LEARNER TEACHER FY02 - 03	25,332	25,332	6,755
ENGLISH LEARNER TEACHER FY04 - 05	461,800	461,800	-197,098
EXTENDED SCHOOL YEAR	500,000	0	0
FAMILY LITERACY	1,008,700	360,242	360,242
GIFTED SUPPORT	3,377,000	726,809	726,809
MATH AND SCIENCE INITIATIVES	2,806	2,806	0
NON-FORMULA PROGRAMS-OPERATING '09	1,095,000	656,572	656,572
NON-FORMULA PROGRAMS-OPERATING '09 (TEACHER CERTIFICATION FUND)	217,700	132,892	132,892
OPERATING LUMP SUM - ADMINISTRATION	6,469,600	6,100,047	6,100,047
OPERATING LUMP SUM - FORMULA PROGRAMS	0	1,735,325	1,735,325
OPERATING LUMP SUM APPROPRIATION	692,500	539,420	539,420
OPERATING LUMP SUM APPROPRIATION (TEACHER CERTIFICATION FUND)	453,700	353,726	353,726
OPTIONAL PERFORMANCE INCENTIVE PROGRAMS	120,000	0	0
OTHER STATE AID TO DISTRICTS '07	0	983,900	734,395
PARENTAL CHOICE FOR READING SUCCESS	1,000,000	0	0
READING FIRST INITIATIVE	90,460	90,460	-7,012
SCHOOL ACCOUNTABILITY	39,400	0	0
SCHOOL SAFETY PROGRAM	6,718,900	5,210,387	3,918,904
SCHOOL SAFETY PROGRAM FY08-09	109,185	109,185	109,185

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SMALL PASS-THROUGH PROGRAMS	100,000	0	0
SPECIAL EDUCATION FUND	35,237,700	35,242,655	35,242,655
STATE BLOCK GRANT FOR EARLY CHILDHD EDU	19,438,100	6,515,619	6,515,619
STATE BLOCK GRT FOR VOCATIONAL EDUCATION	11,467,700	11,503,942	11,503,942
TEACHER CERTIFICATION	1,971,400	1,796,982	1,796,982
VOCATIONAL EDUCATION EXTENDED YEAR	600,000	238,472	238,472
<b>EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF</b>			
2007 MONSOONS	0	275,000	271,954
2007 MONSOONS FY08-09	12,775	12,775	12,775
ADMINISTRATIVE ADJUSTMENTS	0	2,441	2,441
ARMORY RESTROOM RENOVATION-FLAG/NOGALES	74,840	74,840	74,840
ASPEN FIRE EMERGENCY	860,800	860,800	329,328
CASH TRANSFER TO GENERAL FUND	0	600	600
CIVIL AIR PATROL	54,700	0	0
EUZ701 SEARCH & RESCUE	0	200,000	156,714
EUZ701 SEARCH FY08-09	24,214	24,214	23,785
FEBRUARY 2005 WINTER STORMS FY06-07	690	690	690
FEBRUARY 2005 WINTER STORMS FY07-08	530,029	530,029	175,062
GUARDSMEN TUITION REIMBURSEMENT	1,446,000	0	0
HAZARD MATERIALS CONTINGENCY FY03-04	3,844	3,844	145
HAZARD MATERIALS CONTINGENCY FY07-08	49,735	49,735	554
JANUARY 2008 SEVERE PRECIPITATION FY07-08	145,106	145,106	87,369
JANUARY 2008 SEVERE PRECIPITATION FY08-09	122,500	122,500	110,900
JANUARY 2010 WINTER STORM	0	2,225,000	1,322,856
LA PAZ/MARICOPA COUNTIES STORM EMERGENCY	9,240	9,240	0
LA PAZ/MARICOPA COUNTIES STORM EMERGENCY FY01-02	57,243	57,243	-13,007
MILITARY GIFT PACKAGE POSTAGE	100,000	0	0
MITIGATION PROJECTS 2004 EMERGENCY FUNDS	77,390	77,390	73
NAVAJO, GILA & COCONINO CTS RODEO FIRE	327,281	327,281	217
NOGALES & 52ND STREET BLDG RENEWAL	12,032	12,032	12,032
NORTHERN ARIZONA WINTER STORM EMERGENCY FY07-08	9,247	9,247	9,247
NORTHERN ARIZONA WINTER STORM EMERGENCY FY08-09	147,862	147,862	50,464
NUCLEAR EMERGENCY MANAGEMENT FUND	0	420,749	420,749
NUCLEAR EMERGENCY MGMT FUND-BUCKEYE	0	69,909	69,909
NUCLEAR EMERGENCY MGMT FUND-MARICOPA	0	404,459	404,459
OFF SITE NUCLEAR EMERGENCY 89-90	1,708	1,708	0
OPERATING LUMP SUM - ADMINISTRATION	2,152,300	1,526,738	1,526,738
OPERATING LUMP SUM - EMERGENCY MANAGEMENT	945,400	749,030	749,030

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OPERATING LUMP SUM - MILITARY AFFAIRS	1,554,600	1,434,600	1,432,841
OPERATION GOOD NEIGHBOR	152,516	152,516	-69
PROJECT CHALLENGE PROGRAM	1,770,100	1,517,732	1,517,732
REPLACE COOLING TOWER AT ROOSEVELT	50,000	50,000	0
SEDONA FLASH FLOOD FY10	0	200,000	20,567
SERVICE CONTRACTS	1,215,000	1,215,000	1,215,000
SUMMER 2006 MONSOONS & FLOODING FY06-07	176,550	176,550	170,027
SUMMER 2006 MONSOONS & FLOODING FY07-08	729,370	729,370	135,837
UNIFORM AND EQUIPMENT ALLOWANCES	250,000	250,000	250,000
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	76,824	76,824
ADMINISTRATIVE ADJUSTMENTS	0	540	540
AIR QUALITY MANAGEMENT AND ANALYSIS	381,400	0	0
CASH TRANSFER TO GENERAL FUND	0	5,385,600	5,385,600
DRINKING WATER REGULATION PROGRAM	125,700	0	0
OPERATING LUMP SUM APPROPRIATION	12,748,200	10,382,700	593,517
OPERATING LUMP SUM APPROPRIATION	3,132,100	5,772,100	5,770,300
UNDERGROUND WATER REGULATION PROGRAM	2,026,100	0	0
WASTE CONTROL AND MANAGEMENT	1,149,700	0	0
<b>EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	49	49
OPERATING LUMP SUM APPROPRIATION	212,500	196,400	191,303
<b>EQUALIZATION, STATE BOARD OF</b>			
OPERATING LUMP SUM APPROPRIATION	602,500	672,000	650,015
<b>EXECUTIVE CLEMENCY, BOARD OF</b>			
OPERATING LUMP SUM APPROPRIATION	951,600	879,600	877,708
<b>EXPOSITION &amp; STATE FAIR BOARD, ARIZONA</b>			
GENERAL FUND TRANSFER TO AGENCY FUND	0	400,000	400,000
<b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>			
OPERATING LUMP SUM APPROPRIATION	3,131,600	2,970,300	2,970,197
<b>FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF</b>			
OPERATING LUMP SUM APPROPRIATION	2,362,200	2,183,200	2,155,177
<b>FUNERAL DIRECTORS &amp; EMBALMERS, STATE BOARD OF</b>			
GENERAL FUND TRANSFER TO AGENCY FUND	100,000	100,000	100,000
<b>GENERAL ACCOUNTING OFFICE</b>			
EQUALIZATION AID - COCHISE	7,841,800	7,841,800	7,841,800
EQUALIZATION AID - GRAHAM	17,465,400	17,465,400	17,465,400
EQUALIZATION AID - NAVAJO	6,624,000	6,624,000	6,624,000
EQUALIZATION AID - YUMA LA PAZ	2,938,300	2,938,300	2,938,300
GENERAL RELIEF	0	101,633	101,633

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FOR THE YEAR ENDED JUNE 30, 2010  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GENERAL RELIEF FY08-09	1,789	1,789	0
HEALTH INSURANCE ADJUSTMENTS	14,998,000	0	0
NURSING EDUCATION DEMONSTRATION PROJECT	0	3,854,500	3,854,500
OPERATING STATE AID - COCHISE	7,488,700	7,488,700	7,488,700
OPERATING STATE AID - COCONINO	2,679,400	2,679,400	2,679,400
OPERATING STATE AID - GILA	658,400	658,400	658,400
OPERATING STATE AID - GRAHAM	4,243,900	4,243,900	4,243,900
OPERATING STATE AID - MARICOPA	45,327,400	45,327,400	45,327,400
OPERATING STATE AID - MOHAVE	3,682,900	3,682,900	3,682,900
OPERATING STATE AID - NAVAJO	3,590,000	3,590,000	3,590,000
OPERATING STATE AID - PIMA	15,942,100	15,942,100	15,942,100
OPERATING STATE AID - PINAL	4,935,100	4,935,100	4,935,100
OPERATING STATE AID - YAVAPAI	4,196,000	4,196,000	4,196,000
OPERATING STATE AID - YUMA LA PAZ	4,812,900	4,812,900	4,812,900
RURAL COUNTY REIMBURSEMENT SUBSIDY	0	1,000,000	1,000,000
TRANSFER TO TOURISM FUND	0	2,767,080	2,767,080
TREASURER'S WARRANT NOTES INTEREST AND OTHER FEES	0	3,885,751	3,885,751
WOOLSEY FLOOD DISTRICT	0	36,095	36,095
<b>GEOLOGICAL SURVEY, ARIZONA</b>			
OPERATING LUMP SUM APPROPRIATION	866,400	800,900	800,900
<b>GOVERNMENT INFORMATION TECHNOLOGY AGENCY</b>			
ADMINISTRATIVE ADJUSTMENTS	0	4,812	4,812
CASH TRANSFER TO GENERAL FUND	0	678,900	678,900
CASH TRANSFER TO GENERAL FUND CH12 S44	0	1,100,000	1,100,000
OPERATING LUMP SUM APPROPRIATION	0	3,900,000	117,069
OPERATING LUMP SUM APPROPRIATION	0	2,417,000	2,086,473
PS COMM SYSTEMS - INTEROPERABILITY	358,501	0	0
PUBLIC SAFETY COMMUNICATIONS PROGRAM	0	756,700	488,106
SW INFORMATION SECURITY & PRIVACY OFFICE	0	819,700	675,119
<b>GOVERNOR, OFFICE OF THE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	2,112	2,112
OPERATING LUMP SUM APPROPRIATION	7,384,900	7,036,300	6,181,860
OPERATING LUMP SUM APPROPRIATION FY06-07	6,613	6,613	0
OPERATING LUMP SUM APPROPRIATION FY07-08	130,325	130,325	-91,763
OPERATING LUMP SUM APPROPRIATION FY08-09	1,065,133	1,065,133	810,068
OPERATING LUMP SUM APPROPRIATION-OSPB	2,149,600	1,990,600	1,935,286
<b>HEALTH SERVICES, DEPARTMENT OF</b>			
ADHS INDIRECT COSTS AHCCCS - CRS	350,000	350,000	350,000
ADMINISTRATIVE ADJUSTMENTS	0	1,867	1,867

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATIVE ADJUSTMENTS	0	1,494,974	1,494,974
ADMINISTRATIVE ADJUSTMENTS	0	1,935	1,935
ADULT CYSTIC FIBROSIS	105,200	105,200	105,200
ADULT SICKLE CELL ANEMIA	33,000	0	0
AGENCY WIDE OPERATING LUMP SUM APPN	1,578,000	0	0
AHCCCS - CHILDRENS REHABILITATIVE SERVICES	49,100,200	67,641,497	0
AHCCCS - CHILDRENS REHABILITATIVE SERVICES	25,576,900	22,570,222	22,570,222
AIDS REPORTING AND SURVEILLANCE	1,125,000	1,000,000	1,000,000
ALZHEIMER DISEASE RESEARCH	2,250,000	2,250,000	2,250,000
ARNOLD V. SARN	27,500,000	27,500,000	27,499,686
ARNOLD V. SARN	9,600,600	9,600,600	0
ASH CORRECTIVE ACTION PLAN SUPPLEMENTAL	398,060	398,060	0
ASH FORENSIC UNIT DEBT SERVICE	3,111,700	3,111,700	3,111,700
ASSURANCE AND LICENSURE	340,200	321,900	313,986
ASSURANCE AND LICENSURE	4,651,300	4,162,740	3,864,607
ASSURANCE AND LICENSURE	829,200	832,200	648,109
ASSURANCE AND LICENSURE	950,200	954,700	0
ATTORNEY GENERAL LEGAL SERVICES	394,900	371,206	371,206
AZ STATEWIDE IMMUNIZATION INFO SYSTEM	477,600	219,985	215,458
BREAST AND CERVICAL CANCER SCREENING	1,015,800	1,348,600	944,674
CASH TRANSFER TO GENERAL FUND	0	20,900	20,900
CASH TRANSFER TO GENERAL FUND	0	444,400	444,400
CASH TRANSFER TO GENERAL FUND	0	24,700	24,700
CASH TRANSFER TO GENERAL FUND	0	2,000,800	2,000,800
CHILDREN'S BEHAVIORAL HEALTH SERVICES	8,851,800	4,097,251	4,097,251
CHILDREN'S BH STATE MATCH FOR TITLE XIX	267,755,500	322,271,807	0
CHILDREN'S BH STATE MATCH FOR TITLE XIX	139,446,300	101,632,879	101,632,879
CHILDREN'S REHABILITATIVE SERVICES	3,587,000	0	0
COMMUNITY HEALTH CENTERS	981,400	0	0
COMMUNITY PLACEMENT TREATMENT	1,130,700	1,130,700	0
COMMUNITY PLACEMENT TREATMENT	5,574,100	0	0
CONTRACT COMPLIANCE	3,667,400	3,679,100	0
CONTRACT COMPLIANCE	1,856,100	1,182,700	1,182,700
COUNTY PRENATAL SERVICES GRANT	1,033,600	0	0
COUNTY TUBERCULOSIS PROVIDER CARE & CTL	1,210,500	591,692	510,485
COURT MONITORING	197,500	98,750	98,750
DIABETES PREVENTION AND CONTROL	100,000	0	0
DIRECT GRANTS	460,300	0	0

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DUAL ELIGIBLE PART D COPAY SUBSIDY	802,600	0	0
ELECTRONIC MEDICAL RECORDS	300,000	0	0
HEPATITIS C SURVEILLANCE	309,400	0	0
HIGH RISK PERINATAL SERVICES	4,780,600	2,093,362	1,404,861
INDIRECT COST FUND	8,075,700	6,969,600	6,399,478
LABORATORY SERVICES	4,088,600	3,747,497	3,344,191
LOAN REPAYMENT	100,000	0	0
MEDICAID SPECIAL EXEMPTION PAYMENTS	1,091,100	1,393,417	0
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	15,187,100	17,306,043	0
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	7,909,400	7,909,400	7,909,400
MEDICAID SPECIAL EXEMPTION PAYMENTS CFHS	568,400	568,400	568,400
MEDICARE CLAWBACK PAYMENTS	11,932,800	7,831,800	7,792,936
MENTAL HEALTH - NON-TITLE XIX	1,947,300	777,205	777,205
MENTAL HLTH & SUBST ABUSE ST MCH T-XIX	79,606,600	83,712,100	0
MENTAL HLTH & SUBST ABUSE ST MCH T-XIX	37,858,800	33,968,700	33,968,700
OPERATING LUMP SUM APPROPRIATION	1,000,000	857,900	857,900
OPERATING LUMP SUM APPROPRIATION	3,622,500	2,491,475	2,402,646
OPERATING LUMP SUM APPROPRIATION	2,181,000	2,190,400	0
OPERATING LUMP SUM APPROPRIATION	5,063,900	5,085,800	0
OPERATING LUMP SUM APPROPRIATION	14,251,600	12,733,962	12,293,482
OPERATING LUMP SUM APPROPRIATION	4,454,200	3,724,017	3,719,854
OPERATING LUMP SUM APPROPRIATION	47,733,600	45,278,027	44,981,124
OPERATING LUMP SUM APPROPRIATION	5,379,700	3,818,486	3,756,989
OPERATING LUMP SUM APPROPRIATION	7,879,300	7,879,300	7,178,823
OPERATING LUMP SUM APPROPRIATION	1,578,000	1,578,000	1,550,127
POISON CONTROL CENTER FUNDING	1,950,000	990,000	990,000
PROP 204 ADMINISTRATION TXIX MATCH	4,404,600	4,404,600	0
PROP 204 ADMINISTRATION TXIX MATCH	2,130,200	2,130,200	2,130,200
PROP 204 CHILDRENS BHS TXIX MATCH	1,745,700	1,262,866	1,262,866
PROP 204 CHILDRENS BHS TXIX MATCH	3,351,900	3,988,534	0
PROP 204 GMH/SA TXIX MATCH	41,483,900	37,317,911	37,317,911
PROP 204 GMH/SA TXIX MATCH	79,654,600	120,804,229	0
PROP 204 SMI TXIX MATCH	153,643,700	224,031,836	0
PROP 204 SMI TXIX MATCH	80,017,200	61,519,664	61,519,664
REG HA DISPENSERS-AUDIOLOGISTS-SL PATHOL	62,243	62,243	0
REIMBURSEMENT TO COUNTIES	67,900	0	0
RENAL & NON-RENAL DISEASE MANAGEMENT	198,000	198,000	198,000
SCORPION ANTIVENOM	150,000	120,000	112,500

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SENIOR FOOD PROGRAM	500,000	0	0
SERIOUSLY MENTALLY ILL NON-TXIX	30,191,900	25,124,898	25,124,897
SERIOUSLY MENTALLY ILL STATE MATCH FOR TXIX	79,165,500	48,943,932	48,943,932
SERIOUSLY MENTALLY ILL STATE MATCH FOR TXIX	152,008,500	174,321,463	0
SEXUALLY VIOLENT PERSONS	8,480,700	7,421,312	7,241,297
SEXUALLY VIOLENT PERSONS	2,149,500	2,149,500	1,508,611
SUBSTANCE ABUSE - NON TITLE XIX	11,135,400	3,881,735	2,808,685
TANF PERINATAL SERVICES	47,270	47,270	0
TELEMEDICINE	260,000	0	0
TERATOGEN PROGRAM	60,000	0	0
VACCINES	6,132,900	0	0
VITAL RECORDS - ARCHIVING, CUST SVC, OPS	16,165	16,165	16,165
VITAL RECORDS MAINTENANCE	499,700	433,700	433,700
<b>HIGHWAY SAFETY, GOVERNOR'S OFFICE OF</b>			
CASH TRANSFER TO GENERAL FUND	0	100,000	100,000
<b>HISTORICAL SOCIETY OF ARIZONA, PRESCOTT</b>			
ADMINISTRATIVE ADJUSTMENTS	0	37,606	37,606
OPERATING LUMP SUM APPROPRIATION	692,000	691,300	614,735
<b>HISTORICAL SOCIETY, ARIZONA</b>			
FIELD SERVICES AND GRANTS	65,000	65,000	65,000
OPERATING LUMP SUM APPROPRIATION	2,429,800	2,089,700	2,089,700
PAPAGO PARK MUSEUM	1,936,100	1,713,600	1,713,600
PAPAGO PARK MUSEUM	194,200	194,200	194,200
<b>HOUSE OF REPRESENTATIVES</b>			
OPERATING LUMP SUM APPROPRIATION	13,653,400	12,987,700	11,892,637
OPERATING LUMP SUM APPROPRIATION FY05-06	600,546	100,546	100,546
OPERATING LUMP SUM APPROPRIATION FY06-07	1,997,206	497,206	497,206
OPERATING LUMP SUM APPROPRIATION FY07-08	1,699,338	1,699,338	108,805
OPERATING LUMP SUM APPROPRIATION FY08-09	1,663,669	1,663,669	-579,617
<b>INDEPENDENT REDISTRICTING COMMISSION</b>			
OPERATING LUMP SUM FY 03 - 04	674,137	674,137	26,109
<b>INDIAN AFFAIRS, ARIZONA COMMISSION OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	1,176	1,176
OPERATING LUMP SUM APPROPRIATION	126,600	117,100	116,262
<b>INSURANCE, DEPARTMENT OF</b>			
CASH TRANSFER TO GENERAL FUND CH12 S44	0	428,900	428,900
OPERATING LUMP SUM APPROPRIATION	7,369,700	5,619,400	5,572,802
<b>JOINT LEGISLATIVE BUDGET COMMITTEE</b>			
OPERATING LUMP SUM APPROPRIATION	2,734,000	2,545,200	1,046,176
OPERATING LUMP SUM APPROPRIATION FY08-09	1,232,225	1,191,925	1,185,325

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

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STATE OF ARIZONA  
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GENERAL FUND  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	62,500	62,500
ADMINISTRATIVE ADJUSTMENTS	0	346,119	346,119
CASH TRANSFER TO GENERAL FUND	0	422,400	422,400
OPERATING LUMP SUM APPROPRIATION	66,629,500	63,284,100	62,422,259
OPERATING LUMP SUM APPROPRIATION	2,447,400	2,281,000	1,482,874
<b>LAND DEPARTMENT, STATE</b>			
CAP USER FEES	1,263,300	481,200	481,140
DUE DILIGENCE FUND	500,000	500,000	7,075
ENVIRONMENTAL COUNTY GRANTS	75,000	75,000	75,000
FIRE SUPPRESSION OPERATING EXPENSES	2,713,200	2,556,000	2,556,000
INMATE FIRE CREWS	1,208,700	641,900	641,900
NATURAL RESOURCE CONSERVATION DISTRICTS	390,000	390,000	380,565
OPERATING LUMP SUM APPROPRIATION	14,796,800	10,013,700	10,011,362
SERVICE FEES INCREASE	0	600,000	456,732
<b>LAW ENFORCEMENT MERIT SYSTEM COUNCIL</b>			
ADMINISTRATIVE ADJUSTMENTS	0	124	124
OPERATING LUMP SUM APPROPRIATION	76,900	71,800	71,800
<b>LEGISLATIVE COUNCIL</b>			
ARIZONA CENTENNIAL CELEBRATION	2,450,000	0	0
OMBUDSMAN-CITIZENS AID OFFICE	612,400	548,645	420,667
OMBUDSMAN-CITIZENS AID OFFICE FY07 - 08	22,121	22,121	21,879
OMBUDSMAN-CITIZENS AID OFFICE FY08- 09	61,540	61,540	56,088
OPERATING LUMP SUM APPROPRIATION	4,802,300	4,301,855	3,763,222
OPERATING LUMP SUM APPROPRIATION FY06-07	225,573	225,573	225,573
OPERATING LUMP SUM APPROPRIATION FY07-08	2,946	2,946	2,946
OPERATING LUMP SUM APPROPRIATION FY08-09	20,206	20,206	20,206
OPERATING LUMP SUM APPROPRIATION FY99-00	140,359	140,359	138,507
STATE ARCHIVES AND HISTORY BUILDING	516,964	516,964	110,108
STATE ARCHIVES AND HISTORY BUILDING	837,769	837,769	43,240
<b>LIBRARY, ARCHIVES, AND PUBLIC RECORDS, ARIZONA STATE</b>			
CASH TRANSFER TO GENERAL FUND	0	124,900	124,900
GRANTS-IN-AID	651,400	651,400	498,736
GRANTS-IN-AID FY07 - 08	67,818	67,818	67,818
GRANTS-IN-AID FY08-09	106,697	106,697	37,111
HISTORICAL ADVISORY COMMISSION	41,279	41,279	13,516
OPERATING LUMP SUM APPROPRIATION	49,058	49,058	0
OPERATING LUMP SUM APPROPRIATION	6,630,500	5,686,160	5,686,160
OPERATING LUMP SUM APPROPRIATION	675,900	678,800	605,624

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

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STATE OF ARIZONA  
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**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION FY07-08	1	1	0
OPERATING LUMP SUM APPROPRIATION FY07-08	76,848	76,848	0
OPERATING LUMP SUM APPROPRIATION FY08-09	1	1	1
STATEWIDE RADIO READING SVC FOR BLIND	97,000	97,000	97,000
<b>LIQUOR, LICENSES &amp; CONTROL, DEPARTMENT OF</b>			
CASH TRANSFER TO GENERAL FUND	0	214,700	214,700
IMPROVEMENT OF DATA PROCESSING SYSTEM	150,766	150,766	45,778
OPERATING LUMP SUM APPROPRIATION	2,141,000	1,945,100	1,916,469
OPERATING LUMP SUM APPROPRIATION	700,000	702,700	702,700
<b>MEDICAL STUDENT LOANS, BOARD OF</b>			
MEDICAL STUDENT FINANCIAL ASSISTANCE	866,900	801,900	801,900
MEDICAL STUDENT FINANCIAL ASSISTANCE	309,800	309,800	0
MEDICAL STUDENT FINANCIAL ASSISTANCE	47,000	47,000	25,599
MEDICAL STUDENT FINANCIAL ASSISTANCE	377,704	377,704	31,149
<b>MINE INSPECTOR, STATE</b>			
ABANDONED MINE SAFETY DEPOSIT FROM GF	182,000	154,785	152,709
ADMINISTRATIVE ADJUSTMENTS	0	1,369	1,369
OPERATING LUMP SUM APPROPRIATION	1,386,400	1,005,515	980,764
<b>MINES &amp; MINERAL RESOURCES, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	1,051	1,051
OPERATING LUMP SUM APPROPRIATION	858,600	858,200	858,175
<b>NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA</b>			
ADMINISTRATIVE ADJUSTMENTS	0	14,926	14,926
OPERATING LUMP SUM APPROPRIATION	147,400	136,200	113,511
<b>NORTHERN ARIZONA UNIVERSITY</b>			
NAU - YUMA	3,408,418	2,660,042	2,660,042
OPERATING LUMP SUM APPROPRIATION	164,176,308	106,320,882	106,320,882
RESEARCH INFRASTRUCTURE FACILITIES	0	6,883,334	6,883,334
TEACHER TRAINING	2,333,600	2,001,163	2,001,163
<b>NURSING, STATE BOARD OF</b>			
GENERAL FUND REPAYMENT	300,000	300,000	0
<b>OCCUPATIONAL SAFETY &amp; HEALTH REVIEW BOARD</b>			
LUMP SUM APPROPRIATION FY00 - 01	0	1,000	1,000
LUMP SUM APPROPRIATION FY02 - 03	0	4,800	4,800
LUMP SUM APPROPRIATION FY03 - 04	0	4,800	4,800
LUMP SUM APPROPRIATION FY99 - 00	0	1,000	1,000
OPERATING LUMP SUM APPROPRIATION	0	4,800	4,800
OPERATING LUMP SUM APPROPRIATION FY98-99	0	2,796	2,796
<b>OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF</b>			
GENERAL FUND REPAYMENT	100,000	100,000	0

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

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STATE OF ARIZONA  
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GENERAL FUND  
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>PARKS BOARD, ARIZONA STATE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	341	341
ADMINISTRATIVE ADJUSTMENTS	0	11,504	11,504
CASH TRANSFER TO GENERAL FUND	0	5,487,100	5,487,100
GENERAL FUND REPAYMENT	1,900,000	1,900,000	0
GENERAL FUND TRANSFER TO AGENCY FUND	0	213,900	213,900
KARTCHNER CAVERNS STATE PARK	2,186,600	1,639,950	1,431,227
LAND CONSERVATION FUND-GENERAL FUND	0	20,000,000	20,000,000
OPERATING LUMP SUM APPROPRIATION	13,632,200	6,191,250	5,681,993
TONTO LODGE ROOF REPLACEMENT	99,498	99,498	99,498
<b>PERSONNEL BOARD</b>			
OPERATING LUMP SUM APPROPRIATION	329,100	329,100	278,922
<b>PHARMACY, ARIZONA STATE BOARD OF</b>			
GENERAL FUND REPAYMENT	200,000	200,000	0
<b>POSTSECONDARY EDUCATION, COMMISSION FOR</b>			
CASE MANAGERS	100,000	75,000	75,000
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP	1,220,800	1,220,800	1,220,800
POSTSECONDARY EDUCATION GRANT PROGRAM	2,656,600	2,422,300	2,421,759
PRIV POSTSECONDARY ED STU FIN ASST PROG	400,000	323,900	323,900
<b>PSYCHOLOGIST EXAMINERS, STATE BOARD OF</b>			
GENERAL FUND TRANSFER TO AGENCY FUND	300,000	300,000	300,000
<b>PUBLIC SAFETY, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	4,700	4,700
CASH TRANSFER TO GENERAL FUND	0	22,300	22,300
CASH TRANSFER TO GENERAL FUND	0	2,780,000	2,780,000
DPS CARPET REPLACEMENT PROJECT-BLDG REWL	53	53	0
DPS HEADQUARTERS FIRE ALARM	18,503	18,503	0
FY05 BUILDING RENEWAL- PROJ 915015	384	384	384
FY06 BUILDING RENEWAL- PROJ 916003	217	217	201
FY07 BUILDING RENEWAL - PROJ 917051	4,569	4,569	0
FY09 BUILDING RENEWAL - PROJ 919010	0	7,849	7,849
FY09 BUILDING RENEWAL - PROJ 919011	0	8,704	8,704
GIITEM	18,794,000	18,774,000	17,407,571
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT	2,603,400	2,603,400	271,118
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY08-09	3,993,113	3,993,113	3,993,112
MICROWAVE COMMUNICATION SYSTEM	852,015	852,015	213,173
MICROWAVE COMMUNICATION SYSTEM FY07-08	479,000	0	0
MICROWAVE COMMUNICATION SYSTEM FY08-09	1,200,000	0	0
MOTOR VEHICLE FUEL	3,704,200	3,704,200	3,695,960

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

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GENERAL FUND  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	10,400,000	9,620,000	6,514,800
OPERATING LUMP SUM APPROPRIATION	41,050,500	41,256,000	41,256,000
OPERATING LUMP SUM APPROPRIATION	205,000	205,000	205,000
OPERATING LUMP SUM APPROPRIATION	1,615,600	1,504,600	1,504,600
OPERATING LUMP SUM APPROPRIATION	296,200	296,200	278,640
OPERATING LUMP SUM APPROPRIATION	78,169,500	78,626,200	78,626,200
OPERATING LUMP SUM APPROPRIATION	27,111,900	18,487,600	18,487,600
STATEWIDE INTEROPERABILITY - PHASE II FY04-05	358,501	0	0
<b>RACING, ARIZONA DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	380	380
ARIZONA BREEDERS AWARD	800,000	574,400	151,972
ARIZONA STALLION AWARD	100,000	39,600	0
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
COUNTY FAIR RACING	400,000	400,000	340,163
COUNTY FAIRS RACING BETTERMENT	900,000	725,600	519,400
OPERATING LUMP SUM APPROPRIATION	2,035,500	2,089,900	2,034,926
RACING ADMINISTRATION	67,000	67,000	42,767
<b>RADIATION REGULATORY AGENCY</b>			
ADMINISTRATIVE ADJUSTMENTS	0	108	108
CASH TRANSFER TO GENERAL FUND	0	400	400
NUCLEAR EMERGENCY MANAGEMENT FUND	0	627,991	627,991
OPERATING LUMP SUM APPROPRIATION	855,300	788,800	788,799
SERVICE FEES INCREASE	0	500,000	305,896
<b>RANGERS' PENSIONS, ARIZONA</b>			
OPERATING LUMP SUM APPROPRIATION	14,000	14,000	14,000
<b>REAL ESTATE DEPARTMENT, STATE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	930	930
OPERATING LUMP SUM APPROPRIATION	3,266,400	3,018,600	3,007,956
<b>REGENTS, ARIZONA BOARD OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	4,038,851	4,038,851
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
MATH AND SCIENCE TEACHER INITIATIVE	2,000,000	181,600	0
OPERATING LUMP SUM APPROPRIATION	2,398,500	2,472,800	2,472,040
STUDENT FINANCIAL ASSISTANCE	10,041,200	10,041,200	10,041,200
WESTERN INTERSTATE COMMISSION OFFICE	120,000	125,000	125,000
WICHE STUDENT SUBSIDIES	4,111,000	4,102,300	4,095,471
<b>REVENUE, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	69,034	69,034

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BRITS OPERATIONAL SUPPORT	0	2,000,000	1,999,933
BRITS OPERATIONS	3,623,700	3,623,700	3,623,638
CASH TRANSFER TO GENERAL FUND	0	386,800	386,800
CASH TRANSFER TO GENERAL FUND	0	1,419,300	1,419,300
CASH TRANSFER TO GENERAL FUND	0	1,837,500	1,837,500
OPERATING LUMP SUM APPROPRIATION	398,300	401,200	359,099
OPERATING LUMP SUM APPROPRIATION	24,500,000	19,699,300	17,225,512
OPERATING LUMP SUM APPROPRIATION	47,188,600	30,889,700	30,861,989
TAX CREDIT ADMINISTRATION	0	30,000	30,000
TEMPORARY COLLECTORS	3,000,000	3,000,000	2,999,998
UNCLAIMED PROPERTY ADMINISTRATION/AUDIT	2,963,200	2,963,200	2,110,856
<b>SCHOOL FACILITIES BOARD</b>			
BUILDING RENEWAL GRANT	3,000,000	2,667,900	2,667,900
NEW SCHOOL FACILITIES DEBT SERVICE	108,683,300	100,683,300	100,683,300
OPERATING LUMP SUM APPROPRIATION	1,948,800	1,427,100	1,422,453
<b>SECRETARY OF STATE</b>			
ELECTION SERVICES	1,011,000	1,039,140	803,773
HELP AMERICA VOTE ACT - FEDERAL FUNDS	7,722,800	7,722,800	2,562,683
HELP AMERICA VOTE ACT - FEDERAL FUNDS FY08-09	3,695,990	3,695,990	0
OPERATING LUMP SUM APPROPRIATION	98,200	98,900	0
OPERATING LUMP SUM APPROPRIATION	2,619,700	2,572,400	2,462,055
SPECIAL ELECTION	8,346,900	8,346,900	3,762,358
<b>SENATE</b>			
OPERATING LUMP SUM APPROPRIATION	8,635,000	8,234,800	7,524,396
OPERATING LUMP SUM APPROPRIATION FY07-08	714,032	714,032	714,032
OPERATING LUMP SUM APPROPRIATION FY08-09	910,967	910,967	336,336
<b>SUPREME COURT</b>			
4TH FLOOR CHILLER	2,528	2,528	0
ADMINISTRATIVE ADJUSTMENTS	0	1,138	1,138
ADMINISTRATIVE ADJUSTMENTS	0	13,578	13,578
ADMINISTRATIVE ADJUSTMENTS	0	76,715	76,715
ADOA BUILDING RENEWAL FUND	0	51,928	50,606
ADOA BUILDING RENEWAL FUND	123,541	123,541	123,541
ADULT INTENSIVE PROBATION	178,200	0	0
ADULT INTENSIVE PROBATION	11,152,300	10,772,000	10,579,376
ADULT STANDARD PROBATION	1,432,400	0	0
ADULT STANDARD PROBATION	13,618,700	13,566,300	13,382,881
AUTOMATION	4,539,000	4,473,500	2,605,035
AUTOMATION	7,776,700	7,780,500	7,657,664

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASE AND CASH MANAGEMENT SYSTEM	151,700	151,700	2,015
CASE AND CASH MANAGEMENT SYSTEM	5,865,600	5,865,600	5,822,576
CASH TRANSFER TO GENERAL FUND	0	117,900	117,900
CASH TRANSFER TO GENERAL FUND	0	1,597,900	1,597,900
COMMISSION ON JUDICIAL CONDUCT	436,900	434,800	415,908
COMMUNITY PUNISHMENT	540,900	0	0
COUNTY REIMBURSEMENTS	208,800	187,900	187,900
COURT APPOINTED SPECIAL ADVOCATE	102,000	102,000	102,000
CRTS BLDG DESIGN CHILLER & THERMAL STORG	18,190	18,190	11,955
DOMESTIC RELATIONS	586,500	545,600	527,191
DRUG COURT	1,013,600	975,379	951,218
DRUG COURT FY06 - 07	61,322	61,322	0
FOSTER CARE REVIEW BOARD	2,430,400	2,626,400	2,432,529
INTERSTATE COMPACT	654,200	650,900	633,854
JUDGES COMPENSATION	19,298,600	16,318,400	16,128,223
JUDICIAL NOMINATION & PERFORMANCE REVIEW	323,300	333,800	333,150
JUVENILE DIVERSION CONSEQUENCES	10,160,300	9,024,900	9,024,900
JUVENILE FAMILY COUNSELING	660,400	660,400	637,982
JUVENILE INTENSIVE PROBATION	9,882,100	8,989,900	8,894,361
JUVENILE STANDARD PROBATION	4,724,200	4,814,300	4,780,648
JUVENILE TREATMENT SERVICES	22,493,300	22,358,900	22,148,270
MODEL COURT	447,600	447,600	442,569
OPERATING LUMP SUM APPROPRIATION	702,900	705,800	600,401
OPERATING LUMP SUM APPROPRIATION	2,861,500	2,863,200	2,850,714
OPERATING LUMP SUM APPROPRIATION	12,821,900	12,570,500	12,515,385
PROBATION SURCHARGE	3,421,500	5,032,100	3,228,021
SEX OFFENDERS GPS MONITORING	436,600	0	0
SPECIAL WATER MASTER	20,000	58,221	58,221
STATE AID	40,400	0	0
<b>TAX APPEALS, STATE BOARD OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	226	226
OPERATING LUMP SUM APPROPRIATION	278,300	258,500	252,752
<b>TOURISM, OFFICE OF</b>			
CITY OF YUMA - ARIZONA WELCOME CENTER	208,189	208,189	0
GENERAL FUND TRANSFER TO AGENCY FUND	200,000	200,000	200,000
<b>TRANSPORTATION, DEPARTMENT OF</b>			
OPERATING LUMP SUM APPROPRIATION	63,100	58,400	57,404
<b>TREASURER, STATE</b>			
ADMINISTRATIVE ADJUSTMENTS	0	36,880	36,880

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COM COL REIMBURSEMENT ARS 15-1469.01	0	3,866,264	3,866,264
CORPORATE INCOME TAX TRANSFER	7,000,000	7,000,000	7,000,000
JUSTICE OF THE PEACE SALARIES	1,115,100	1,115,100	1,022,969
OPERATING LUMP SUM APPROPRIATION	2,491,500	2,491,700	2,487,920
OPERATING LUMP SUM APPROPRIATION	88,300	88,300	88,137
TRANSFER TO TOURISM FUND	0	14,743,293	11,055,200
<b>UNIVERSITY OF ARIZONA</b>			
AGRICULTURE	37,949,550	27,189,450	27,189,450
ARIZONA COOPERATIVE EXTENSION	14,181,884	10,729,509	10,729,509
CLINICAL RURAL ROTATION	474,900	360,683	360,683
CLINICAL TEACHING SUPPORT	10,848,350	8,142,353	8,142,353
LIVER RESEARCH INSTITUTE	598,617	455,271	455,271
OPERATING LUMP SUM - HEALTH SCIENCES CTR	61,454,967	46,940,054	46,940,054
OPERATING LUMP SUM - MAIN CAMPUS	297,818,874	182,447,044	182,447,043
PHOENIX MEDICAL CAMPUS	13,592,134	9,861,865	9,861,865
RESEARCH INFRASTRUCTURE FACILITIES	0	14,253,000	14,253,000
SIERRA VISTA CAMPUS	4,161,667	2,852,967	2,852,967
TELEMEDICINE NETWORK	2,440,017	1,849,861	1,849,861
<b>VETERANS' SERVICES, DEPARTMENT OF</b>			
ADMINISTRATIVE ADJUSTMENTS	0	2,916	2,916
ARIZONA STATE VETERANS' HOME	2,855,000	1,546,000	1,544,504
MILITARY FAMILY RELIEF FUND	15,291	15,291	0
OPERATING LUMP SUM APPROPRIATION	2,107,000	2,159,100	2,158,497
SOUTHERN ARIZONA CEMETERY	279,100	281,400	281,394
TUCSON VETERAN HOME CONSTRUCTION	10,000,000	10,000,000	2,191,882
VETERANS BENEFIT COUNSELING	2,904,800	2,980,900	2,970,333
VETERANS' ORGANIZATIONS CONTRACTS	29,200	29,200	18,000
<b>VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE</b>			
GENERAL FUND TRANSFER TO AGENCY FUND	250,000	250,000	250,000
<b>WATER RESOURCES, DEPARTMENT OF</b>			
ADJUDICATION SUPPORT	2,106,100	1,256,236	1,254,510
ADMINISTRATIVE ADJUSTMENTS	0	18,770	18,770
ASSURED & ADEQUATE WATER SUPPLY ADMIN	1,873,300	1,562,109	1,560,389
AUTOMATED GROUNDWATER MONITORING	506,300	352,194	345,639
CONSERVATION AND DROUGHT PROGRAM	491,600	359,936	359,926
OPERATING LUMP SUM APPROPRIATION	15,946,700	12,569,843	12,551,693
RURAL WATER STUDIES	763,828	763,828	763,828
RURAL WATER STUDIES	2,007,100	773,682	765,640
<b>WEIGHTS AND MEASURES, DEPARTMENT OF</b>			

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATIVE ADJUSTMENTS	0	3,867	3,867
OPERATING LUMP SUM - GENERAL SERVICES	1,593,600	1,216,200	1,216,062
<b>TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS</b>	<b>15,167,659,641</b>	<b>16,270,450,728</b>	<b>14,539,202,139</b>
<b>Less:</b>			
Department of Health Services' AHCCCS - appropriations for Children's Rehabilitative Services, Arnold v. Sarn, Assurance and Licensure, Title XIX State Match, Medicaid Special Exemption, and Contract Compliance that were duplicate expenditure authorizations	(818,930,900)	(1,032,716,509)	0
<b>TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS</b>	<b>\$ 14,348,728,741</b>	<b>\$ 15,237,734,219</b>	<b>\$ 14,539,202,139</b>

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

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
TRANSPORTATION AND AVIATION PLANNING,  
HIGHWAY MAINTENANCE AND SAFETY FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>TRANSPORTATION, DEPARTMENT OF</b>			
2003 ASBESTOS & LEAD INSPECTIONS	\$ 589,466	\$ 589,466	\$ 0
ADMINISTRATIVE ADJUSTMENTS	0	317	317
ADMINISTRATIVE ADJUSTMENTS	0	2,317	2,317
ADMINISTRATIVE ADJUSTMENTS	0	1,687	1,687
ADMINISTRATIVE ADJUSTMENTS	0	2,820	2,820
ADMINISTRATIVE ADJUSTMENTS	0	5,287	5,287
ADMINISTRATIVE ADJUSTMENTS	0	212	212
ADMINISTRATIVE ADJUSTMENTS	0	24,343	24,343
ADMINISTRATIVE ADJUSTMENTS	0	108	108
AIRPORT PLANNING AND DEVELOPMENT	16,067,335	16,067,335	0
AIRPORT PLANNING AND DEVELOPMENT	8,665,445	8,665,445	0
AIRPORT PLANNING AND DEVELOPMENT	27,128,000	27,128,000	9,456,244
ALT TRUCK ROUTE - DOUGLAS CHINO RD	250,000	250,000	0
ASBESTOS & LEAD INSPECTIONS	0	94,798	0
ASPHALT STORAGE TANKS	112,816	112,816	0
BUILDING RENEWAL FY06 - 07	0	12,264	12,264
BUILDING RENEWAL FY06 - 07	0	152,043	23,042
BUILDING RENEWAL FY07 - 08	55,951	55,951	31,033
BUILDING RENEWAL FY07 - 08	399,148	399,148	396,747
BUILDING RENEWAL FY08 - 09	612,880	612,880	554,293
BUILDING RENEWAL FY08 - 09	71,223	71,223	58,888
BUILDING RENEWAL FY09 - 10	1,000,000	1,000,000	869,527
BUILDING RENEWAL FY10	50,000	50,000	0
CASH TRANSFER TO GENERAL FUND	0	395,800	395,800
CASH TRANSFER TO GENERAL FUND	0	799,200	799,200
CASH TRANSFER TO GENERAL FUND	0	3,420,900	3,420,900
CASH TRANSFER TO GENERAL FUND CH12 S44	0	784,700	784,700
DE-ICER BUILDINGS	11,434	11,434	0
GRAND CANYON AIRPORT MODULAR HOUSING	46,664	46,664	41,938
GRAND CANYON AIRPORT RESTROOM RENOVATION	156,777	156,777	1,057
HIGHWAY MAINTENANCE	558,700	558,700	558,697
HIGHWAY MAINTENANCE	4,753	4,753	0
HIGHWAY MAINTENANCE FY08 - 09	21,677,252	21,677,252	4,158,783
HIGHWAY MAINTENANCE FY09 - 10	136,007,600	136,567,000	94,742,336
HIGHWAY TO DPS TRANSFER - DOUBLE LOAD	0	41,256,000	41,256,000
HURF TO DPS TRANSFER - DOUBLE LOAD	0	78,626,200	78,626,200
MOTOR CARRIER TOWING REGULATION	11,108	11,108	0
MVD SECURITY ENHANCEMENT ISSUES	737,673	737,673	21,986
OPERATING LUMP SUM APPROPRIATION	259,013,700	185,833,000	148,969,514
OPERATING LUMP SUM APPROPRIATION	2,158,000	1,451,200	1,134,411
OPERATING LUMP SUM APPROPRIATION	1,682,500	1,578,700	1,456,524
OPERATING LUMP SUM APPROPRIATION	1,862,400	1,748,300	1,718,980
OPERATING LUMP SUM APPROPRIATION	71,700	72,700	47,561
OPERATING LUMP SUM APPROPRIATION	617,000	620,400	565,964
OPERATING LUMP SUM APPROPRIATION	2,177,500	2,032,700	1,082,898
OPERATING LUMP SUM APPROPRIATION	143,300	145,400	145,400
SEF TO DPS TRANSFER - DOUBLE LOAD	0	1,626,600	1,504,600

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

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
TRANSPORTATION AND AVIATION PLANNING,  
HIGHWAY MAINTENANCE AND SAFETY FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SPRINKLERS/FIRE ALARMS	179,212	179,212	1,286
STATEWIDE HIGHWAY CONSTRUCTION FY07 - 09	53,555,170	53,555,170	53,553,694
STATEWIDE HIGHWAY CONSTRUCTION FY08 - 09	70,296,764	70,296,764	50,265,442
STATEWIDE HIGHWAY CONSTRUCTION FY09 - 10	187,850,000	187,850,000	112,642,540
SURPRISE MOTOR VEHICLE DIVISION SRV CNTR	893,408	893,408	998
<b>TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES</b>	<b>\$ 794,714,879</b>	<b>\$ 848,236,175</b>	<b>\$ 609,336,538</b>

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

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2010

**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, 2009 that affect available appropriations during fiscal year 2010. The final budget represents any appropriation bills passed during fiscal year 2010 for fiscal year 2010 plus the original budget. Appropriation bills passed after the end of fiscal year 2010 for fiscal year 2010 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	<b>General Fund</b>	<b>Transportation &amp; Aviation Planning, Highway Maintenance &amp; Safety Fund</b>
<b>Uses/outflows of resources</b>		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 14,539,202	\$ 609,337
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2009 to fiscal year end 2010.	300,282	429,186
Decrease in unpaid payroll expenditures from fiscal year end 2009 to fiscal year end 2010. For budgetary reporting, final June 2009 payroll expenditures were charged to fiscal year 2010 budget and final June 2010 payroll expenditures were charged to fiscal year 2011 budget.	(5,200)	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	899,318	-
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.	628,645	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	2,501	-
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2010.	6,568,971	1,589,622
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,037,393)	(501,646)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 21,896,326</u>	<u>\$ 2,126,499</u>

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



STATE OF ARIZONA  
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JUNE 30, 2010

**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, unless an extension is granted for up to an additional 30 days. 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. Encumbrances as of June 30 can be liquidated during an administrative period of up to four weeks known as the 13<sup>th</sup> month. 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 funding. Among the possible format 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 direct funds to its activities at its own discretion, without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum – The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to ARS §35-173, an agency must seek approval of the Joint Legislative Budget Committee (JLBC) before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Arizona Department of Administration (ADOA), but not the JLBC. ADOA funding transfers require approval from the JLBC.

Detailed Line Item – The agency appropriation for each fiscal year consists of each line item listed in the Appropriations Report including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food, and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfers between all other line items.

During the fiscal year, \$1.1 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. This increase consisted primarily of the Department of Education's Basic State Aid Entitlement appropriation, which usually is included in the original budget, but was vetoed and made later under a supplemental appropriation. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$53.521 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.

STATE OF ARIZONA  
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JUNE 30, 2010

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next two ensuing years 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. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the \$322.272 million Department of Health Services' Children's Behavioral Health State Match for Title XIX on page 147. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on page 157.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2010

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), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,789 center lane miles (18,771 travel lane miles) of roads and 4,700 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- i Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- i Perform condition assessments of eligible assets and summarize the results using a measurement scale
- i Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- i 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 2010 and beyond was adopted by the Transportation Board on June 19, 2009.

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 and 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 ADOT 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 and many surveys since the original road test have shown that these

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2010

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

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 2010, an overall rating of 3.71 was achieved, as shown in the following graph:

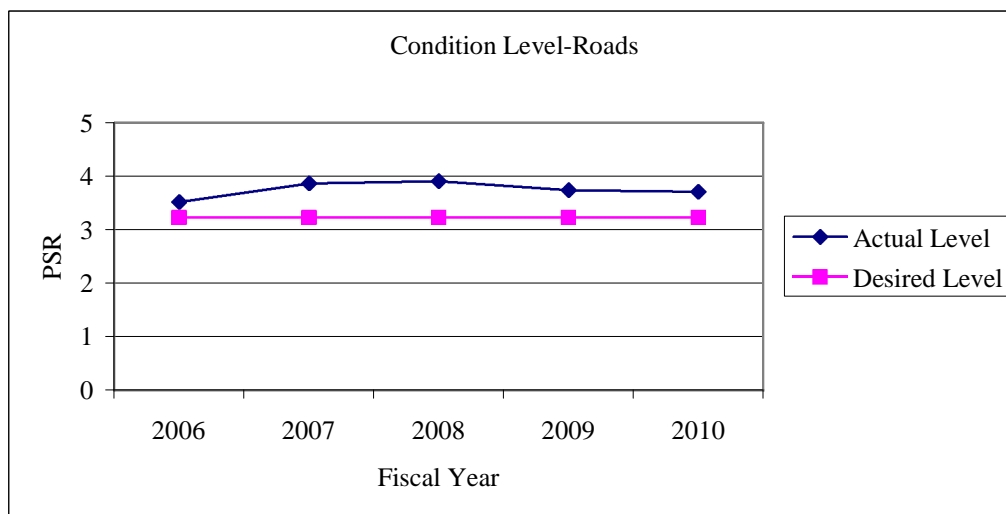


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT 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 2006 through 2010 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2006	\$218.5	\$211.5
2007	\$216.4	\$196.5
2008	\$260.7	\$247.9
2009	\$264.4	\$236.0
2010	\$227.4	\$220.9

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2010

**Bridges**

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2010, the State owns and maintains 4,700 bridges with an approximate total deck area of 45,437,223 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 Arizona Bridge Information and Storage System (ABISS). 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, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is 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 Structural Inventory of the Nation's Bridges." The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of the ADOT'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. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2010, the CRI was computed at 93.2%.

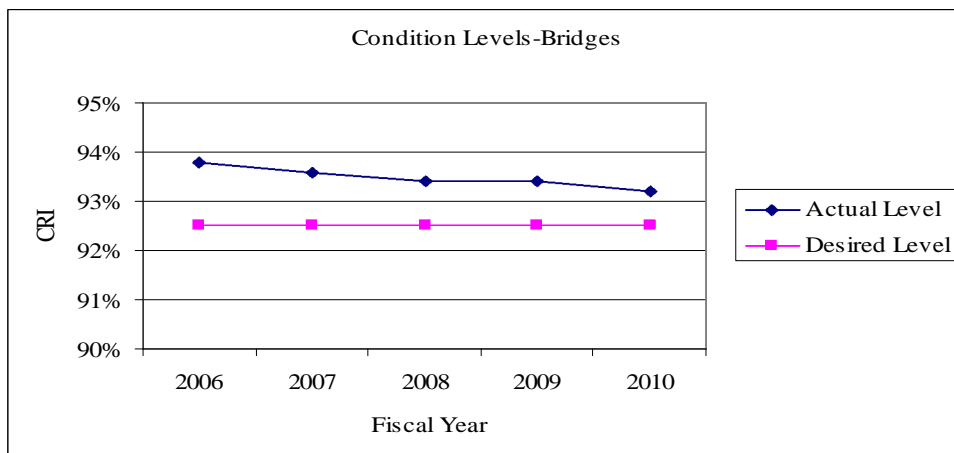


Figure 2

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2010

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 3 indicates that approximately 58% of the bridges in the State were constructed prior to the 1970s while only 22% have been constructed in the last two decades.

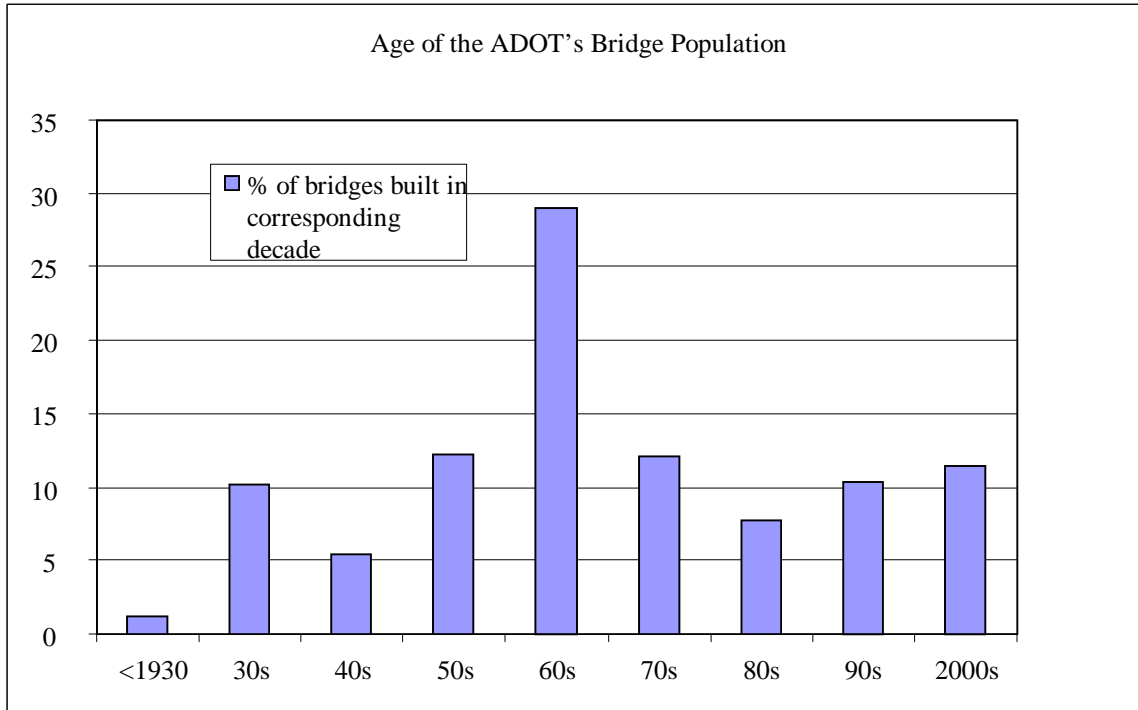


Figure 3

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 2006 through 2010 were as follows:

<b>Fiscal Year</b>	<b>Estimated Expenditures (in millions)</b>	<b>Actual Expenditures (in millions)</b>
2006	\$10.6	\$11.3
2007	\$17.1	\$22.5
2008	\$13.4	\$18.1
2009	\$14.3	\$17.3
2010	\$16.1	\$22.4

Actual expenditures on bridge preservation have exceeded estimated expenditures in each of the past five fiscal years. These higher-than-estimated expenditures have been the result of an ongoing effort to maintain the ability of an older inventory of bridges to serve a growing population. This trend explains why the higher expenditures have occurred simultaneously with a decline, during the same period, of the bridge network's CRI, as described above.

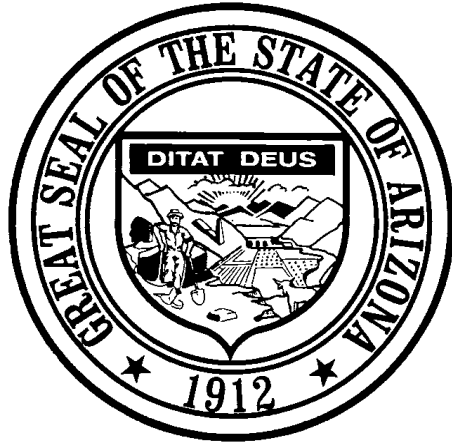
STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**AGENT BENEFIT PLANS' FUNDING PROGRESS**  
JUNE 30, 2010

Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2010	\$ 554,211	\$ 891,215	\$ (337,004)	62.2%	\$ 92,791	(363.2)%
	6/30/2009	564,000	857,854	(293,854)	65.7%	99,558	(295.2)%
	6/30/2008	547,255	824,620	(277,365)	66.4%	101,422	(273.5)%
CORP	6/30/2010	838,549	980,676	(142,127)	85.5%	363,999	(39.0)%
	6/30/2009	806,941	910,317	(103,376)	88.6%	373,674	(27.7)%
	6/30/2008	755,559	869,342	(113,783)	86.9%	376,819	(30.2)%

Analysis of the funding progress for each of the agent, multiple-employer defined benefit post-employment plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as Percentage of Covered Payroll
PSPRS	6/30/2010	-	\$ 26,846	\$ (26,846)	0.0%	\$ 92,791	(28.9)%
	6/30/2009	-	26,141	(26,141)	0.0%	99,558	(26.3)%
	6/30/2008	-	30,584	(30,584)	0.0%	101,422	(30.2)%
CORP	6/30/2010	-	46,868	(46,868)	0.0%	363,999	(12.9)%
	6/30/2009	-	43,951	(43,951)	0.0%	373,674	(11.8)%
	6/30/2008	-	40,596	(40,596)	0.0%	376,819	(10.8)%





# 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, 2010  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
<b>ASSETS</b>				
Cash	\$ 4,341	\$ -	\$ -	\$ 4,341
Cash and pooled investments with State Treasurer	883,615	21,239	-	904,854
Collateral investment pool	14,976	-	10,076	25,052
Receivables, net of allowances:				
Taxes	61,181	-	-	61,181
Other	23,904	-	-	23,904
Due from others	60	-	-	60
Due from other Funds	16,996	2,255	-	19,251
Inventories, at cost	66	-	-	66
Restricted assets:				
Cash and pooled investments with State Treasurer	1,261	2,386	276,625	280,272
Cash held by trustee	-	1,316	25,808	27,124
Other	1	-	-	1
Total Assets	<u>\$ 1,006,401</u>	<u>\$ 27,196</u>	<u>\$ 312,509</u>	<u>\$ 1,346,106</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable and other current liabilities

\$ 36,694 \$ 307 \$ 1,700 \$ 38,701

Accrued liabilities

22,215 - 13 22,228

Obligations under securities loan

agreements 14,976 - 10,076 25,052

Due to local governments 61,748 - - 61,748

Due to others 270 - - 270

Due to other Funds 15,494 500 - 15,994

Unavailable deferred revenue 940 - - 940

Unearned deferred revenue 960 - - 960

Total Liabilities 153,297 807 11,789 165,893

Fund Balances:

Reserved for:

Highway construction - - 255,317 255,317

Other construction - - 45,403 45,403

Continuing appropriations 28,697 - - 28,697

Debt service - 26,389 - 26,389

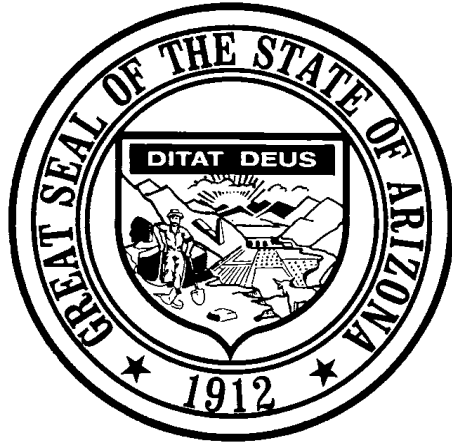
Unreserved 824,407 - - 824,407

Total Fund Balances 853,104 26,389 300,720 1,180,213

Total Liabilities and Fund Balances \$ 1,006,401 \$ 27,196 \$ 312,509 \$ 1,346,106

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
<b>REVENUES</b>				
Taxes:				
Sales	\$ 381,795	\$ 65,811	\$ -	\$ 447,606
Income	88	-	-	88
Tobacco	265,078	-	-	265,078
Other	84,028	-	-	84,028
Intergovernmental	44,699	-	-	44,699
Licenses, fees, and permits	224,336	-	-	224,336
Earnings on investments	9,575	2,082	7,979	19,636
Sales and charges for services	41,828	-	-	41,828
Fines, forfeitures, and penalties	185,645	-	-	185,645
Gaming	72,137	-	-	72,137
Other	48,073	-	-	48,073
Total Revenues	<u>1,357,282</u>	<u>67,893</u>	<u>7,979</u>	<u>1,433,154</u>
<b>EXPENDITURES</b>				
Current:				
General government	140,531	-	-	140,531
Health and welfare	258,890	-	-	258,890
Inspection and regulation	112,267	-	-	112,267
Education	493,667	-	-	493,667
Protection and safety	139,831	-	-	139,831
Transportation	-	-	34,002	34,002
Natural resources	112,019	-	-	112,019
Debt service:				
Principal	752	212,530	-	213,282
Interest and other fiscal charges	811	194,386	121	195,318
Capital outlay	155,404	-	551,393	706,797
Total Expenditures	<u>1,414,172</u>	<u>406,916</u>	<u>585,516</u>	<u>2,406,604</u>
(Deficiency) of Revenues Over Expenditures	<u>(56,890)</u>	<u>(339,023)</u>	<u>(577,537)</u>	<u>(973,450)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	140,394	342,695	-	483,089
Transfers out	(292,163)	(4,398)	(11,858)	(308,419)
Capital lease and installment purchase contracts	185,335	-	-	185,335
Total Other Financing Sources (Uses)	<u>33,566</u>	<u>338,297</u>	<u>(11,858)</u>	<u>360,005</u>
Net Change in Fund Balances	<u>(23,324)</u>	<u>(726)</u>	<u>(589,395)</u>	<u>(613,445)</u>
Fund Balances - Beginning	<u>876,428</u>	<u>27,115</u>	<u>890,115</u>	<u>1,793,658</u>
Fund Balances - Ending	<u>\$ 853,104</u>	<u>\$ 26,389</u>	<u>\$ 300,720</u>	<u>\$ 1,180,213</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, 2010  
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
<b>ASSETS</b>						
Cash	\$ 4,253	\$ 14	\$ -	\$ -	\$ -	\$ 21
Cash and pooled investments with State Treasurer	65,370	23,392	22,893	447,937	62,623	54,351
Collateral investment pool	-	-	1,965	13,011	-	-
Receivables, net of allowances:						
Taxes	4,098	-	957	14,563	-	-
Other	96	1	7,490	-	-	2,890
Due from others	60	-	-	-	-	-
Due from other Funds	4,146	7,434	1,469	367	1,759	285
Inventories, at cost	66	-	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	1,261	-	-	-
Other	-	-	-	-	-	-
Total Assets	<u>\$ 78,089</u>	<u>\$ 30,841</u>	<u>\$ 36,035</u>	<u>\$ 475,878</u>	<u>\$ 64,382</u>	<u>\$ 57,547</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	\$ 16,364	\$ 1,551	\$ 983	\$ 10,261	\$ 2,360	\$ 1,906
Accrued liabilities	711	1,030	11,635	659	1,193	4,010
Obligations under securities loan agreements	-	-	1,965	13,011	-	-
Due to local governments	-	-	-	-	-	-
Due to others	7	-	-	-	-	263
Due to other Funds	824	1,986	636	11,171	22	531
Unavailable deferred revenue	-	-	940	-	-	-
Unearned deferred revenue	-	-	955	-	-	-
Total Liabilities	<u>17,906</u>	<u>4,567</u>	<u>17,114</u>	<u>35,102</u>	<u>3,575</u>	<u>6,710</u>
Fund Balances:						
Reserved for:						
Continuing appropriations	8,349	1,012	306	-	34	2,175
Unreserved	51,834	25,262	18,615	440,776	60,773	48,662
Total Fund Balances	<u>60,183</u>	<u>26,274</u>	<u>18,921</u>	<u>440,776</u>	<u>60,807</u>	<u>50,837</u>
Total Liabilities and Fund Balances	<u>\$ 78,089</u>	<u>\$ 30,841</u>	<u>\$ 36,035</u>	<u>\$ 475,878</u>	<u>\$ 64,382</u>	<u>\$ 57,547</u>



GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,341
34,432	15,692	36,774	77,183	11,236	31,732	883,615
-	-	-	-	-	-	14,976
-	-	-	41,563	-	-	61,181
2,014	-	21	11,392	-	-	23,904
-	-	-	-	-	-	60
212	459	498	-	-	367	16,996
-	-	-	-	-	-	66
-	-	-	-	-	-	1,261
-	-	1	-	-	-	1
<u>\$ 36,711</u>	<u>\$ 16,151</u>	<u>\$ 37,294</u>	<u>\$ 130,138</u>	<u>\$ 11,236</u>	<u>\$ 32,099</u>	<u>\$ 1,006,401</u>

\$ 2,219	\$ 502	\$ 310	\$ 156	\$ 82	\$ -	\$ 36,694
2,345	255	203	85	56	33	22,215
-	-	-	-	-	-	14,976
-	-	-	61,748	-	-	61,748
-	-	-	-	-	-	270
316	5	3	-	-	-	15,494
-	-	-	-	-	-	940
-	-	5	-	-	-	960
<u>4,880</u>	<u>762</u>	<u>521</u>	<u>61,989</u>	<u>138</u>	<u>33</u>	<u>153,297</u>

8,089	2	-	8,730	-	-	28,697
23,742	15,387	36,773	59,419	11,098	32,066	824,407
31,831	15,389	36,773	68,149	11,098	32,066	853,104
<u>\$ 36,711</u>	<u>\$ 16,151</u>	<u>\$ 37,294</u>	<u>\$ 130,138</u>	<u>\$ 11,236</u>	<u>\$ 32,099</u>	<u>\$ 1,006,401</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, 2010  
(Expressed in Thousands)

	PUBLIC			HEALTHCARE	TOBACCO	JUDICIAL	
	SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION		& SOCIAL SERVICES	TAX & HEALTHCARE	& LEGAL SERVICES	REGULATING & LICENSING
<b>REVENUES</b>							
Taxes:							
Sales	\$ 16,246	\$ -	\$ 6,016	\$ -	\$ -	\$ -	\$ -
Income	-	-	-	-	-	-	-
Tobacco	5,278	-	8,570	251,230	-	-	-
Other	51,637	2,393	-	-	-	-	29,998
Intergovernmental	51	462	11,787	-	1,600	563	
Licenses, fees, and permits	17,778	53,836	10,359	-	10,570	86,921	
Earnings on investments	375	231	68	4,380	240	125	
Sales and charges for services	8,570	50	835	-	15,519	265	
Fines, forfeitures, and penalties	109,292	836	10,882	3	49,966	2,259	
Gaming	-	-	18,936	-	-	9,912	
Other	8,620	7,028	1,474	-	890	2,681	
Total Revenues	217,847	64,836	68,927	255,613	78,785	132,724	
<b>EXPENDITURES</b>							
Current:							
General government	34,398	1,047	3,333	671	58,239	1,776	
Health and welfare	-	76,834	59,409	118,822	-	3,825	
Inspection and regulation	-	1,388	-	-	42	110,837	
Education	-	-	-	75,952	-	-	
Protection and safety	139,828	-	-	-	-	3	
Natural resources	9,060	955	-	-	-	-	
Debt service:							
Principal	-	-	-	-	-	46	
Interest and other fiscal charges	-	-	-	-	7	-	
Capital outlay	140,665	131	1	7	787	642	
Total Expenditures	323,951	80,355	62,743	195,452	59,075	117,129	
Excess (Deficiency) of Revenues Over Expenditures	(106,104)	(15,519)	6,184	60,161	19,710	15,595	
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	11,629	45,253	5,028	7,015	9,619	8,947	
Transfers out	(109,273)	(44,282)	(10,111)	(2,784)	(22,687)	(32,530)	
Capital lease and installment purchase contracts	185,335	-	-	-	-	-	
Total Other Financing Sources (Uses)	87,691	971	(5,083)	4,231	(13,068)	(23,583)	
Net Change in Fund Balances	(18,413)	(14,548)	1,101	64,392	6,642	(7,988)	
Fund Balances - Beginning	78,596	40,822	17,820	376,384	54,165	58,825	
Fund Balances - Ending	\$ 60,183	\$ 26,274	\$ 18,921	\$ 440,776	\$ 60,807	\$ 50,837	

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ -	\$ -	\$ -	\$ 359,533	\$ -	\$ -	\$ 381,795
-	-	-	88	-	-	88
-	-	-	-	-	-	265,078
-	-	-	-	-	-	84,028
24,853	-	2,591	2,792	-	-	44,699
33,274	2,966	3,731	171	4,730	-	224,336
351	245	649	2,773	138	-	9,575
2,371	-	473	1,039	12,706	-	41,828
142	-	-	-	-	12,265	185,645
5,417	-	-	37,872	-	-	72,137
3,546	105	11,606	427	3,147	8,549	48,073
69,954	3,316	19,050	404,695	20,721	20,814	1,357,282
-	-	34,238	-	-	6,829	140,531
-	-	-	-	-	-	258,890
-	-	-	-	-	-	112,267
-	-	-	417,715	-	-	493,667
-	-	-	-	-	-	139,831
70,264	12,110	384	-	19,246	-	112,019
706	-	-	-	-	-	752
804	-	-	-	-	-	811
10,137	3,034	-	-	-	-	155,404
81,911	15,144	34,622	417,715	19,246	6,829	1,414,172
(11,957)	(11,828)	(15,572)	(13,020)	1,475	13,985	(56,890)
11,465	16,806	24,179	153	300	-	140,394
(4,693)	(21,101)	(19,279)	(565)	(14,818)	(10,040)	(292,163)
-	-	-	-	-	-	185,335
6,772	(4,295)	4,900	(412)	(14,518)	(10,040)	33,566
(5,185)	(16,123)	(10,672)	(13,432)	(13,043)	3,945	(23,324)
37,016	31,512	47,445	81,581	24,141	28,121	876,428
\$ 31,831	\$ 15,389	\$ 36,773	\$ 68,149	\$ 11,098	\$ 32,066	\$ 853,104

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ACCOUNTANCY, ARIZONA STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	\$ 1,544	\$ 1,544
CASH TRANSFER TO GENERAL FUND	500,000	500,000
OPERATING LUMP SUM APPROPRIATION	1,902,400	1,466,237
<b>ACUPUNCTURE BOARD OF EXAMINERS</b>		
OPERATING LUMP SUM APPROPRIATION	129,700	117,465
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	95	95
CASH TRANSFER TO GENERAL FUND	8,686,600	8,686,600
CASH TRANSFER TO GENERAL FUND	136,000	136,000
CASH TRANSFER TO GENERAL FUND	36,100	36,100
CASH TRANSFER TO GENERAL FUND	167,500	167,500
GOVERNMENT BUILDING DEFIBRILLATORS	293	0
OPERATING LUMP SUM - BUS SUBSIDY	714,100	696,540
OPERATING LUMP SUM APPROPRIATION	568,900	429,086
YUMA PRISON WATER TREATMENT UPGRADE	64,691	50,779
<b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	7,246	7,246
ADMINISTRATIVE ADJUSTMENTS	187	187
ADMINISTRATIVE ADJUSTMENTS	17,409	17,409
ADMINISTRATIVE ADJUSTMENTS	7,577	7,577
ADMINISTRATIVE ADJUSTMENTS	170	170
ADMINISTRATIVE ADJUSTMENTS	22,859	22,859
CASH TRANSFER TO GENERAL FUND	104,700	104,700
CASH TRANSFER TO GENERAL FUND	72,000	72,000
CASH TRANSFER TO GENERAL FUND	75,300	75,300
CASH TRANSFER TO GENERAL FUND	60,200	60,200
CASH TRANSFER TO GENERAL FUND	101,600	101,600
CASH TRANSFER TO GENERAL FUND	46,400	46,400
CASH TRANSFER TO GENERAL FUND	57,700	57,700
OPERATING LUMP SUM APPROPRIATION	1,028,700	586,817
OPERATING LUMP SUM APPROPRIATION	79,400	67,205
OPERATING LUMP SUM APPROPRIATION	40,000	40,000
OPERATING LUMP SUM APPROPRIATION	197,700	81,006
OPERATING LUMP SUM APPROPRIATION	9,200	9,200
OPERATING LUMP SUM APPROPRIATION	302,000	296,784
OPERATING LUMP SUM APPROPRIATION	904,400	713,651
OPERATING LUMP SUM APPROPRIATION	307,700	307,700
OPERATING LUMP SUM APPROPRIATION	388,300	373,973
OPERATING LUMP SUM APPROPRIATION	54,600	54,600

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SERVICE FEES INCREASE - GENERAL	441,000	44,495
SERVICE FEES INCREASE - PESTICIDE	120,000	112,950
<b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>		
CAPITATION	38,295,800	38,295,800
CASH TRANSFER TO GENERAL FUND	949,900	949,900
PROP 204 CAPITATION	10,086,400	10,086,400
PROP 204 MEDICARE	9,136,500	8,393,060
<b>APPRAISAL, STATE BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	624,200	615,210
<b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>		
ADMINISTRATIVE ADJUSTMENTS	517	517
ADMINISTRATIVE ADJUSTMENTS	2,081	2,081
ADMINISTRATIVE ADJUSTMENTS	1,054	1,054
CASH TRANSFER TO GENERAL FUND	5,754,900	5,754,900
CASH TRANSFER TO GENERAL FUND	1,634,200	1,634,200
CASH TRANSFER TO GENERAL FUND	269,100	269,100
CASH TRANSFER TO GENERAL FUND	2,231,900	2,231,900
CASH TRANSFER TO GENERAL FUND	235,400	235,400
CASH TRANSFER TO GENERAL FUND	100	100
CASH TRANSFER TO GENERAL FUND	334,500	334,500
CASH TRANSFER TO GENERAL FUND	1,064,800	1,064,800
CASH TRANSFER TO GENERAL FUND CH12 S44	789,000	789,000
OPERATING LUMP SUM APPROPRIATION	3,513,700	1,957,285
OPERATING LUMP SUM APPROPRIATION	3,313,400	2,355,354
OPERATING LUMP SUM APPROPRIATION	242,800	112,645
OPERATING LUMP SUM APPROPRIATION	5,651,600	5,582,479
RISK MANAGEMENT ISA	9,037,400	7,732,912
VICTIMS RIGHTS	3,248,200	3,125,505
VICTIMS RIGHTS FY01 - 02	61,730	28,003
<b>AUTOMOBILE THEFT AUTHORITY</b>		
AUTOMOBILE THEFT AUTHORITY GRANTS	4,452,300	3,732,677
CASH TRANSFER TO GENERAL FUND	881,700	881,700
OPERATING LUMP SUM APPROPRIATION	637,900	466,785
REIMBURSABLE PROGRAMS	50,000	0
<b>BARBERS, BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	108	108
OPERATING LUMP SUM APPROPRIATION	329,900	276,801
<b>BEHAVIORAL HEALTH EXAMINERS, BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	4,176	4,176
OPERATING LUMP SUM APPROPRIATION	1,378,800	1,208,488

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>CHIROPRACTIC EXAMINERS, STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	449	449
OPERATING LUMP SUM APPROPRIATION	476,600	433,625
<b>COMMERCE, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	370	370
ADMINISTRATIVE ADJUSTMENTS	2,622	2,622
ADMINISTRATIVE ADJUSTMENTS	28,125	28,125
ADVERTISING AND PROMOTION	589,200	567,359
ARIZONA SONORA TRADE OFFICE	25,000	25,000
AZ 21ST CENTURY COMPETITIVE INITIAT FUND	18,474,923	18,474,923
CASH TRANSFER TO GENERAL FUND	2,750,400	2,750,400
CASH TRANSFER TO GENERAL FUND	162,200	162,200
CASH TRANSFER TO GENERAL FUND CH12 S44	19,500	19,500
CEDC COMMISSION	197,900	155,253
ECONOMIC DEVELOPMENT MATCHING FUNDS	104,000	74,357
INTERNATIONAL TRADE OFFICES	816,800	644,499
MAIN STREET	90,000	86,265
MINORITY & WOMEN OWNED BUSINESS	130,400	129,453
NATIONAL LAW CENTER/FREE TRADE	170,000	170,000
OIL OVERCHARGE ADMINISTRATION	185,700	0
OPERATING LUMP SUM APPROPRIATION	70,200	63,967
OPERATING LUMP SUM APPROPRIATION	1,670,900	600,010
REDI MATCHING GRANTS	45,000	34,650
SMALL BUSINESS ADVOCATE	127,800	126,387
<b>CONTRACTORS, REGISTRAR OF</b>		
ADMINISTRATIVE ADJUSTMENTS	413	413
CASH TRANSFER TO GENERAL FUND	1,837,300	1,837,300
CASH TRANSFER TO GENERAL FUND	2,576,400	2,576,400
INCENTIVE PAY	113,700	0
INFORMATION MANAGEMENT SYSTEM	506,500	77,748
OFFICE OF ADMINISTRATIVE HEARING	1,009,000	804,535
OPERATING LUMP SUM APPROPRIATION	10,603,500	7,894,788
<b>CORPORATION COMMISSION</b>		
ADMINISTRATIVE ADJUSTMENTS	11,135	11,135
ADMINISTRATIVE ADJUSTMENTS	7,535	7,535
ADMINISTRATIVE ADJUSTMENTS	3,631	3,631
ANNUAL REV PUBLIC ACCESS FUND	56,772	56,772
ANNUAL REVERSION PER ARS 44-3298	115,824	115,824
CASH TRANSFER TO GENERAL FUND	1,092,600	1,092,600
CASH TRANSFER TO GENERAL FUND	3,285,800	3,285,800

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	1,142,900	1,142,900
CASH TRANSFER TO GENERAL FUND	596,600	596,600
CORPORATION FILINGS, SAME DAY SERVICE	0	0
INVESTIGATION & PROSECUTION OF SECURITY FRAUD	165,599	0
OPERATING LUMP SUM APPROPRIATION	711,800	711,560
OPERATING LUMP SUM APPROPRIATION	13,069,300	13,023,949
OPERATING LUMP SUM APPROPRIATION	4,408,400	4,234,583
OPERATING LUMP SUM APPROPRIATION	6,275,800	5,520,070
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	176,930	0
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	0
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	0
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	338
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	1,730
<b>CORRECTIONS, STATE DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	2,427,018	2,427,018
ADMINISTRATIVE ADJUSTMENTS	7,232	7,232
CASH TRANSFER TO GENERAL FUND	37,200	37,200
CASH TRANSFER TO GENERAL FUND	729,200	729,200
CASH TRANSFER TO GENERAL FUND	932,400	932,400
CASH TRANSFER TO GENERAL FUND	914,200	914,200
CASH TRANSFER TO GENERAL FUND	44,900	44,900
CASH TRANSFER TO GENERAL FUND	611,000	611,000
CORRECTIONAL OFFICER EMPLOYEE RELATED EXPENSES	104,900	0
CORRECTIONAL OFFICER PERSONAL SERVICES	238,400	0
HEALTH CARE ALL OTHER OPERATING EXP	10,432,500	9,582,100
NON-HEALTH CARE ALL OTHER OPERATING EXP	554,400	409,668
NON-HEALTH CARE ALL OTHER OPERATING EXP	817,500	816,069
NON-HEALTH CARE ALL OTHER OPERATING EXP	555,000	425,484
PRIVATE PRISON PER DIEM	28,674,300	26,039,450
PROVISIONAL BEDS	249,400	0
<b>COSMETOLOGY, BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	1,759,500	1,582,149
<b>CRIMINAL JUSTICE COMMISSION, ARIZONA</b>		
ADMINISTRATIVE ADJUSTMENTS	21,450	21,450
ADMINISTRATIVE ADJUSTMENTS	213	213
CASH TRANSFER TO GENERAL FUND	2,293,400	2,293,400
CASH TRANSFER TO GENERAL FUND	1,337,000	1,337,000
CASH TRANSFER TO GENERAL FUND	823,800	823,800
CASH TRANSFER TO GENERAL FUND	1,402,900	1,402,900
CASH TRANSFER TO GENERAL FUND	240,600	240,600

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	284,000	284,000
DRUG AND GANG PREVENTION RESOURCE CENTER	235,200	146,081
OPERATING LUMP SUM APPROPRIATION	684,100	625,910
RURAL STATE AID TO COUNTY ATTORNEYS	0	0
RURAL STATE AID TO INDIGENT DEFENSE	0	0
STATE AID TO COUNTY ATTORNEYS	973,600	973,593
STATE AID TO INDIGENT DEFENSE	551,800	551,800
VICTIM COMPENSATION & ASSISTANCE	3,792,500	3,550,149
<b>DEAF AND HARD OF HEARING, COMMISSION FOR THE</b>		
ADMINISTRATIVE ADJUSTMENTS	5,394	5,394
CASH TRANSFER TO GENERAL FUND	2,074,300	2,074,300
INTERPRETERS FOR CERTIFICATION AND LICENSURE	295,757	-10,178
OPERATING LUMP SUM APPROPRIATION	4,079,200	3,015,213
<b>DENTAL EXAMINERS, STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	419	419
OPERATING LUMP SUM APPROPRIATION	1,106,500	949,650
<b>ECONOMIC SECURITY, DEPARTMENT OF</b>		
ADM ATTORNEY GENERAL LEGAL SERVICES	90,400	13,987
ADM OPERATING LUMP SUM	39,500	0
ADM OPERATING LUMP SUM-PAC FUND	337,200	168,065
ADMINISTRATIVE ADJUSTMENTS	21,202	21,202
ADMINISTRATIVE ADJUSTMENTS	453,700	453,700
ADMINISTRATIVE ADJUSTMENTS	2,170	2,170
ADMINISTRATIVE ADJUSTMENTS	122,235	122,235
ADMINISTRATIVE ADJUSTMENTS	126,143	126,143
ADMINISTRATIVE ADJUSTMENTS	61,311	61,311
ADMINISTRATIVE ADJUSTMENTS	31,443	31,443
ADMINISTRATIVE ADJUSTMENTS	48,526	48,526
CASH TRANSFER TO GENERAL FUND	1,143,300	1,143,300
CASH TRANSFER TO GENERAL FUND	278,500	278,500
CASH TRANSFER TO GENERAL FUND	92,200	92,200
CASH TRANSFER TO GENERAL FUND	1,143,800	1,143,800
CASH TRANSFER TO GENERAL FUND	1,284,900	1,284,900
DACS DOMESTIC VIOLENCE PREVENTION	2,220,000	2,219,757
DCYF CHILD ABUSE PREVENTION	709,100	0
DCYF CHILDREN SUPPORT SVCS - CAP	750,000	0
DCYF OPERATING LUMP SUM APPROPRIATION	209,600	84,256
DDD AUTISM TRAINING & OVERSIGHT	200,000	5,731
DERS INDEPENDENT LIVING REHAB SERVICES	1,123,400	374,707
DERS OPERATING LUMP SUM	507,800	268,072



STATE OF ARIZONA  
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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DERS OPERATING LUMP SUM - SPECIAL ADMIN	24,400	24,400
DERS VOCATIONAL REHABILITATION SERVICES	204,700	41,067
JOBS	1,110,900	0
<b>EDUCATION, DEPARTMENT OF</b>		
ACHIEVEMENT TESTING - PROP 301	4,670,200	91
ACHIEVEMENT TESTING - PROP 301 FY08 - 09	2,210,002	1,669,713
ADDITIONAL SCHOOL DAYS - PROP301	86,280,500	86,280,500
ADDITIONAL SCHOOL DAYS - PROP301 FY08 - 09	14,680,083	14,680,083
CASH TRANSFER TO GENERAL FUND	356,400	356,400
CHARACTER EDUCATION - PROP 301	200,000	0
CHARACTER EDUCATION - PROP 301 FY08 - 09	186,606	129,763
FAILING SCHOOL TUTORING FUND - PROP 301	0	-142
FAILING SCHOOL TUTORING FUND - PROP 301	1,500,000	149,591
FAILING SCHOOL TUTORING FUND - PROP 301	1,248,261	1,248,226
SCHOOL ACCOUNTABILITY FUND - PROP 301	2,329,800	1,943,543
SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 06-07	82,979	82,979
SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 07-08	329,285	46,184
SCHOOL ACCOUNTABILITY FUND - PROP 301 FY 08-09	3,546,658	2,335,151
SCHOOL ACCOUNTABILITY-SCH SAFETY - PROP301	7,800,000	7,768,482
SCHOOL ACCOUNTABILITY-SCH SAFETY - PROP301 FY08-09	795,954	795,954
<b>EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	120,100	120,100
OPERATING LUMP SUM - EMERGENCY MANAGEMENT	132,700	71,197
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	721	721
ADMINISTRATIVE ADJUSTMENTS	19,131	19,131
ADMINISTRATIVE ADJUSTMENTS	50	50
ADMINISTRATIVE ADJUSTMENTS	281,743	281,743
ADMINISTRATIVE ADJUSTMENTS	15,177	15,177
ADMINISTRATIVE ADJUSTMENTS	153,671	153,671
ADMINISTRATIVE ADJUSTMENTS	16,434	16,434
ADMINISTRATIVE ADJUSTMENTS	899	899
ADMINISTRATIVE ADJUSTMENTS	24,510	24,510
AIR QUALITY FEE FUND STATE TRANSFERS	400,000	400,000
AIR QUALITY MANAGEMENT AND ANALYSIS	5,252,000	5,173,776
AIR QUALITY MANAGEMENT AND ANALYSIS	3,705,900	3,294,568
AIR QUALITY MANAGEMENT AND ANALYSIS	0	0
AIR QUALITY PROGRAM - CONTINUING FY01 - 02	186,035	0
AIR QUALITY PROGRAM - CONTINUING FY02 - 03	182,451	0
AZ POLLUTION DISCHARGE ELIMINATION	0	0

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	224,200	224,200
CASH TRANSFER TO GENERAL FUND	692	692
CASH TRANSFER TO GENERAL FUND	3,181,200	3,181,200
CASH TRANSFER TO GENERAL FUND	1,437,200	1,437,200
CASH TRANSFER TO GENERAL FUND	347,000	347,000
CASH TRANSFER TO GENERAL FUND	1,530,500	1,530,500
CASH TRANSFER TO GENERAL FUND	2,875,800	2,875,800
CASH TRANSFER TO GENERAL FUND	210,800	210,800
CASH TRANSFER TO GENERAL FUND	466,500	466,500
CASH TRANSFER TO GENERAL FUND	574,500	574,500
CASH TRANSFER TO GENERAL FUND	804,500	804,500
CASH TRANSFER TO GENERAL FUND	8,749,700	8,749,700
CASH TRANSFER TO GENERAL FUND	376,700	376,700
CASH TRANSFER TO GENERAL FUND	119,100	119,100
CASH TRANSFER TO GENERAL FUND	20,570,328	20,570,328
CASH TRANSFER TO GENERAL FUND	4,578,900	4,578,900
CLEAN WATER REVOLVING FUND SUPPLEMENTAL	5,000,000	4,487,894
COUNTIES TRAVEL DEDUCTION PLAN	1,638,100	1,086,298
DRINKING WATER REGULATION PROGRAM	0	0
DRINKING WATER REGULATION PROGRAM	0	0
DRINKING WATER REVOLVING LOAN PROGRAM	0	0
EMISSIONS CAP & TRADING PROGRAM	266,582	0
EMISSIONS CAP & TRADING PROGRAM	70,576	0
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	27,328,300	19,630,489
EMISSIONS CONTROL PROGRAM-ADMINISTRATION	4,150,200	2,694,977
POLITICAL SUBDIVISIONS ASSISTANCE	18,500	0
ROADSIDE DIESEL EMISSIONS TESTING PROG	200,000	0
SURFACE WATER REGULATION PROGRAM	0	0
TRANSFERS TO COUNTIES PROGRAM	145,700	41,250
UNDERGROUND STORAGE TANK PROGRAM	10,000	0
UNDERGROUND STORAGE TANK PROGRAM	2,000	0
UNDERGROUND STORAGE TANK PROGRAM	10,000	2,787
UNDERGROUND STORAGE TANK TECH APPEALS	7,500	0
UNDERGROUND WATER REGULATION PROGRAM	0	0
VISIBILITY INDEX DEVELOPMENT	80,589	0
WASTE CONTROL AND MANAGEMENT	0	0
WASTE CONTROL AND MANAGEMENT	0	0
WASTE CONTROL AND MANAGEMENT	740,900	428,036
WASTE CONTROL AND MANAGEMENT	1,119,000	887,772
WASTE CONTROL AND MANAGEMENT	912,200	871,150

STATE OF ARIZONA  
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 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
WASTE CONTROL AND MANAGEMENT	138,300	14,077
WASTE TIRE PROGRAM	44,700	40,626
WATER QUALITY PROGRAM	5,210,200	3,500,723
<b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	254,800	254,800
CASH TRANSFER TO GENERAL FUND	1,568,700	1,568,700
CASH TRANSFER TO GENERAL FUND	143,200	143,200
<b>FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	141,000	141,000
<b>FORESTER, OFFICE OF THE STATE</b>		
CASH TRANSFER TO GENERAL FUND	438,000	438,000
<b>FUNERAL DIRECTORS &amp; EMBALMERS, STATE BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	351,200	274,840
<b>GAME AND FISH DEPARTMENT, ARIZONA</b>		
ADMINISTRATIVE ADJUSTMENTS	327,938	327,938
BECKER LAKE FACILITIES IMPROVEMENTS	71,471	48,499
BECKER LAKE WILDLIFE AREA BRIDGE	18,525	204
BELLEMONT SHOOTING RANGE FY05	800,000	800,000
BEN AVERY IMPROVEMENTS	950,000	567,555
BLACK CANYON DAM MODIFICATIONS FY06	499,000	707
BLACK CANYON DAM MODIFICATIONS FY07	260,016	14,202
BOAT REGISTRATION KIOSKS	240,000	0
BOAT REGISTRATION KIOSKS	240,000	0
BOAT SHADE CANOPIES	46,342	0
BOAT SHADE CANOPIES	120,000	0
BUILDING RENEWAL FY08 - 09	213,996	162,455
BUILDING RENEWAL FY09 - 10	473,200	317,768
CASH TRANSFER TO GENERAL FUND	951,500	951,500
CASH TRANSFER TO GENERAL FUND	1,339,900	1,339,900
CASH TRANSFER TO GENERAL FUND	79,600	79,600
FLAGSTAFF SHOOTING RANGE DEV 00/01	33,349	27,804
FLAGSTAFF SHOOTING RANGE PLNG 01/02	436,679	323,100
FLAGSTAFF SHOOTING RANGE PLNG 02/03	499,900	0
FLOOD WARNING SYSTEM	29,617	17,495
HEADQUARTERS SECURITY SYSTEM	1,775	1,774
LAKE HAVASU SHOOTING RANGE DEVELOPMENT	297,502	337
LOWER COLORADO MULTI-SPECIES CONSERVATN	350,000	350,000
MIGRATORY WATERFOWL DEV 00/01	43,110	9,209
MIGRATORY WATERFOWL DEVELOPMENT	61,715	0
MIGRATORY WATERFOWL DEVELOPMENT 01/02	56,500	45,000

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MIGRATORY WATERFOWL DEVELOPMENT 02/03	53,119	0
MIGRATORY WATERFOWL HABITAT FY06	77,995	0
MIGRATORY WATERFOWL HABITAT FY07	99,775	7,333
OPERATING LUMP SUM APPROPRIATION	332,000	311,435
OPERATING LUMP SUM APPROPRIATION	2,647,000	2,154,005
OPERATING LUMP SUM APPROPRIATION	16,000	0
OPERATING LUMP SUM APPROPRIATION	30,955,800	26,303,065
OPERATING LUMP SUM APPROPRIATION	43,400	19,211
PERFORMANCE INCENTIVE PAY PROGRAM	300,000	300,000
PERFORMANCE INCENTIVE PAY PROGRAM	46,800	46,800
PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT	3,808,000	3,808,000
RADIO TOWER	250,000	0
REGIONAL (KINGMAN) OFFICE REMODEL/EXP	889,500	1,764
REGIONAL (MESA) OFFICE REMODEL/EXPANSION	250,000	161,340
REGIONAL (PINETOP) OFFICE CANOPIES	30,000	0
REGIONAL (PINETOP) OFFICE PAVING PROJECT	75,000	0
REGIONAL (YUMA) OFFICE REMODEL/EXPANSION	954,000	1,593
REGIONAL(FLAGSTAFF)OFFICE REMODEL/EXPANSN	911,493	774,171
ROBBINS BUTTE LEVEE	138,454	60,181
SHOOTING RANGE ACCESS IMPROVEMENTS	150,000	82,435
SHOOTING RANGE DEV/GRANTS PROGRAM FY09	17,758	15,713
SHOOTING RANGE IMPROVEMENTS	375	165
SHOOTING RANGE IMPROVEMENTS	3	0
SILVER CREEK HATCHERY REMODEL/EXPANSION	1,900,000	712
STATEWIDE PREVENTATIVE MAINTENANCE	4	0
STATEWIDE PREVENTATIVE MAINTENANCE	30,000	27,201
STATEWIDE PREVENTATIVE MAINTENANCE	110	0
TONTO CREEK HATCHERY IMPROVEMENTS FY05	133,134	133,095
TRI-STATE SHOOTING RANGE DEV. FY05	299,649	0
WATERCRAFT GRANT PROGRAM	250,000	0
WATERCRAFT SAFETY EDUCATION PROGRAM	1,175,000	914,002
YUMA OFFICE FENCE	10,000	0
YUMA OFFICE SECURITY SYSTEM	30,000	0
<b>GAMING, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	426	426
CASINO OPERATION CERTIFICATION	1,986,200	1,824,745
JOINT MONITORING SYSTEM	233,300	126,214
OPERATING LUMP SUM APPROPRIATION	8,685,400	7,725,222
PROBLEM GAMBLING	1,977,000	1,499,151
PROBLEM GAMBLING	300,000	300,000

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>GEOLOGICAL SURVEY, ARIZONA</b>		
CASH TRANSFER TO GENERAL FUND	49,300	49,300
<b>GOVERNOR, OFFICE OF THE</b>		
CASH TRANSFER TO GENERAL FUND	400	400
<b>HEALTH SERVICES, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	70,013	70,013
ADMINISTRATIVE ADJUSTMENTS	50,154	50,154
ADMINISTRATIVE ADJUSTMENTS	207	207
ADMINISTRATIVE ADJUSTMENTS	1,706,349	1,706,349
ADMINISTRATIVE ADJUSTMENTS	59,913	59,913
ADMINISTRATIVE ADJUSTMENTS	19,166	19,166
ADMINISTRATIVE ADJUSTMENTS	392,754	392,754
ADMINISTRATIVE ADJUSTMENTS	87,011	87,011
ADMINISTRATIVE ADJUSTMENTS	10,134	10,134
ADMINISTRATIVE ADJUSTMENTS	6,163	6,163
ALZHEIMER DISEASE RESEARCH	1,000,000	0
ASSURANCE AND LICENSURE	38,000	28,695
ATTORNEY GENERAL LEGAL SERVICES	42,900	17,128
CASH TRANSFER TO GENERAL FUND	41,300	41,300
CASH TRANSFER TO GENERAL FUND	1,726,400	1,726,400
CASH TRANSFER TO GENERAL FUND	813,800	813,800
CASH TRANSFER TO GENERAL FUND	135,300	135,300
CHILD FATALITY REVIEW TEAM	99,100	99,100
CHILD FATALITY REVIEW TEAM	126,300	108,461
COMMUNITY HEALTH CENTERS	0	0
EMS OPERATIONS	2,793,000	2,517,944
FOLIC ACID	400,000	338,640
HIGH RISK PERINATAL SERVICES	386,300	246,561
LABORATORY SERVICES	935,200	690,189
LICENSING FEES - ASSURANCE AND LICENSURE	4,493,400	4,183,954
LOAN REPAYMENT	557,900	163,825
MENTAL HEALTH - NON-TITLE XIX	500,000	500,000
MENTAL HLTH & SUBST ABUSE ST MCH T-XIX	3,600,000	3,600,000
NEWBORN SCREENING FUND - INDIRECT COSTS	478,600	478,600
NEWBORN SCREENING PROGRAM	6,334,100	5,206,872
OPERATING LUMP SUM APPROPRIATION	718,700	652,381
OPERATING LUMP SUM APPROPRIATION	179,700	62,700
RELIEF BILL CASH TRANSFER FY10	68,518	68,518
SERIOUSLY MENTALLY ILL NON-TXIX	31,824,800	30,906,305
SERVICE FEES INCREASE	600,000	567,077

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SUBSTANCE ABUSE - NON TITLE XIX	750,000	500,000
SUBSTANCE ABUSE - NON TITLE XIX	1,500,000	583,333
TRAUMA ADVISORY BOARD	350,000	315,784
<b>HOMEOPATHIC &amp; INTEGRATED MEDICINE EXAMINERS, BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	104,900	104,836
<b>HOUSING, ARIZONA DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	7,700,000	7,700,000
CASH TRANSFER TO GENERAL FUND	6,555,100	6,555,100
OPERATING LUMP SUM APPROPRIATION	949,600	949,535
<b>INDUSTRIAL COMMISSION OF ARIZONA</b>		
ADMINISTRATIVE ADJUSTMENTS	9,610	9,610
CASH TRANSFER TO GENERAL FUND CH12 S44	3,673,900	3,673,900
OPERATING LUMP SUM APPROPRIATION	19,983,100	16,671,806
<b>INSURANCE, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	1,144,700	1,144,700
CASH TRANSFER TO GENERAL FUND	200	200
CASH TRANSFER TO GENERAL FUND	200	200
CASH TRANSFER TO GENERAL FUND CH12 S44	32,100	32,100
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	100	100
CASH TRANSFER TO GENERAL FUND	130,600	130,600
OPERATING LUMP SUM APPROPRIATION	556,000	556,000
<b>LAND DEPARTMENT, STATE</b>		
NATURAL RESOURCE CONSERVATION DISTRICTS	260,000	182,500
<b>LIQUOR, LICENSES &amp; CONTROL, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	506,300	506,300
<b>MEDICAL EXAMINERS BOARD</b>		
ADMINISTRATIVE ADJUSTMENTS	7,765	7,765
OPERATING LUMP SUM APPROPRIATION	5,853,400	4,868,852
PERFORMANCE BASED INCENTIVE PROGRAM	70,300	70,032
<b>MINE INSPECTOR, STATE</b>		
RECLAMATION	155,800	96,895
<b>MINES &amp; MINERAL RESOURCES, DEPARTMENT OF</b>		
CASH TRANSFER TO GENERAL FUND	68,600	68,600
<b>NATUROPATHIC PHYSICIANS MEDICAL BOARD</b>		
ADMINISTRATIVE ADJUSTMENTS	1,773	1,773
ADMINISTRATIVE ADJUSTMENTS	4,137	4,137
OPERATING LUMP SUM APPROPRIATION	423,360	422,122
OPERATING LUMP SUM APPROPRIATION	181,440	180,907
<b>NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF</b>		

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATIVE ADJUSTMENTS	136	136
OPERATING LUMP SUM APPROPRIATION	379,600	327,207
<b>NURSING, STATE BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	4,153,900	3,952,216
<b>OCCUPATIONAL THERAPY EXAMINERS, BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	208	208
ADMINISTRATIVE ADJUSTMENTS	803	803
OPERATING LUMP SUM APPROPRIATION	100,070	98,057
OPERATING LUMP SUM APPROPRIATION	146,430	144,330
<b>OPTICIANS, STATE BOARD OF DISPENSING</b>		
ADMINISTRATIVE ADJUSTMENTS	440	440
OPERATING LUMP SUM APPROPRIATION	125,200	124,930
<b>OPTOMETRY, STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	1,934	1,934
OPERATING LUMP SUM APPROPRIATION	203,400	194,031
<b>OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	893	893
OPERATING LUMP SUM APPROPRIATION	702,000	659,011
<b>PARENTS COMMISSION ON DRUG EDUCATION &amp; PREVENTION, ARIZONA</b>		
CASH TRANSFER TO GENERAL FUND	2,460,600	2,460,600
<b>PARKS BOARD, ARIZONA STATE</b>		
ADMINISTRATIVE ADJUSTMENTS	22,074	22,074
ARIZONA TRAIL	125,000	0
CASH TRANSFER TO GENERAL FUND	14,341,300	14,341,300
CASH TRANSFER TO GENERAL FUND	233,600	233,600
CASH TRANSFER TO GENERAL FUND	1,084,700	1,084,700
CASH TRANSFER TO GENERAL FUND	96,600	96,600
CASH TRANSFER TO GENERAL FUND	4,967,300	4,967,300
KARTCHNER CAVERNS STATE PARK	455,000	340,072
OFF HIGHWAY VEHICLE PARKS OPERATIONS	692,100	683,048
OPERATING LUMP SUM APPROPRIATION	967,700	0
PARKS HERITAGE FUND TO FIRE SUPPRESSION	3,000,000	3,000,000
SLIF LB & I 90-91	1,500	0
<b>PEST MANAGEMENT, OFFICE OF</b>		
OPERATING LUMP SUM APPROPRIATION	2,663,200	2,013,857
SERVICE FEES INCREASE	875,000	147,780
<b>PHARMACY, ARIZONA STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	439	439
CONTROLLED SUB PRESCRIP MONITORING PROGRAM	140,000	140,000
OPERATING LUMP SUM APPROPRIATION	1,931,400	1,649,463

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>PHYSICAL THERAPY EXAMINERS, BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	362,000	321,576
<b>PODIATRY EXAMINERS, STATE BOARD OF</b>		
OPERATING LUMP SUM APPROPRIATION	144,500	117,532
<b>POSTSECONDARY EDUCATION, COMMISSION FOR</b>		
ARIZONA COLLEGE AND CAREER GUIDE	21,200	13,705
AZ MINORITY ED POLICY ANALYSIS CENTER	100,300	97,120
FAMILY COLLEGE SAVINGS PROGRAM	152,600	151,800
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP	3,043,700	2,825,403
OPERATING LUMP SUM APPROPRIATION	406,200	133,309
TWELVE PLUS PARTNERSHIP	130,800	74,198
<b>PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR</b>		
OPERATING LUMP SUM APPROPRIATION	337,100	335,029
<b>PSYCHOLOGIST EXAMINERS, STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	15	15
OPERATING LUMP SUM APPROPRIATION	401,800	324,901
<b>PUBLIC SAFETY, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	194	194
ADMINISTRATIVE ADJUSTMENTS	156,225	156,225
ADMINISTRATIVE ADJUSTMENTS	303,399	303,399
CASH TRANSFER BETWEEN FUNDS	294,800	294,800
CASH TRANSFER TO GENERAL FUND	7,093,800	7,093,800
CASH TRANSFER TO GENERAL FUND	345,900	345,900
CASH TRANSFER TO GENERAL FUND	762,400	762,400
CASH TRANSFER TO GENERAL FUND	971,600	971,600
CASH TRANSFER TO GENERAL FUND	3,649,500	3,649,500
CASH TRANSFER TO GENERAL FUND	1,065,600	1,065,600
CASH TRANSFER TO GENERAL FUND	820,900	820,900
CASH TRANSFER TO GENERAL FUND	4,371,800	4,371,800
CASH TRANSFER TO GENERAL FUND	2,931,100	2,931,100
CASH TRANSFER TO GENERAL FUND	600,600	600,600
CASH TRANSFER TO GENERAL FUND	971,500	971,500
DNA TESTING	980,000	980,000
DNA TESTING	230,451	0
DNA TESTING	678,704	0
DNA TESTING	938,531	0
DNA TESTING	1,258,331	0
MOTOR VEHICLE FUEL	0	0
OPERATING LUMP SUM APPROPRIATION	3,021,300	2,969,892
OPERATING LUMP SUM APPROPRIATION	2,863,100	2,863,100



STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	3,042,400	1,998,900
OPERATING LUMP SUM APPROPRIATION	18,554,900	18,193,958
OPERATING LUMP SUM APPROPRIATION	5,115,600	4,833,252
OPERATING LUMP SUM APPROPRIATION	3,023,300	2,199,500
PHOTO ENFORCEMENT FUND-DPS OPERATING	2,173,000	1,841,804
PHOTO ENFORCEMENT FUND-VENDOR PAYMENTS	20,361,300	8,110,255
PHOTO ENFORCEMENT-ADMIN OFFICE OF COURTS	4,056,600	4,056,600
PHOTO ENFORCEMENT-GENERAL FUND REVERSION	26,830,418	26,830,418
PUBLIC SAFETY EQUIPMENT	2,500,000	0
PUBLIC SAFETY EQUIPMENT	3,000,000	271,281
<b>RACING, ARIZONA DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	7,868	7,868
ADMINISTRATIVE ADJUSTMENTS	2,821	2,821
CASH TRANSFER TO GENERAL FUND	131,300	131,300
CASH TRANSFER TO GENERAL FUND	20,000	20,000
CASH TRANSFER TO GENERAL FUND	242,600	242,600
OPERATING LUMP SUM APPROPRIATION	0	-6
<b>RADIATION REGULATORY AGENCY</b>		
ADMINISTRATIVE ADJUSTMENTS	181	181
CASH TRANSFER TO GENERAL FUND	21,300	21,300
OPERATING LUMP SUM APPROPRIATION	269,300	220,714
<b>RESIDENTIAL UTILITY CONSUMER OFFICE</b>		
ADMINISTRATIVE ADJUSTMENTS	110	110
CASH TRANSFER TO GENERAL FUND	319,200	319,200
OPERATING LUMP SUM APPROPRIATION	1,163,700	945,025
PROFESSIONAL WITNESSES	113,849	0
PROFESSIONAL WITNESSES	145,000	59,341
PROFESSIONAL WITNESSES FY02 - 03	763	763
PROFESSIONAL WITNESSES FY03 - 04	16,194	13,207
PROFESSIONAL WITNESSES FY04 - 05	11,928	11,928
PROFESSIONAL WITNESSES FY05 - 06	45,569	30,593
PROFESSIONAL WITNESSES FY06 - 07	119,576	110,267
PROFESSIONAL WITNESSES FY07 - 08	114,464	26,709
<b>RESPIRATORY CARE EXAMINERS, BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	2,017	2,017
OPERATING LUMP SUM APPROPRIATION	263,100	263,073
RELIEF BILL CASH TRANSFER FY10	423	423
<b>REVENUE, DEPARTMENT OF</b>		
OPERATING LUMP SUM APPROPRIATION	667,300	667,242
<b>SECRETARY OF STATE</b>		

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	77,300	77,300
<b>SUPREME COURT</b>		
ADMINISTRATIVE ADJUSTMENTS	18,951	18,951
CASE AND CASH MANAGEMENT SYSTEM	625,800	569,950
CASH TRANSFER TO GENERAL FUND	2,355,500	2,355,500
CASH TRANSFER TO GENERAL FUND	700,000	700,000
CASH TRANSFER TO GENERAL FUND	620,400	620,400
CASH TRANSFER TO GENERAL FUND	674,800	674,800
CASH TRANSFER TO GENERAL FUND	500,000	500,000
CASH TRANSFER TO GENERAL FUND	31,600	31,600
COMMUNITY PUNISHMENT	500,000	495,932
COMMUNITY PUNISHMENT	1,820,400	1,274,589
COURT APPOINTED SPECIAL ADVOCATE	2,949,900	2,606,648
FY09 CASH XFR TO GENERAL FUND	110,300	110,300
JUVENILE CRIME REDUCTION	5,155,500	2,752,143
OPERATING LUMP SUM APPROPRIATION	488,700	300,699
PHOTO ENFORCEMENT FUND	4,056,600	1,636,640
STATE AID	2,945,500	2,746,003
STATE AID	3,037,400	1,988,441
<b>TECHNICAL REGISTRATION, STATE BOARD OF</b>		
ADMINISTRATIVE ADJUSTMENTS	2,284	2,284
OPERATING LUMP SUM APPROPRIATION	1,756,400	1,452,804
<b>VETERANS' SERVICES, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	175	175
OPERATING LUMP SUM APPROPRIATION	751,800	747,268
<b>VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE</b>		
ADMINISTRATIVE ADJUSTMENTS	275	275
OPERATING LUMP SUM APPROPRIATION	470,400	406,775
<b>WATER RESOURCES, DEPARTMENT OF</b>		
ASSURED & ADEQUATE WATER SUPPLY ADMIN	951,600	155,962
CASH TRANSFER TO GENERAL FUND	240,800	240,800
CASH TRANSFER TO GENERAL FUND	123,000	123,000
CASH TRANSFER TO GENERAL FUND	173,000	173,000
CASH TRANSFER TO GENERAL FUND	378,400	378,400
CASH TRANSFER TO GENERAL FUND	231,200	231,200
CASH TRANSFER TO GENERAL FUND	2,388,100	2,388,100
CASH TRANSFER TO GENERAL FUND	11,283,300	11,283,300
<b>WEIGHTS AND MEASURES, DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	10,293	10,293
ADMINISTRATIVE ADJUSTMENTS	26,879	26,879

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATIVE ADJUSTMENTS	14,132	14,132
CASH TRANSFER TO GENERAL FUND	108,600	108,600
OPERATING LUMP SUM - GENERAL SERVICES	323,500	312,241
OPERATING LUMP SUM - OXYGENATED FUEL	860,300	785,416
OPERATING LUMP SUM - VAPOR RECOVERY	642,900	621,193
<b>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES</b>	<b>\$ 909,208,339</b>	<b>\$ 797,196,701</b>

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 LAND ENDOWMENTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>		
ARCHIVES AND HISTORY BUILDING 05 LEG	\$ 93,151	\$ 0
<b>CORRECTIONS, STATE DEPARTMENT OF</b>		
ADMINISTRATIVE ADJUSTMENTS	252	252
ADMINISTRATIVE ADJUSTMENTS	691	691
NON-HEALTH CARE ALL OTHER OPERATING EXP	360,000	337,033
PROVISIONAL BEDS	979,200	979,200
STATE CHAR PEN/RET LAND EARNINGS	800,000	0
<b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>		
OPERATING LUMP SUM - PHOENIX	6,204,800	5,866,310
OPERATING LUMP SUM - PRESCHOOL/OUTREACH	3,027,200	3,025,055
OPERATING LUMP SUM - REGIONAL COOPERATIVES	0	0
OPERATING LUMP SUM - TUCSON	5,574,600	5,063,601
<b>EDUCATION, DEPARTMENT OF</b>		
BASIC STATE AID ENTITLEMENT	46,475,500	16,269,378
<b>HEALTH SERVICES, DEPARTMENT OF</b>		
OPERATING LUMP SUM APPROPRIATION	1,150,000	420,066
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>		
OPERATING LUMP SUM APPROPRIATION	1,098,600	1,098,600
<b>LAND DEPARTMENT, STATE</b>		
TRUST LAND MANAGEMENT FUND	9,820,400	8,081,284
<b>PIONEERS' HOME, ARIZONA</b>		
ADMINISTRATIVE ADJUSTMENTS	2,210	2,210
OPERATING LUMP SUM APPROPRIATION	2,998,300	2,600,416
OPERATING LUMP SUM APPROPRIATION	3,485,000	3,358,576
PRESCRIPTION DRUGS	240,000	182,491
<b>TOTAL LAND ENDOWMENTS FUND BUDGETARY EXPENDITURES</b>	<b>\$ 82,309,904</b>	<b>\$ 47,285,163</b>

## **NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS**

**The Lottery Fund** administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

**The Department of Transportation Fund** administers the payment of principal and interest on the Highway Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

**The Maricopa Regional Area Road Fund (RARF)** administers the payment of principal and interest on the Arizona Transportation Excise Tax Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

**The Certificates of Participation 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 previously issued certificates of participation.

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

**The Grant Anticipation Notes Fund** administers the payment of principal and interest on grant anticipation notes issued by the Arizona Department of Transportation Board and the retirement of previously issued grant anticipation notes.

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR DEBT SERVICE FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
<b>ASSETS</b>				
Cash and pooled investments with State Treasurer	\$ -	\$ -	\$ -	\$ 1,004
Due from other Funds	2,255	-	-	-
Restricted assets:				
Cash and pooled investments with State Treasurer	-	1,965	233	-
Cash held by trustee	-	-	-	1,316
Total Assets	<u>\$ 2,255</u>	<u>\$ 1,965</u>	<u>\$ 233</u>	<u>\$ 2,320</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ 307
Due to other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>307</u>
Fund Balances:				
Reserved for debt service	<u>\$ 2,255</u>	<u>\$ 1,965</u>	<u>\$ 233</u>	<u>\$ 2,013</u>
Total Liabilities and Fund Balances	<u>\$ 2,255</u>	<u>\$ 1,965</u>	<u>\$ 233</u>	<u>\$ 2,320</u>

SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
\$ 20,235	\$ -	\$ 21,239
-	-	2,255
-	188	2,386
-	-	1,316
<u>\$ 20,235</u>	<u>\$ 188</u>	<u>\$ 27,196</u>

\$ -	\$ -	\$ 307
500	-	500
<u>500</u>	<u>-</u>	<u>807</u>

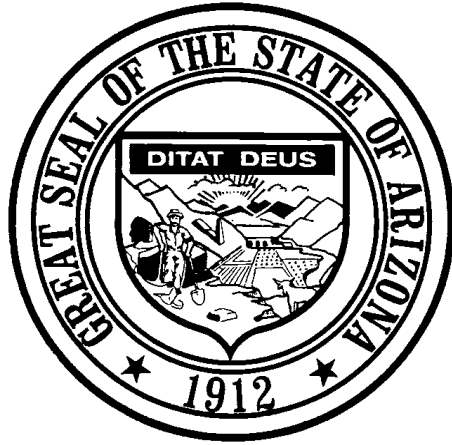
\$ 19,735	\$ 188	\$ 26,389
<u>\$ 20,235</u>	<u>\$ 188</u>	<u>\$ 27,196</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
<b>REVENUES</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	1,169	199	3
Total Revenues	-	1,169	199	3
<b>EXPENDITURES</b>				
Debt service:				
Principal	-	68,140	33,315	32,965
Interest and other fiscal charges	-	87,699	38,241	16,458
Total Expenditures	-	155,839	71,556	49,423
(Deficiency) of Revenues Over Expenditures	-	(154,670)	(71,357)	(49,420)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,255	154,184	71,210	48,856
Transfers out	-	-	-	(3,018)
Total Other Financing Sources (Uses)	2,255	154,184	71,210	45,838
Net Change in Fund Balances	2,255	(486)	(147)	(3,582)
Fund Balances - Beginning	-	2,451	380	5,595
Fund Balances - Ending	\$ 2,255	\$ 1,965	\$ 233	\$ 2,013



SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
\$ 65,811	\$ -	\$ 65,811
702	9	2,082
66,513	9	67,893
52,940	25,170	212,530
35,618	16,370	194,386
88,558	41,540	406,916
(22,045)	(41,531)	(339,023)
24,650	41,540	342,695
(1,380)	-	(4,398)
23,270	41,540	338,297
1,225	9	(726)
18,510	179	27,115
\$ 19,735	\$ 188	\$ 26,389



## **NON-MAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS FUNDS**

**The Department of Transportation Financed Fund** administers the proceeds from the Highway Revenue Bonds issued by the Arizona Department of Transportation Board. These monies are expended for the construction of federal, state, and local highways.

**The Grant Anticipation Notes Financed Fund** administers proceeds from Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

**The Certificates of Participation Financed Fund** administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the development of the Human Resource Information System.

**The Maricopa Regional Area Road Debt Financed Fund (MRARF)** administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bonds. These monies are spent on the construction of State highways within Maricopa County.

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
<b>ASSETS</b>				
Collateral investment pool	\$ 5,301	\$ -	\$ 2,233	\$ 2,542
Restricted assets:				
Cash and pooled investments with State Treasurer	94,986	56,210	21,308	104,121
Cash held by trustee	-	-	25,808	-
Total Assets	<u>\$ 100,287</u>	<u>\$ 56,210</u>	<u>\$ 49,349</u>	<u>\$ 106,663</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 1,700	\$ -
Accrued liabilities	-	-	13	-
Obligations under securities loan agreements	5,301	-	2,233	2,542
Total Liabilities	<u>5,301</u>	<u>-</u>	<u>3,946</u>	<u>2,542</u>
Fund Balances:				
Reserved for:				
Highway construction	94,986	56,210	-	104,121
Other construction	-	-	45,403	-
Total Fund Balances	<u>94,986</u>	<u>56,210</u>	<u>45,403</u>	<u>104,121</u>
Total Liabilities and Fund Balances	<u>\$ 100,287</u>	<u>\$ 56,210</u>	<u>\$ 49,349</u>	<u>\$ 106,663</u>

TOTAL	
\$	10,076
	276,625
	25,808
\$	312,509

\$	1,700
	13
	10,076
	11,789

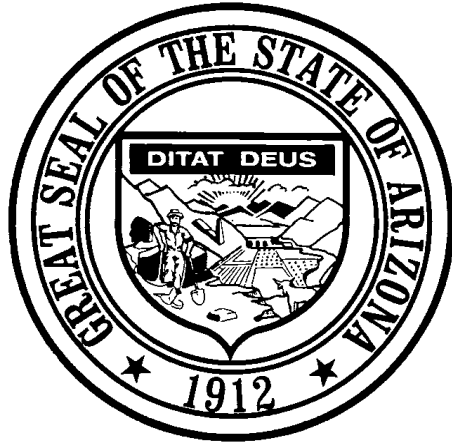
	255,317
	45,403
	300,720
\$	312,509

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
<b>REVENUES</b>				
Earnings on investments	\$ 1,978	\$ 1,677	\$ 1,326	\$ 2,998
Total Revenues	<u>1,978</u>	<u>1,677</u>	<u>1,326</u>	<u>2,998</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	27,701	3,110	-	3,191
Debt service:				
Interest and other fiscal charges	-	-	-	121
Capital outlay	<u>93,829</u>	<u>9,218</u>	<u>64,026</u>	<u>384,320</u>
Total Expenditures	<u>121,530</u>	<u>12,328</u>	<u>64,026</u>	<u>387,632</u>
(Deficiency) of Revenues Over Expenditures	<u>(119,552)</u>	<u>(10,651)</u>	<u>(62,700)</u>	<u>(384,634)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(11,832)</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(11,832)</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
Net Change in Fund Balances	<u>(131,384)</u>	<u>(10,651)</u>	<u>(62,726)</u>	<u>(384,634)</u>
Fund Balances - Beginning	<u>226,370</u>	<u>66,861</u>	<u>108,129</u>	<u>488,755</u>
Fund Balances - Ending	<u>\$ 94,986</u>	<u>\$ 56,210</u>	<u>\$ 45,403</u>	<u>\$ 104,121</u>

TOTAL	
\$	7,979
	7,979

	34,002
	121
	551,393
	585,516
	(577,537)
	(11,858)
	(11,858)
	(589,395)
	890,115
\$	300,720





## 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 Arizona Industries for the Blind Fund** accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

**The Arizona Correctional Industries Fund** employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

**The Arizona Highways Magazine Fund** publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

**The Coliseum & Exposition Center Fund** provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

**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 Healthcare Group of Arizona** administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

**The Other Enterprise Funds** consist of the State Hospital Revolving Fund, the State Home for Veterans Trust Fund, and the Arizona Beef Council.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET ASSETS**  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 3,203	\$ 67	\$ -	\$ 21	\$ -
Cash and pooled investments with State Treasurer	145	1,708	773	1,351	-
Restricted cash and pooled investments with State Treasurer	-	-	-	-	66,819
Short-term investments	-	-	-	-	-
Receivables, net of allowances:					
Interest	1	-	-	-	32
Loans and notes	-	-	-	-	4,490
Other	1,891	4,819	306	-	-
Due from U.S. Government	542	-	-	-	-
Due from other Funds	10	-	19	-	-
Inventories, at cost	2,832	2,669	514	-	-
Other current assets	6	369	468	48	-
Total Current Assets	8,630	9,632	2,080	1,420	71,341
Noncurrent Assets:					
Loans and notes receivable, net of allowances	-	-	-	-	4,314
Capital assets:					
Land and other non-depreciable	182	804	8	179	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	655	2,562	84	7,674	-
Total Noncurrent Assets	837	3,366	92	7,853	4,314
Total Assets	9,467	12,998	2,172	9,273	75,655
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other current liabilities	672	1,084	72	203	-
Accrued liabilities	375	545	86	8	2
Due to local governments	-	-	-	-	31
Due to other Funds	-	-	-	-	-
Unearned deferred revenue	-	624	2,462	-	-
Current portion of long-term debt	-	96	-	-	-
Current portion of other long-term liabilities	180	392	126	159	3
Total Current Liabilities	1,227	2,741	2,746	370	36
Noncurrent Liabilities:					
Contracts payable	-	-	-	-	-
Long-term debt	-	133	-	-	-
Other long-term liabilities	79	-	-	-	-
Total Noncurrent Liabilities	79	133	-	-	-
Total Liabilities	1,306	2,874	2,746	370	36
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	837	3,137	92	7,853	-
Restricted for:					
Loans and other financial assistance:					
Expendable	-	-	-	-	75,619
Other	-	-	-	-	-
Unrestricted (deficit)	7,324	6,987	(666)	1,050	-
Total Net Assets	\$ 8,161	\$ 10,124	\$ (574)	\$ 8,903	\$ 75,619

HEALTHCARE		
GROUP OF		
ARIZONA	OTHER	TOTAL
\$ -	\$ 217	\$ 3,508
9,154	1,663	14,794
-	-	66,819
-	104	104
-	-	33
-	-	4,490
-	2,425	9,441
-	-	542
-	75	104
-	-	6,015
-	-	891
9,154	4,484	106,741
-	-	4,314
-	980	2,153
24	8,055	19,054
24	9,035	25,521
9,178	13,519	132,262
71	232	2,334
501	520	2,037
-	-	31
-	1	1
5,062	-	8,148
-	-	96
104	-	964
5,738	753	13,611
12,450	-	12,450
-	-	133
-	-	79
12,450	-	12,662
18,188	753	26,273
24	9,035	20,978
-	-	75,619
-	26	26
(9,034)	3,705	9,366
\$ (9,010)	\$ 12,766	\$ 105,989

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

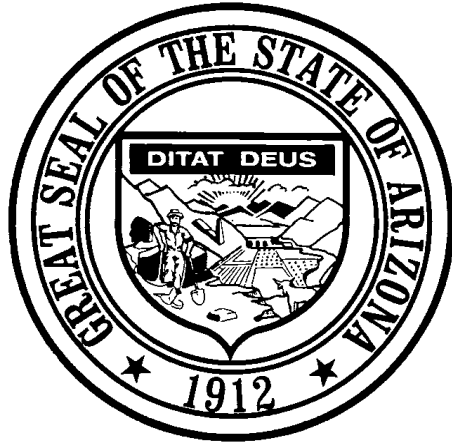
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
<b>OPERATING REVENUES</b>					
Sales and charges for services	\$ 20,667	\$ 33,100	\$ 5,407	\$ 9,280	\$ -
Intergovernmental	722	-	-	-	-
Licenses, fees, and permits	-	-	-	-	-
Earnings on investments	-	-	-	-	566
Other	17	-	568	1,271	-
Total Operating Revenues	<u>21,406</u>	<u>33,100</u>	<u>5,975</u>	<u>10,551</u>	<u>566</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and benefits	10,875	25,712	2,732	1,613	-
Personal services	5,647	2,721	1,692	3,518	83
Contractual services	1,942	39	568	3,351	32
Depreciation and amortization	220	512	39	830	-
Insurance	-	-	-	159	-
Other	979	657	173	1,345	-
Total Operating Expenses	<u>19,663</u>	<u>29,641</u>	<u>5,204</u>	<u>10,816</u>	<u>115</u>
Operating Income (Loss)	<u>1,743</u>	<u>3,459</u>	<u>771</u>	<u>(265)</u>	<u>451</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	14	30	17	27	131
Other non-operating revenue	-	-	-	400	-
Interest expense	(1)	(37)	-	-	-
Other non-operating expense	-	(17)	-	-	(32)
Total Non-Operating Revenues (Expenses)	<u>13</u>	<u>(24)</u>	<u>17</u>	<u>427</u>	<u>99</u>
Income Before Contributions and Transfers	<u>1,756</u>	<u>3,435</u>	<u>788</u>	<u>162</u>	<u>550</u>
Transfers in	81	-	-	-	-
Transfers out	<u>-</u>	<u>(5,540)</u>	<u>(1,084)</u>	<u>(5,819)</u>	<u>-</u>
Change in Net Assets	1,837	(2,105)	(296)	(5,657)	550
Total Net Assets - Beginning	<u>6,324</u>	<u>12,229</u>	<u>(278)</u>	<u>14,560</u>	<u>75,069</u>
Total Net Assets - Ending	<u>\$ 8,161</u>	<u>\$ 10,124</u>	<u>\$ (574)</u>	<u>\$ 8,903</u>	<u>\$ 75,619</u>

HEALTHCARE		
GROUP OF		
ARIZONA	OTHER	TOTAL
\$ 47,522	\$ 15,506	\$ 131,482
-	20	742
-	761	761
-	-	566
-	37	1,893
47,522	16,324	135,444
42,580	528	84,040
2,138	10,014	25,813
371	1,129	7,432
21	484	2,106
-	289	448
444	2,470	6,068
45,554	14,914	125,907
1,968	1,410	9,537
83	5	307
128	-	528
-	-	(38)
(35)	-	(84)
176	5	713
2,144	1,415	10,250
-	-	81
(365)	-	(12,808)
1,779	1,415	(2,477)
(10,789)	11,351	108,466
\$ (9,010)	\$ 12,766	\$ 105,989

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 20,831	\$ 33,420	\$ 5,233	\$ 9,283	\$ 844
Receipts from grants and contracts	415	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	15,270
Payments to suppliers or insurance companies	(11,426)	(28,696)	(3,803)	(6,375)	(33)
Payments to employees	(5,623)	(2,723)	(1,693)	(3,638)	(97)
Payments for loans to local governments	-	-	-	-	(23)
Other receipts (payments)	(2,905)	-	572	1,271	-
Net Cash Provided (Used) by Operating Activities	1,292	2,001	309	541	15,961
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other Funds	81	-	-	-	-
Transfers to other Funds	-	(5,540)	(1,084)	(5,819)	-
Other (payments)	-	(15)	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	81	(5,555)	(1,084)	(5,819)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(144)	(370)	-	(2)	-
Interest paid on capital debt, installment purchase contracts, and capital leases	-	(37)	-	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	(80)	-	-	-
Other receipts (payments)	-	(2)	-	400	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(144)	(489)	-	398	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends from investments	17	34	18	27	304
Change in cash collateral received from securities lending transactions	-	-	-	-	(2,691)
Purchase of investments	(1)	-	-	-	-
Other (payments)	-	-	(1)	-	(32)
Net Cash Provided (Used) by Investing Activities	16	34	17	27	(2,419)
Net Increase (Decrease) in Cash and Cash Equivalents	1,245	(4,009)	(758)	(4,853)	13,542
Cash and Cash Equivalents - Beginning	2,103	5,784	1,531	6,225	53,277
Cash and Cash Equivalents - Ending	\$ 3,348	\$ 1,775	\$ 773	\$ 1,372	\$ 66,819
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 1,743	\$ 3,459	\$ 771	\$ (265)	\$ 451
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	220	512	39	830	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	163	216	(17)	3	15,524
(Increase) in due from U.S. Government	(306)	-	-	-	-
(Increase) in due from other Funds	(1)	-	-	-	-
(Increase) decrease in inventories, at cost	(543)	692	(54)	-	-
(Increase) in other assets	(1)	(282)	(220)	(35)	-
Increase (decrease) in accounts payable	99	(2,698)	(57)	128	-
Increase (decrease) in accrued liabilities	(75)	(62)	4	(111)	(5)
Increase (decrease) deferred revenue	-	104	(152)	-	-
Increase (decrease) in other liabilities	(7)	60	(5)	(9)	(9)
Net Cash Provided (Used) by Operating Activities	\$ 1,292	\$ 2,001	\$ 309	\$ 541	\$ 15,961

HEALTHCARE GROUP OF		
ARIZONA	OTHER	TOTAL
\$ 46,548	\$ 15,710	\$ 131,869
-	20	435
-	-	15,270
(45,729)	(4,308)	(100,370)
(2,156)	(9,893)	(25,823)
-	-	(23)
-	37	(1,025)
<u>(1,337)</u>	<u>1,566</u>	<u>20,333</u>
-	-	81
(365)	-	(12,808)
-	-	(15)
<u>(365)</u>	<u>-</u>	<u>(12,742)</u>
(2)	(252)	(770)
-	-	(37)
-	-	(80)
<u>(901)</u>	<u>-</u>	<u>(503)</u>
<u>(903)</u>	<u>(252)</u>	<u>(1,390)</u>
83	5	488
-	-	(2,691)
-	(1)	(2)
-	-	(33)
<u>83</u>	<u>4</u>	<u>(2,238)</u>
(2,522)	1,318	3,963
<u>11,676</u>	<u>562</u>	<u>81,158</u>
<u>\$ 9,154</u>	<u>\$ 1,880</u>	<u>\$ 85,121</u>
\$ 1,968	\$ 1,410	\$ 9,537
21	484	2,106
257	(547)	15,599
-	-	(306)
-	(10)	(11)
-	-	95
-	-	(538)
(1,034)	108	(3,454)
(1,557)	121	(1,685)
(974)	-	(1,022)
<u>(18)</u>	<u>-</u>	<u>12</u>
<u>\$ (1,337)</u>	<u>\$ 1,566</u>	<u>\$ 20,333</u>





## INTERNAL SERVICE FUNDS

*Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.*

**The Risk Management Fund** provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

**The Transportation Equipment Fund** administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

**The Employee Benefits 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 Technology Fund** receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

**The Retiree 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.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET ASSETS**  
INTERNAL SERVICE FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION	TECHNOLOGY
<b>ASSETS</b>					
Current Assets:					
Cash and pooled investments with State Treasurer	\$ 52,278	\$ 1,041	\$ 103,407	\$ 745	\$ 1,344
Receivables, net of allowances:					
Other	60	-	5,873	341	1,037
Due from U.S. Government	-	-	3,700	-	-
Due from other Funds	2	-	1,142	-	1,321
Inventories, at cost	-	2,609	-	-	-
Other current assets	3,624	-	-	-	1,391
Total Current Assets	<u>55,964</u>	<u>3,650</u>	<u>114,122</u>	<u>1,086</u>	<u>5,093</u>
Noncurrent Assets:					
Capital assets:					
Land and other non-depreciable	-	-	-	-	165
Buildings, equipment, and other depreciable, net of accumulated depreciation	81	42,054	12	4,150	5,532
Total Noncurrent Assets	<u>81</u>	<u>42,054</u>	<u>12</u>	<u>4,150</u>	<u>5,697</u>
Total Assets	<u>56,045</u>	<u>45,704</u>	<u>114,134</u>	<u>5,236</u>	<u>10,790</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and other current liabilities	3,724	11	80,744	82	338
Accrued liabilities	245	569	109	27	423
Due to other Funds	195	-	1,149	-	33
Current portion of accrued insurance losses	53,764	-	-	-	-
Current portion of other long-term liabilities	258	580	142	35	471
Total Current Liabilities	<u>58,186</u>	<u>1,160</u>	<u>82,144</u>	<u>144</u>	<u>1,265</u>
Noncurrent Liabilities:					
Accrued insurance losses	319,953	-	-	-	-
Other long-term liabilities	-	56	-	-	-
Total Noncurrent Liabilities	<u>319,953</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>378,139</u>	<u>1,216</u>	<u>82,144</u>	<u>144</u>	<u>1,265</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	81	42,054	12	4,150	5,697
Unrestricted (deficit)	<u>(322,175)</u>	<u>2,434</u>	<u>31,978</u>	<u>942</u>	<u>3,828</u>
Total Net Assets	<u>\$ (322,094)</u>	<u>\$ 44,488</u>	<u>\$ 31,990</u>	<u>\$ 5,092</u>	<u>\$ 9,525</u>

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ 5,539	\$ 2,997	\$ 167,351
-	533	7,844
-	-	3,700
-	650	3,115
-	18	2,627
-	9	5,024
5,539	4,207	189,661
-	-	165
-	9,757	61,586
-	9,757	61,751
5,539	13,964	251,412
-	546	85,445
-	35	1,408
-	-	1,377
-	-	53,764
8,542	34	10,062
8,542	615	152,056
-	-	319,953
102,319	-	102,375
102,319	-	422,328
110,861	615	574,384
-	9,757	61,751
(105,322)	3,592	(384,723)
\$ (105,322)	\$ 13,349	\$ (322,972)

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION	TECHNOLOGY
<b>OPERATING REVENUES</b>					
Sales and charges for services	\$ 104,485	\$ 23,873	\$ 725,888	\$ 8,023	\$ 21,193
Other	-	133	5	11	-
Total Operating Revenues	104,485	24,006	725,893	8,034	21,193
<b>OPERATING EXPENSES</b>					
Cost of sales and benefits	-	9,862	696,443	4	340
Personal services	5,269	12,101	2,283	683	8,550
Contractual services	27,693	36	1,206	1,250	1,163
Depreciation and amortization	28	8,325	9	1,265	1,285
Insurance	53,908	-	190	18	207
Other	706	866	654	712	6,009
Total Operating Expenses	87,604	31,190	700,785	3,932	17,554
Operating Income (Loss)	16,881	(7,184)	25,108	4,102	3,639
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Gain on sale of capital assets	-	142	-	1	-
Investment income	-	27	-	-	-
Interest expense	-	(1)	-	-	-
Other non-operating revenue	5	93	-	-	-
Other non-operating expense	(271)	-	-	-	-
Total Non-Operating Revenues (Expenses)	(266)	261	-	1	-
Income (Loss) Before Contributions and Transfers	16,615	(6,923)	25,108	4,103	3,639
Capital grants and contributions	-	3,386	-	-	-
Transfers in	-	5,538	-	500	-
Transfers out	(25,284)	(7,555)	(410)	(8,386)	(5,199)
Change in Net Assets	(8,669)	(5,554)	24,698	(3,783)	(1,560)
Total Net Assets - Beginning	(313,425)	50,042	7,292	8,875	11,085
Total Net Assets - Ending	\$ (322,094)	\$ 44,488	\$ 31,990	\$ 5,092	\$ 9,525

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ 12,177	\$ 9,062	\$ 904,701
-	-	149
12,177	9,062	904,850
9,825	4,411	720,885
59	777	29,722
4	56	31,408
-	2,674	13,586
2	1,063	55,388
-	755	9,702
9,890	9,736	860,691
2,287	(674)	44,159
-	46	189
-	-	27
-	-	(1)
-	-	98
-	-	(271)
-	46	42
2,287	(628)	44,201
-	-	3,386
-	-	6,038
-	(3,106)	(49,940)
2,287	(3,734)	3,685
(107,609)	17,083	(326,657)
\$ (105,322)	\$ 13,349	\$ (322,972)

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services / premiums	\$ 104,486	\$ 23,877	\$ 730,039	\$ 9,297
Payments to suppliers or insurance companies	(67,576)	(10,636)	(692,940)	(341)
Payments to employees	(5,276)	(12,240)	(2,286)	(713)
Payments to retirees	-	-	-	-
Other receipts	-	204	5	11
Net Cash Provided by Operating Activities	31,634	1,205	34,818	8,254
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from other Funds	-	5,538	-	500
Transfers to other Funds	(25,284)	(7,555)	(410)	(8,386)
Other (payments)	(266)	-	-	-
Net Cash (Used) by Non-capital Financing Activities	(25,550)	(2,017)	(410)	(7,886)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	-	669	-	-
Acquisition and construction of capital assets	(25)	(49)	-	(1,974)
Other receipts	-	92	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(25)	712	-	(1,974)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends from investments	-	26	-	-
Net Cash Provided by Investing Activities	-	26	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	6,059	(74)	34,408	(1,606)
Cash and Cash Equivalents - Beginning	46,219	1,115	68,999	2,351
Cash and Cash Equivalents - Ending	\$ 52,278	\$ 1,041	\$ 103,407	\$ 745
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 16,881	\$ (7,184)	\$ 25,108	\$ 4,102
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	28	8,325	9	1,265
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	-	71	5,153	1,274
(Increase) in due from U.S. Government	-	-	(1,500)	-
Decrease in due from other Funds	1	-	499	-
Decrease in inventories, at cost	-	104	-	-
(Increase) decrease in other assets	686	-	-	1,625
Increase (decrease) in accounts payable	72	(6)	5,441	18
Increase (decrease) in accrued liabilities	7	(25)	(6)	(16)
Increase (decrease) in due to other Funds	69	4	111	-
Increase in accrued insurance losses	13,904	-	-	-
Increase (decrease) in other liabilities	(14)	(84)	3	(14)
Net Cash Provided by Operating Activities	\$ 31,634	\$ 1,205	\$ 34,818	\$ 8,254
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES</b>				
Capital lease obligations assumed by other Funds	\$ -	\$ 3,082	\$ -	\$ -
Contribution of capital assets from other Funds	-	305	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	\$ -	\$ 3,387	\$ -	\$ -

TECHNOLOGY	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ 21,950	\$ 12,177	\$ 9,198	\$ 911,024
(8,056)	(6)	(6,168)	(785,723)
(8,595)	(59)	(779)	(29,948)
-	(10,942)	-	(10,942)
-	-	-	220
5,299	1,170	2,251	84,631

-	-	-	6,038
(5,199)	-	(3,106)	(49,940)
-	-	-	(266)
(5,199)	-	(3,106)	(44,168)

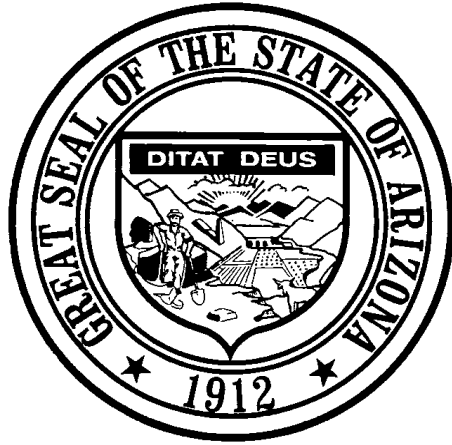
-	-	427	1,096
(1,427)	-	-	(3,475)
-	-	-	92
(1,427)	-	427	(2,287)

-	-	-	26
-	-	-	26

(1,327)	1,170	(428)	38,202
2,671	4,369	3,425	129,149
\$ 1,344	\$ 5,539	\$ 2,997	\$ 167,351

\$ 3,639	\$ 2,287	\$ (674)	\$ 44,159
1,285	-	2,674	13,586
653	-	(101)	7,050
-	-	-	(1,500)
104	-	237	841
-	-	18	122
9	-	(1)	2,319
(377)	-	101	5,249
12	-	(4)	(32)
31	-	(1)	214
-	-	-	13,904
(57)	(1,117)	2	(1,281)
5,299	1,170	2,251	84,631

\$ -	\$ -	\$ -	\$ 3,082
-	-	-	305
\$ -	\$ -	\$ -	\$ 3,387





# **PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

*Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.*

**The Arizona State Retirement System (ASRS)** is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

**The Public Safety Personnel Retirement System (PSPRS)** is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

**The Elected Officials' Retirement Plan (EORP)** is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

**The Corrections Officer Retirement Plan (CORP)** is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

*Other Employee Benefit Trust Funds account for health insurance premium subsidies and long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.*

**The 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 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.

STATE OF ARIZONA  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

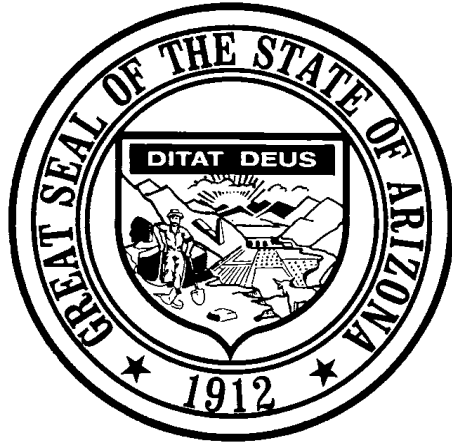
	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
<b>ASSETS</b>				
Cash	\$ 4,081	\$ 54,072	\$ 3,235	\$ 12,495
Receivables, net of allowances:				
Accrued interest and dividends	62,293	5,233	319	1,274
Securities sold	178,504	57,666	3,519	14,041
Forward contracts receivable	680,998	-	-	-
Contributions	38,759	15,708	416	3,616
Court fees	-	-	872	-
Due from other Funds	58	-	-	-
Miscellaneous receivables	10,328	2,513	19	11
Total receivables	970,940	81,120	5,145	18,942
Investments, at fair value:				
Temporary investments	1,262,496	-	-	-
U.S. Government securities	3,227,247	51,559	3,146	12,554
Corporate bonds	2,051,554	812,577	49,583	197,857
Corporate stocks	14,371,523	1,866,753	113,908	454,542
Real estate	690,195	450,149	27,501	109,252
Private equity	460,125	358,786	21,893	87,362
Opportunistic investments	297,398	438,228	26,740	106,706
Collateral investment pool	2,259,400	494,161	30,153	120,325
Other investments	204	509,980	31,119	124,177
Total investments	24,620,142	4,982,193	304,043	1,212,775
Property and equipment, net of accumulated depreciation	-	3,836	256	675
Total Assets	25,595,163	5,121,221	312,679	1,244,887
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	36,527	296	486	1,814
Payable for securities purchased	479,100	40,901	2,496	9,959
Obligation under securities loan agreements	2,259,400	494,161	30,153	120,325
Forward contracts payable	665,691	-	-	-
Due to other Funds	7,485	-	-	-
Total Liabilities	3,448,203	535,358	33,135	132,098
<b>NET ASSETS</b>				
Held in Trust for:				
Pension benefits	22,146,960	4,585,863	279,544	1,112,789
Other post-employment benefits	-	-	-	-
Total Net Assets	\$ 22,146,960	\$ 4,585,863	\$ 279,544	\$ 1,112,789

OTHER EMPLOYEE BENEFIT TRUST FUNDS		
HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
\$ 183	\$ -	\$ 74,066
2,788	-	71,907
7,990	-	261,720
30,482	-	711,480
1,498	1,814	61,811
-	-	872
5,533	1,952	7,543
58	3,042	15,971
48,349	6,808	1,131,304
51,632	6,515	1,320,643
151,014	-	3,445,520
95,272	-	3,206,843
638,143	237,308	17,682,177
30,115	-	1,307,212
20,623	-	948,789
13,234	-	882,306
101,132	-	3,005,171
9	-	665,489
1,101,174	243,823	32,464,150
-	-	4,767
1,149,706	250,631	33,674,287
1,711	220	41,054
21,445	-	553,901
101,132	-	3,005,171
29,797	-	695,488
26	32	7,543
154,111	252	4,303,157
-	-	28,125,156
995,595	250,379	1,245,974
\$ 995,595	\$ 250,379	\$ 29,371,130

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
<b>ADDITIONS:</b>				
Member contributions	\$ 808,908	\$ 102,142	\$ 4,611	\$ 54,481
Employer contributions	763,099	288,210	8,804	52,065
Member purchase of service credit	71,020	10,608	890	733
Court fees	-	-	9,538	-
Investment income:				
Net increase in fair value of investments	2,350,927	483,513	30,341	112,840
Interest income	216,116	25,283	1,571	5,894
Dividends	255,848	54,737	3,383	13,082
Other investment income	148,112	2,962	182	914
Securities lending income	13,383	3,657	226	876
Total investment income	2,984,386	570,152	35,703	133,606
Less investment expenses:				
Investment activity expenses	110,668	16,529	1,086	4,205
Security lending expenses	1,421	547	33	133
Net investment income	2,872,297	553,076	34,584	129,268
Other additions	2,953	759	40	542
Total Additions	4,518,277	954,795	58,467	237,089
<b>DEDUCTIONS:</b>				
Retirement, disability, and survivor benefits	2,057,591	469,482	36,885	64,040
Refunds to withdrawing members, including interest	154,144	9,975	126	19,775
Administrative expense	28,237	4,932	245	915
Other deductions	11,798	244	-	586
Total Deductions	2,251,770	484,633	37,256	85,316
Change in net assets held in trust for:				
Pension benefits	2,266,507	470,162	21,211	151,773
Other post-employment benefits	-	-	-	-
Net Assets - Beginning	19,880,453	4,115,701	258,333	961,016
Net Assets - Ending	\$ 22,146,960	\$ 4,585,863	\$ 279,544	\$ 1,112,789

OTHER EMPLOYEE BENEFIT TRUST FUNDS		
HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
\$ -	\$ 35,939	\$ 1,006,081
59,393	35,939	1,207,510
-	-	83,251
-	-	9,538
104,862	28,240	3,110,723
9,696	5	258,565
11,482	-	338,532
6,600	-	158,770
599	-	18,741
133,239	28,245	3,885,331
4,918	584	137,990
63	-	2,197
128,258	27,661	3,745,144
-	-	4,294
187,651	99,539	6,055,818
87,983	69,148	2,785,129
-	-	184,020
1,266	2,820	38,415
-	-	12,628
89,249	71,968	3,020,192
-	-	2,909,653
98,402	27,571	125,973
897,193	222,808	26,335,504
\$ 995,595	\$ 250,379	\$ 29,371,130



# 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, repurchase agreements, 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 notes, repurchase agreements, and United States Government securities.

**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, 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 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, 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.

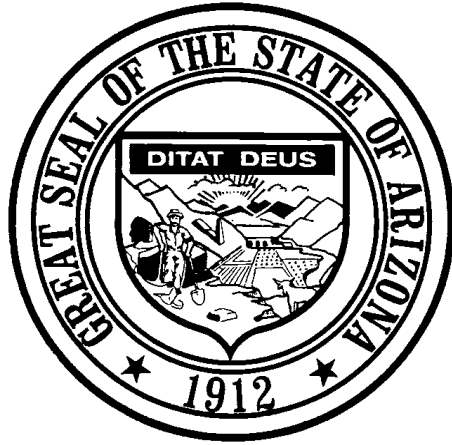
STATE OF ARIZONA  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
INVESTMENT TRUST FUNDS  
JUNE 30, 2010  
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL- FF&C	LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
<b>ASSETS</b>							
Receivables, net of allowances:							
Accrued interest and dividends	\$ 923	\$ 4,564	\$ 578	\$ 4,498	\$ 291	\$ -	\$ 10,854
Total receivables	923	4,564	578	4,498	291	-	10,854
Investments, at fair value:							
U.S. Government securities	63,165	307,118	69,226	1,071,542	58,708	-	1,569,759
Corporate bonds	13,057	-	-	-	-	-	13,057
Corporate notes	56,803	550,275	37,087	52,650	14,059	6,348	717,222
Collateral investment pool	5,338	62,376	4,281	45,447	-	-	117,442
Repurchase agreements	2,259	770,156	5,000	1,007,381	33,000	-	1,817,796
Money market mutual funds	107	-	393	-	525	-	1,025
Other	-	-	-	-	8,725	-	8,725
Total investments	140,729	1,689,925	115,987	2,177,020	115,017	6,348	4,245,026
Total Assets	141,652	1,694,489	116,565	2,181,518	115,308	6,348	4,255,880
<b>LIABILITIES</b>							
Management fee payable	7	83	6	112	6	-	214
Obligations under securities loan agreements	5,338	62,376	4,281	45,447	-	-	117,442
Due to local governments	-	-	198	-	108	-	306
Total Liabilities	5,345	62,459	4,485	45,559	114	-	117,962
<b>NET ASSETS</b>							
Held in trust for pool participants	\$ 136,307	\$ 1,632,030	\$ 112,080	\$ 2,135,959	\$ 115,194	\$ 6,348	\$ 4,137,918
Net assets consist of:							
Participant shares outstanding	132,774	1,632,030	108,328	2,135,959	114,426	32,534	4,156,051
Participants' net asset value (net assets/shares outstanding)	\$ 1.03	\$ 1.00	\$ 1.03	\$ 1.00	\$ 1.01	\$ 0.20	



STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
INVESTMENT TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL- FF&C	LOCAL GOVERNMENT INVESTMENT POOL- MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
<b>ADDITIONS:</b>							
Investment income (loss):							
Net increase (decrease) in fair value of investments	\$ 3,678	\$ 1,896	\$ 1,086	\$ (121)	\$ 756	\$ 1,546	\$ 8,841
Interest income	3,838	3,956	2,121	3,761	580	-	14,256
Securities lending income	7	78	13	95	-	-	193
Total investment income	7,523	5,930	3,220	3,735	1,336	1,546	23,290
Less: Investment activity expenses							
Investment activity expenses	76	880	48	1,461	43	-	2,508
Securities lending expenses	4	35	7	68	-	-	114
Net investment income	7,443	5,015	3,165	2,206	1,293	1,546	20,668
Capital share and individual account transactions:							
Shares sold	29,230	2,438,406	49,801	2,768,470	114,763	-	5,400,670
Reinvested interest income	4,741	7,808	2,057	4,642	431	-	19,679
Shares redeemed	(8,362)	(2,303,982)	(9,671)	(3,220,072)	-	-	(5,542,087)
Net capital share and individual account transactions	25,609	142,232	42,187	(446,960)	115,194	-	(121,738)
Total Additions	33,052	147,247	45,352	(444,754)	116,487	1,546	(101,070)
<b>DEDUCTIONS:</b>							
Dividends to investors	7,443	5,015	3,165	2,206	1,293	-	19,122
Total Deductions	7,443	5,015	3,165	2,206	1,293	-	19,122
Change in net assets held in trust for pool participants	25,609	142,232	42,187	(446,960)	115,194	1,546	(120,192)
Net Assets - Beginning	110,698	1,489,798	69,893	2,582,919	-	4,802	4,258,110
Net Assets - Ending	\$ 136,307	\$ 1,632,030	\$ 112,080	\$ 2,135,959	\$ 115,194	\$ 6,348	\$ 4,137,918



## AGENCY FUNDS

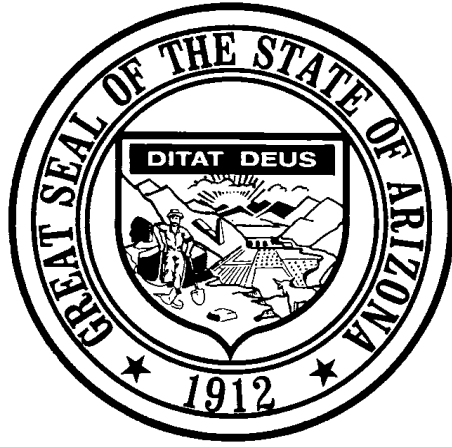
*Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governmental units or organizations.*

**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 Health Insurance Subsidy Fund** accounts for other post-employment benefit payments of the health insurance subsidy by the PSPRS, the EORP, and the CORP for eligible retired and disabled members.

**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, 2010  
 (Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 36,578	\$ 36,578
Cash and pooled investments with State Treasurer	-	18,130	174,601	192,731
Short-term investments	-	-	3,552	3,552
Receivables, net of allowances:				
Accrued interest	-	-	1	1
Due from others	-	-	82,351	82,351
Custodial securities in safekeeping	3,563,316	-	65,576	3,628,892
Other assets	-	-	5,125	5,125
Total Assets	<u>\$ 3,563,316</u>	<u>\$ 18,130</u>	<u>\$ 367,784</u>	<u>\$ 3,949,230</u>
<b>LIABILITIES</b>				
Due to local governments	\$ -	\$ 5,367	\$ 124,099	\$ 129,466
Due to others	3,563,316	12,763	243,685	3,819,764
Total Liabilities	<u>\$ 3,563,316</u>	<u>\$ 18,130</u>	<u>\$ 367,784</u>	<u>\$ 3,949,230</u>

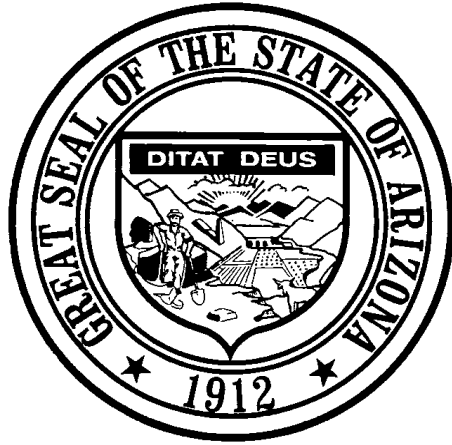
STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Thousands)

	BALANCE JULY 1, 2009	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2010
<b>TREASURER CUSTODIAL SECURITIES FUND</b>				
Assets:				
Custodial securities in safekeeping	\$ 3,408,326	\$ 320,754	\$ 165,764	\$ 3,563,316
Total Assets	<u>\$ 3,408,326</u>	<u>\$ 320,754</u>	<u>\$ 165,764</u>	<u>\$ 3,563,316</u>
Liabilities:				
Due to others	\$ 3,408,326	\$ 320,754	\$ 165,764	\$ 3,563,316
Total Liabilities	<u>\$ 3,408,326</u>	<u>\$ 320,754</u>	<u>\$ 165,764</u>	<u>\$ 3,563,316</u>
<b>OTHER TREASURER FUNDS</b>				
Assets:				
Cash and pooled investments with State Treasurer	\$ 21,441	\$ 159,337	\$ 162,648	\$ 18,130
Receivables, net of allowances:				
Accrued interest	<u>57</u>	<u>-</u>	<u>57</u>	<u>-</u>
Total Assets	<u>\$ 21,498</u>	<u>\$ 159,337</u>	<u>\$ 162,705</u>	<u>\$ 18,130</u>
Liabilities:				
Due to local governments	\$ 9,275	\$ 129,648	\$ 133,556	\$ 5,367
Due to others	<u>12,223</u>	<u>31,382</u>	<u>30,842</u>	<u>12,763</u>
Total Liabilities	<u>\$ 21,498</u>	<u>\$ 161,030</u>	<u>\$ 164,398</u>	<u>\$ 18,130</u>
<b>HEALTH INSURANCE SUBSIDY FUND</b>				
Assets:				
Cash	\$ -	\$ 15,753	\$ 15,753	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 15,753</u>	<u>\$ 15,753</u>	<u>\$ -</u>
Liabilities:				
Benefits payable	\$ -	\$ 15,753	\$ 15,753	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 15,753</u>	<u>\$ 15,753</u>	<u>\$ -</u>

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Expressed in Thousands)

	BALANCE JULY 1, 2009	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2010
<b>OTHER FUNDS</b>				
Assets:				
Cash	\$ 28,017	\$ 736,967	\$ 728,406	\$ 36,578
Cash and pooled investments with State Treasurer	199,268	5,096,601	5,121,268	174,601
Short-term investments	4,487	3,552	4,487	3,552
Receivables, net of allowances:				
Accrued interest	62	-	61	1
Due from others	80,168	82,351	80,168	82,351
Custodial securities in safekeeping	59,959	65,576	59,959	65,576
Other assets	8,816	5,125	8,816	5,125
Total Assets	<u>\$ 380,777</u>	<u>\$ 5,990,172</u>	<u>\$ 6,003,165</u>	<u>\$ 367,784</u>
Liabilities:				
Due to local governments	\$ 146,443	\$ 7,156,332	\$ 7,178,676	\$ 124,099
Due to others	234,334	1,125,822	1,116,471	243,685
Total Liabilities	<u>\$ 380,777</u>	<u>\$ 8,282,154</u>	<u>\$ 8,295,147</u>	<u>\$ 367,784</u>
<b>COMBINED TOTAL ALL AGENCY FUNDS</b>				
Assets:				
Cash	\$ 28,017	\$ 752,720	\$ 744,159	\$ 36,578
Cash and pooled investments with State Treasurer	220,709	5,255,938	5,283,916	192,731
Short-term investments	4,487	3,552	4,487	3,552
Receivables, net of allowances:				
Accrued interest	119	-	118	1
Due from others	80,168	82,351	80,168	82,351
Custodial securities in safekeeping	3,468,285	386,330	225,723	3,628,892
Other assets	8,816	5,125	8,816	5,125
Total Assets	<u>\$ 3,810,601</u>	<u>\$ 6,486,016</u>	<u>\$ 6,347,387</u>	<u>\$ 3,949,230</u>
Liabilities:				
Benefits payable	\$ -	\$ 15,753	\$ 15,753	\$ -
Due to local governments	155,718	7,285,980	7,312,232	129,466
Due to others	3,654,883	1,477,958	1,313,077	3,819,764
Total Liabilities	<u>\$ 3,810,601</u>	<u>\$ 8,779,691</u>	<u>\$ 8,641,062</u>	<u>\$ 3,949,230</u>





## **NON-MAJOR UNIVERSITIES – AFFILIATED COMPONENT UNITS**

*Component units affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate Boards of Directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc. (UPSI), and University of Arizona Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The UPSI is included because it is a legally separate, tax-exempt organization that the State believes would be misleading to exclude due to its close affiliation with the State. The CRC is included because the U of A appoints a majority of the board of directors and approves the budget; the U of A can thus impose its will on the CRC.*

**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.

**The Northern Arizona Capital Facilities Finance Corporation** was established for the purpose of acquiring, developing, constructing, maintaining and operating student housing and other capital facilities and equipment for the use and benefit of the NAU's students.

**Mesa Student Housing, LLC** provides facilities for use by students of the ASU.

**Sun Angel Foundation** receives funds primarily through donations and dues, and contributes funds to the ASU for support of various programs.

**Sun Angel Endowment** receives funds primarily through donations and dues, and contributes funds to the ASU for support of various programs.

**The Collegiate Golf Foundation** operates an ASU-owned golf course.

**Arizona State University Research Park, Inc.** is developing 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 and dues, and contributes funds to the ASU for support of various programs.

**Downtown Phoenix Student Housing, LLC** provides facilities for use by students of the ASU.

**University Public Schools, Inc.** operates a public school designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

**The University of Arizona Law College 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.

STATE OF ARIZONA  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2010  
(Expressed in Thousands)

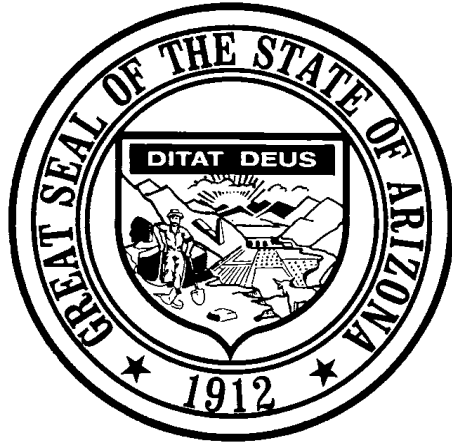
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
<b>ASSETS</b>						
Cash and cash equivalent investments	\$ 4,892	\$ 12	\$ 408	\$ 1,931	\$ 375	\$ 95
Receivables:						
Pledges receivable	7,961	-	-	8,460	-	-
Other receivables	172	185	577	378	-	84
Total receivables	8,133	185	577	8,838	-	84
Investments:						
Investments in securities	64,897	-	4,094	-	7,236	-
Investments held in trust for Universities	4,809	-	-	-	-	-
Other investments	-	-	-	-	2,723	-
Total investments	69,706	-	4,094	-	9,959	-
Net direct financing leases	-	47,775	-	-	-	-
Property and equipment, net of accumulated depreciation	37	-	12,706	2,049	-	101
Licenses	4,530	-	-	-	-	-
Other assets	1,880	1,571	730	244	28	154
Total Assets	89,178	49,543	18,515	13,062	10,362	434
<b>LIABILITIES</b>						
Liability under Universities' endowment trust agreements	5,423	-	-	-	-	-
Bonds payable	-	47,741	18,553	-	-	-
Unearned revenue	7,488	22	2	80	-	96
Other liabilities	1,176	181	640	345	5,021	351
Total Liabilities	14,087	47,944	19,195	425	5,021	447
<b>NET ASSETS</b>						
Permanently restricted	36,336	-	-	-	1,842	-
Temporarily restricted	15,403	-	-	12,289	173	-
Unrestricted (deficit)	23,352	1,599	(680)	348	3,326	(13)
Total Net Assets	\$ 75,091	\$ 1,599	\$ (680)	\$ 12,637	\$ 5,341	\$ (13)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
\$ 2,236	\$ 419	\$ 510	\$ 182	\$ 3,226	\$ 4,037	\$ 1,899	\$ 20,222
-	75	-	-	27,847	-	100	44,443
9,860	1,329	503	281	-	1,429	2,461	17,259
9,860	1,404	503	281	27,847	1,429	2,561	61,702
4,022	12,475	12,263	-	5,336	-	4,116	114,439
-	-	-	-	-	-	-	4,809
-	-	-	-	164	-	-	2,887
4,022	12,475	12,263	-	5,500	-	4,116	122,135
-	-	-	-	-	-	-	47,775
6,252	-	117,163	421	120	13,353	30	152,232
-	-	-	-	-	-	-	4,530
2,228	142	6,531	18	7	4,234	31	17,798
24,598	14,440	136,970	902	36,700	23,053	8,637	426,394
-	-	-	-	-	-	-	5,423
10,205	-	141,304	-	-	9,349	25	227,177
13,260	910	14	11	-	927	4,118	26,928
2,036	1,270	7,965	755	27	2,384	89	22,240
25,501	2,180	149,283	766	27	12,660	4,232	281,768
-	-	-	-	4,118	-	-	42,296
-	243	-	9	31,986	-	-	60,103
(903)	12,017	(12,313)	127	569	10,393	4,405	42,227
\$ (903)	\$ 12,260	\$ (12,313)	\$ 136	\$ 36,673	\$ 10,393	\$ 4,405	\$ 144,626

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
<b>REVENUES</b>						
Contributions	\$ 6,738	\$ -	\$ -	\$ 5,877	\$ -	\$ -
Rental revenue	-	34	5,049	-	-	-
Sales and services	-	-	9	422	-	3,684
Net investment income	6,215	2,203	91	19	38	-
Licensing revenue	2,434	-	-	-	-	-
Other revenues	1,009	-	674	993	5	-
Total Revenues	16,396	2,237	5,823	7,311	43	3,684
<b>EXPENSES</b>						
Program services:						
Payments to Universities	-	-	-	5,166	-	120
Leasing related expenses	-	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-	-
Other program services	5,012	-	-	-	-	-
Personal services, operations, and administrative expenses	455	34	3,966	820	105	3,589
Fundraising expenses	2,492	-	-	-	-	-
Interest	-	2,207	1,152	-	238	11
Depreciation and amortization	1,029	60	729	-	-	60
Other expenses	-	-	-	981	-	-
Total Expenses	8,988	2,301	5,847	6,967	343	3,780
Increase (Decrease) in Net Assets	7,408	(64)	(24)	344	(300)	(96)
Net Assets - Beginning	67,683	1,663	(656)	12,293	5,641	83
Net Assets - Ending	\$ 75,091	\$ 1,599	\$ (680)	\$ 12,637	\$ 5,341	\$ (13)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
\$ -	\$ 2,267	\$ -	\$ 237	\$ (614)	\$ -	\$ 419	\$ 14,924
5,652	-	7,970	-	-	12,393	-	31,098
-	2,822	-	272	-	-	955	8,164
23	1,121	150	-	583	7	63	10,513
-	-	-	-	-	-	-	2,434
2,541	165	8	6,566	47	394	2,553	14,955
8,216	6,375	8,128	7,075	16	12,794	3,990	82,088
2,464	-	282	-	-	-	-	8,032
-	-	-	-	-	8,651	-	8,651
-	-	-	-	1,135	1,323	2,788	5,246
-	-	-	-	-	-	-	5,012
1,186	5,453	2,466	7,066	40	1,455	632	27,267
-	-	-	-	37	-	128	2,657
443	-	7,269	-	-	-	-	11,320
552	-	4,807	-	-	-	-	7,237
150	62	378	-	13	-	-	1,584
4,795	5,515	15,202	7,066	1,225	11,429	3,548	77,006
3,421	860	(7,074)	9	(1,209)	1,365	442	5,082
(4,324)	11,400	(5,239)	127	37,882	9,028	3,963	139,544
\$ (903)	\$ 12,260	\$ (12,313)	\$ 136	\$ 36,673	\$ 10,393	\$ 4,405	\$ 144,626



# 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 thru 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 thru 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 thru 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 thru 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 ASSETS BY COMPONENT (1)**  
**FOR THE LAST NINE FISCAL YEARS (2)**  
**FISCAL YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006, as restated
<b>GOVERNMENTAL ACTIVITIES:</b>					
Invested in capital assets, net of related debt (3)	\$ 15,738,121	\$ 15,094,719	\$ 14,530,867	\$ 13,500,218	\$ 12,878,151
Restricted for:					
Federal grants	47,463	34,345	53,212	40,737	63,219
Capital projects (4)	565,534	532,766	970,202	1,003,824	561,795
Debt service	25,262	26,442	36,496	38,804	44,846
Permanent funds:					
Expendable	181,728	93,302	69,305	21,290	19,244
Nonexpendable	3,330,361	2,866,103	3,523,725	3,467,467	2,785,419
Other purposes	497,932	437,636	334,425	161,917	86,345
Unrestricted	(4,155,346)	(2,984,628)	(1,105,246)	614,606	733,455
Total Governmental Activities Net Assets	<u>\$ 16,231,055</u>	<u>\$ 16,100,685</u>	<u>\$ 18,412,986</u>	<u>\$ 18,848,863</u>	<u>\$ 17,172,474</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Invested in capital assets, net of related debt	\$ 1,352,658	\$ 1,328,658	\$ 1,387,655	\$ 1,186,177	\$ 1,146,618
Restricted for:					
Capital projects	2,819	3,578	6,207	8,505	6,106
Unemployment compensation	68,155	619,003	1,072,996	1,075,038	949,919
Debt service	34,393	27,293	10,045	11,119	9,198
University funds:					
Expendable (5)	202,691	203,806	264,466	210,635	189,746
Nonexpendable (5)	166,399	156,630	153,383	199,471	178,001
Loans and other financial assistance (5)	75,619	75,069	74,115	71,211	67,423
Other purposes (5)	26	20	-	12	62
Unrestricted	576,426	376,908	188,354	295,377	179,524
Total Business-type Activities Net Assets	<u>\$ 2,479,186</u>	<u>\$ 2,790,965</u>	<u>\$ 3,157,221</u>	<u>\$ 3,057,545</u>	<u>\$ 2,726,597</u>
<b>PRIMARY GOVERNMENT:</b>					
Invested in capital assets, net of related debt	\$ 17,090,779	\$ 16,423,377	\$ 15,918,522	\$ 14,686,395	\$ 14,024,769
Restricted for:					
Federal grants	47,463	34,345	53,212	40,737	63,219
Capital projects	568,353	536,344	976,409	1,012,329	567,901
Unemployment compensation	68,155	619,003	1,072,996	1,075,038	949,919
Debt service	59,655	53,735	46,541	49,923	54,044
Permanent funds / University funds:					
Expendable (5)	384,419	297,108	333,771	231,925	208,990
Nonexpendable (5)	3,496,760	3,022,733	3,677,108	3,666,938	2,963,420
Loans and other financial assistance (5)	75,619	75,069	74,115	71,211	67,423
Other purposes (5)	497,958	437,656	334,425	161,929	86,407
Unrestricted	(3,578,920)	(2,607,720)	(916,892)	909,983	912,979
Total Primary Government Net Assets	<u>\$ 18,710,241</u>	<u>\$ 18,891,650</u>	<u>\$ 21,570,207</u>	<u>\$ 21,906,408</u>	<u>\$ 19,899,071</u>

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) For fiscal year 2007, the \$442,029 increase was primarily due to the transfer of \$245,000 of General Fund monies in order to accelerate the construction of certain critical projects on the State highway system, and \$185,000 in unspent bond proceeds related to highway construction.
- (5) For fiscal year 2002, net assets restricted for expendable University funds of \$130,735 and for nonexpendable University funds of \$137,854 were classified as net assets restricted for loans and other financial assistance of \$175,661 and for other purposes of \$92,928.

Fiscal Year			
2005, as restated	2004, as restated	2003, as restated	2002, as restated (2)
\$ 11,825,961	\$ 11,226,325	\$ 10,690,782	\$ 10,043,985
102,794	73,466	108,268	158,424
548,488	414,113	495,663	589,996
28,708	31,302	30,470	51,861
5,106	-	20,082	56,697
2,164,200	1,550,247	1,395,750	1,243,389
88,992	31,447	21,080	24,132
(463,515)	(684,492)	(799,587)	358,806
<u>\$ 14,300,734</u>	<u>\$ 12,642,408</u>	<u>\$ 11,962,508</u>	<u>\$ 12,527,290</u>
\$ 1,172,613	\$ 1,169,198	\$ 1,153,428	\$ 1,165,306
2,657	3,023	21,842	33,515
820,383	796,119	893,470	1,055,543
8,203	16,940	24,715	30,153
171,976	157,595	143,683	-
163,922	153,073	141,281	-
64,875	63,500	63,249	258,954
-	-	2,763	95,146
84,248	115,986	251,415	277,195
<u>\$ 2,488,877</u>	<u>\$ 2,475,434</u>	<u>\$ 2,695,846</u>	<u>\$ 2,915,812</u>
\$ 12,998,574	\$ 12,395,523	\$ 11,844,210	\$ 11,209,291
102,794	73,466	108,268	158,424
551,145	417,136	517,505	623,511
820,383	796,119	893,470	1,055,543
36,911	48,242	55,185	82,014
177,082	157,595	163,765	56,697
2,328,122	1,703,320	1,537,031	1,243,389
64,875	63,500	63,249	258,954
88,992	31,447	23,843	119,278
(379,267)	(568,506)	(548,172)	636,001
<u>\$ 16,789,611</u>	<u>\$ 15,117,842</u>	<u>\$ 14,658,354</u>	<u>\$ 15,443,102</u>

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET ASSETS (1)**  
FOR THE LAST NINE FISCAL YEARS (2)  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006, as restated
<b>EXPENSES</b>					
<b>Governmental Activities:</b>					
General government	\$ 941,813	\$ 928,485	\$ 982,382	\$ 802,659	\$ 781,542
Health and welfare	13,090,357	12,055,439	10,884,297	9,789,699	9,057,733
Inspection and regulation	157,786	176,354	185,996	175,609	159,766
Education	5,706,667	6,084,342	6,242,173	5,984,196	5,304,555
Protection and safety	1,451,571	1,514,282	1,510,615	1,401,513	1,279,129
Transportation (3)	511,397	695,070	670,173	583,304	386,777
Natural resources	183,535	228,430	250,258	193,862	187,947
Intergovernmental revenue sharing	2,585,683	2,755,710	3,023,836	2,864,543	2,658,636
Interest on long-term debt	261,518	222,851	179,795	191,674	172,439
Total Governmental Activities Expenses	<u>24,890,327</u>	<u>24,660,963</u>	<u>23,929,525</u>	<u>21,987,059</u>	<u>19,988,524</u>
<b>Business-type Activities:</b>					
Universities	3,343,377	3,290,033	3,227,481	2,960,790	2,762,557
Unemployment Compensation	2,103,028	1,086,330	356,333	248,111	226,171
Industrial Commission Special Fund (4)	67,750	30,055	14,824	23,669	(18,300)
Lottery	432,150	395,950	372,740	363,508	377,104
Other	126,029	142,229	162,300	176,486	136,894
Total Business-type Activities Expenses	<u>6,072,334</u>	<u>4,944,597</u>	<u>4,133,678</u>	<u>3,772,564</u>	<u>3,484,426</u>
Total Primary Government Expenses	<u>\$ 30,962,661</u>	<u>\$ 29,605,560</u>	<u>\$ 28,063,203</u>	<u>\$ 25,759,623</u>	<u>\$ 23,472,950</u>
<b>PROGRAM REVENUES</b>					
<b>Governmental Activities:</b>					
Charges for services:					
General government	\$ 208,316	\$ 199,011	\$ 190,374	\$ 200,495	\$ 161,664
Inspection and regulation	143,329	153,642	159,857	158,022	146,191
Transportation (5)	123,372	138,520	149,560	158,019	134,068
Other activities	402,496	315,660	318,776	281,796	279,836
Operating grants and contributions (6)	13,735,263	10,620,642	9,190,910	8,536,030	7,941,223
Capital grants and contributions	576,027	553,198	523,898	354,255	388,646
Total Governmental Activities					
Program Revenues	<u>15,188,803</u>	<u>11,980,673</u>	<u>10,533,375</u>	<u>9,688,617</u>	<u>9,051,628</u>
<b>Business-type Activities:</b>					
Charges for services:					
Universities	1,432,055	1,272,694	1,167,696	1,069,339	962,967
Lottery	551,492	484,486	472,937	462,200	468,697
Other activities (7)	509,254	439,010	485,242	518,922	474,801
Operating grants and contributions (8)	2,260,071	1,243,697	898,441	883,373	852,788
Capital grants and contributions	12,563	14,710	38,029	27,981	30,056
Total Business-type Activities					
Program Revenues	<u>4,765,435</u>	<u>3,454,597</u>	<u>3,062,345</u>	<u>2,961,815</u>	<u>2,789,309</u>
Total Primary Government					
Program Revenues	<u>\$ 19,954,238</u>	<u>\$ 15,435,270</u>	<u>\$ 13,595,720</u>	<u>\$ 12,650,432</u>	<u>\$ 11,840,937</u>
<b>NET (EXPENSE) REVENUE</b>					
Governmental activities	\$ (9,701,524)	\$ (12,680,290)	\$ (13,396,150)	\$ (12,298,442)	\$ (10,936,896)
Business-type activities	<u>(1,306,899)</u>	<u>(1,490,000)</u>	<u>(1,071,333)</u>	<u>(810,749)</u>	<u>(695,117)</u>
Total Primary Government Net (Expense)	<u>\$ (11,008,423)</u>	<u>\$ (14,170,290)</u>	<u>\$ (14,467,483)</u>	<u>\$ (13,109,191)</u>	<u>\$ (11,632,013)</u>

Fiscal Year			
2005	2004, as restated	2003, as restated	2002, as restated (2)
\$ 646,452	\$ 726,525	\$ 694,173	\$ 852,417
8,494,206	7,717,148	6,848,087	5,960,399
149,238	138,281	141,673	135,784
4,853,458	4,703,685	4,795,566	4,277,635
1,171,340	1,059,047	982,839	931,292
589,966	731,522	598,375	411,108
184,538	162,366	175,312	152,772
2,335,828	2,144,438	2,159,691	2,190,160
182,852	176,035	135,775	131,206
<u>18,607,878</u>	<u>17,559,047</u>	<u>16,531,491</u>	<u>15,042,773</u>
2,540,193	2,355,418	2,181,311	2,039,832
292,127	397,657	455,685	406,406
106,295	167,331	73,586	57,503
317,226	303,996	263,321	239,648
120,629	109,944	107,740	95,164
<u>3,376,470</u>	<u>3,334,346</u>	<u>3,081,643</u>	<u>2,838,553</u>
<u>\$ 21,984,348</u>	<u>\$ 20,893,393</u>	<u>\$ 19,613,134</u>	<u>\$ 17,881,326</u>
\$ 139,486	\$ 140,791	\$ 106,876	\$ 120,514
133,073	133,510	120,045	117,606
88,296	114,097	112,466	112,725
256,804	248,446	192,332	230,409
7,544,370	6,981,748	5,940,007	4,996,539
497,140	421,251	460,364	471,020
<u>8,659,169</u>	<u>8,039,843</u>	<u>6,932,090</u>	<u>6,048,813</u>
863,042	778,047	675,089	639,050
397,561	366,582	322,267	294,848
440,646	305,221	259,676	254,984
834,421	836,076	810,549	737,170
19,774	18,513	23,090	48,180
<u>2,555,444</u>	<u>2,304,439</u>	<u>2,090,671</u>	<u>1,974,232</u>
<u>\$ 11,214,613</u>	<u>\$ 10,344,282</u>	<u>\$ 9,022,761</u>	<u>\$ 8,023,045</u>
\$ (9,948,709)	\$ (9,519,204)	\$ (9,599,401)	\$ (8,993,960)
(821,026)	(1,029,907)	(990,972)	(864,321)
<u>\$ (10,769,735)</u>	<u>\$ (10,549,111)</u>	<u>\$ (10,590,373)</u>	<u>\$ (9,858,281)</u>

(Continued)

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET ASSETS (1)**  
FOR THE LAST NINE FISCAL YEARS (2)  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006, as restated
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET ASSETS</b>					
<b>Governmental Activities:</b>					
Taxes:					
Sales	\$ 5,029,050	\$ 5,442,563	\$ 6,270,419	\$ 6,537,584	\$ 6,322,311
Income	2,809,995	3,126,076	4,205,426	4,636,447	4,548,843
Tobacco (9)	332,893	370,073	413,333	358,205	248,122
Property	31,417	32,564	36,732	43,736	43,035
Motor vehicle and fuel (5)	1,583,790	1,643,276	1,800,920	1,826,893	1,857,293
Other (9)	535,435	574,030	559,440	529,629	575,946
Unrestricted investment earnings (10)	37,665	92,957	243,160	243,328	172,311
Unrestricted grants and contributions	13,213	12,440	13,574	11,711	12,293
Miscellaneous general revenues (6)	204,295	222,712	214,751	212,253	235,610
Gain (loss) on sale of trust land	64,005	(165,696)	196,953	451,501	567,364
Transfers	(809,864)	(983,006)	(994,435)	(876,456)	(774,492)
Total Governmental Activities	9,831,894	10,367,989	12,960,273	13,974,831	13,808,636
<b>Business-type Activities:</b>					
Sales taxes	52,318	58,528	72,945	79,223	54,550
Unrestricted investment earnings	70,766	22,450	39,763	103,362	49,050
Unrestricted grants and contributions (8)	-	-	-	-	-
Miscellaneous general revenues (7)	52,072	45,786	64,564	77,841	58,816
Contributions to permanent endowments	3,020	4,014	3,927	4,815	3,803
Special items	-	7,240	(20,100)	-	(7,874)
Extraordinary items	7,080	2,720	15,475	-	-
Transfers	809,864	983,006	994,435	876,456	774,492
Total Business-type Activities	995,120	1,123,744	1,171,009	1,141,697	932,837
Total Primary Government	\$ 10,827,014	\$ 11,491,733	\$ 14,131,282	\$ 15,116,528	\$ 14,741,473
<b>CHANGE IN NET ASSETS</b>					
Governmental activities (8)	\$ 130,370	\$ (2,312,301)	\$ (435,877)	\$ 1,676,389	\$ 2,871,740
Business-type activities	(311,779)	(366,256)	99,676	330,948	237,720
Total Primary Government	\$ (181,409)	\$ (2,678,557)	\$ (336,201)	\$ 2,007,337	\$ 3,109,460

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) The Industrial Commission Special Fund's cost of sales and benefits expense decreased \$125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities. During fiscal years 2005 and 2004, insolvent carrier liability increased, primarily as the result of \$67,423 and \$107,600, respectively, in Arizona workers' compensation claims from the defunct California domiciled Fremont Companies.
- (5) \$31,804 of transportation's charges for services for fiscal year 2005 were classified as motor vehicle and fuel tax revenues.
- (6) Beginning in fiscal year 2004, operating grants and contributions included Indian gaming revenue and tobacco settlement revenue. For fiscal year 2004, gaming revenue was \$57,517 and this was the first year that gaming revenue was earned, as a result of Proposition 202. For fiscal year 2004, tobacco settlement revenue was \$91,601. Prior to fiscal year 2004, tobacco settlement revenue was included in miscellaneous general revenues.
- (7) Beginning in fiscal year 2005, settlement income for the Industrial Commission Special Fund is classified as a program revenue, charges for services. Prior to this, it was classified as a miscellaneous general revenue. In fiscal year 2005, settlement income was \$41,554.
- (8) In fiscal year 2002, private gifts not restricted for capital purposes of \$83,100 for the Universities were classified as general revenues. In future fiscal years, these gifts are classified as program revenues.
- (9) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
- (10) Fiscal year 2007 unrestricted investment earnings were reduced by \$17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.

Fiscal Year			
2005	2004, as restated	2003, as restated	2002, as restated (2)
\$ 5,421,949	\$ 5,016,585	\$ 4,551,804	\$ 4,450,691
3,562,916	2,800,461	2,371,005	2,442,320
237,430	223,804	-	-
46,148	50,455	37,470	49,611
1,758,950	1,613,952	1,563,876	1,493,259
493,501	539,218	632,896	544,514
106,362	24,227	77,914	116,614
11,624	8,502	7,222	8,518
387,269	281,109	319,873	186,917
288,483	319,517	137,563	137,565
(707,597)	(678,726)	(665,004)	(709,916)
11,607,035	10,199,104	9,034,619	8,720,093
57,584	50,050	43,450	41,367
40,311	38,753	32,527	29,327
5	-	3	83,108
26,017	46,615	26,985	12,447
2,955	2,231	3,037	2,723
-	(6,880)	-	-
-	-	-	-
707,597	678,726	665,004	709,916
834,469	809,495	771,006	878,888
\$ 12,441,504	\$ 11,008,599	\$ 9,805,625	\$ 9,598,981
\$ 1,658,326	\$ 679,900	\$ (564,782)	\$ (273,867)
13,443	(220,412)	(219,966)	14,567
\$ 1,671,769	\$ 459,488	\$ (784,748)	\$ (259,300)

STATE OF ARIZONA  
SCHEDULE 3  
**FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
**FOR THE LAST NINE FISCAL YEARS (2)**  
**FISCAL YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006
<b>GENERAL FUND:</b>					
Reserved for:					
Budget stabilization fund	\$ -	\$ 2,767	\$ 147,212	\$ 673,531	\$ 651,020
School facilities improvements	14,764	376,993	1,914	4,931	110,149
Continuing appropriations	55,354	43,091	103,320	162,657	69,861
Other fund balance reservations	232	252	262	272	302
Unreserved	(825,081)	(1,401,381)	108,914	1,081,708	1,434,806
Total General Fund	<u>\$ (754,731)</u>	<u>\$ (978,278)</u>	<u>\$ 361,622</u>	<u>\$ 1,923,099</u>	<u>\$ 2,266,138</u>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>					
Reserved for:					
Highway construction	\$ 809,497	\$ 1,304,781	\$ 1,253,202	\$ 976,488	\$ 426,015
Other construction	45,403	108,129	238,985	5,288	6,256
School facilities improvements	-	-	-	-	-
Permanent funds	2,674,953	2,196,040	2,544,365	2,454,564	2,043,591
Continuing appropriations	116,350	212,553	143,785	94,602	118,671
Debt service	26,389	27,115	35,236	34,421	37,792
Other fund balance reservations	40,327	7,447	27,132	17,702	5,145
Unreserved, reported in:					
Special revenue funds	830,532	767,258	919,679	793,890	657,371
Capital projects funds	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,543,451</u>	<u>\$ 4,623,323</u>	<u>\$ 5,162,384</u>	<u>\$ 4,376,955</u>	<u>\$ 3,294,841</u>

(1) This schedule reports using the modified accrual basis of accounting.

(2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the fund balance information is available only beginning in fiscal year 2002.



Fiscal Year			
2005	2004	2003	2002, as restated (2)
\$ 160,873	\$ 13,545	\$ 13,737	\$ 67,700
107,260	96,714	101,944	-
55,727	74,973	87,131	105,816
374	377	598	611
986,168	561,029	343,012	574,146
<u>\$ 1,310,402</u>	<u>\$ 746,638</u>	<u>\$ 546,422</u>	<u>\$ 748,273</u>
\$ 419,072	\$ 321,401	\$ 342,324	\$ 277,321
7,307	41,165	33,477	53,088
5,386	17,808	33,893	262,654
1,716,404	1,361,366	1,123,523	1,082,018
120,752	114,948	90,238	103,312
21,992	27,693	23,273	61,123
25,375	25,138	38,945	38,382
574,938	463,738	444,301	634,710
-	-	-	29,661
<u>\$ 2,891,226</u>	<u>\$ 2,373,257</u>	<u>\$ 2,129,974</u>	<u>\$ 2,542,269</u>

STATE OF ARIZONA  
SCHEDULE 4  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
**FOR THE LAST NINE FISCAL YEARS (2)**  
**FISCAL YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006
<b>REVENUES</b>					
Taxes:					
Sales	\$ 5,017,977	\$ 5,429,453	\$ 6,278,181	\$ 6,527,968	\$ 6,313,090
Income	2,805,426	3,137,794	4,174,966	4,629,220	4,535,492
Tobacco (3)	332,893	370,073	413,333	358,205	248,122
Property	31,417	32,564	36,732	43,736	43,035
Motor vehicle and fuel	1,585,919	1,672,151	1,802,572	1,828,701	1,857,293
Other (3)	535,435	574,030	559,440	529,629	575,946
Intergovernmental	13,562,547	11,316,023	9,499,419	8,313,720	8,019,509
Licenses, fees, and permits	425,526	410,002	447,090	442,236	410,069
Earnings (loss) on investments (4,8)	422,564	(318,321)	135,879	510,253	247,250
Sales and charges for services	212,306	154,671	167,329	158,318	162,048
Fines, forfeitures, and penalties	224,000	203,337	167,309	183,923	138,354
Gaming (5)	77,554	84,140	94,004	94,771	84,794
Tobacco settlement (6)	105,394	125,571	115,587	90,258	86,231
Proceeds from sale of trust land (9)	78,564	143,674	-	-	-
Other (6)	230,223	253,868	263,443	264,440	269,411
Total Revenues	<u>25,647,745</u>	<u>23,589,030</u>	<u>24,155,284</u>	<u>23,975,378</u>	<u>22,990,644</u>
<b>EXPENDITURES</b>					
Current:					
General government	931,250	913,266	966,512	879,519	861,373
Health and welfare	13,054,472	11,959,640	10,874,581	9,679,226	8,995,430
Inspection and regulation	157,461	174,633	184,451	173,897	157,401
Education	5,702,963	6,031,605	6,240,862	5,983,513	5,302,942
Protection and safety	1,417,428	1,460,692	1,447,372	1,358,439	1,247,508
Transportation (7)	584,363	608,631	630,283	524,318	373,603
Natural resources	175,568	220,030	242,893	185,592	178,832
Intergovernmental revenue sharing	2,574,539	2,764,776	3,026,563	2,863,218	2,661,894
Debt service:					
Principal	288,172	235,971	261,228	220,473	261,277
Interest and other fiscal charges	286,027	238,430	210,856	195,317	176,933
Capital outlay (7)	1,291,341	1,295,530	1,106,951	992,000	1,066,815
Total Expenditures	<u>26,463,584</u>	<u>25,903,204</u>	<u>25,192,552</u>	<u>23,055,512</u>	<u>21,284,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(815,839)</u>	<u>(2,314,174)</u>	<u>(1,037,268)</u>	<u>919,866</u>	<u>1,706,636</u>

Fiscal Year			
2005	2004	2003	2002, as restated (2)
\$ 5,410,383	\$ 4,985,424	\$ 4,555,389	\$ 4,424,528
3,528,565	2,818,778	2,387,369	2,410,342
237,430	223,804	-	-
46,148	50,455	37,470	49,611
1,758,950	1,613,952	1,563,876	1,493,259
493,501	539,218	632,896	543,055
7,714,012	7,159,976	6,141,218	5,182,770
335,760	349,938	320,564	330,041
190,499	131,715	111,771	136,761
154,251	161,170	111,438	157,912
121,123	120,032	96,192	98,791
67,658	57,517	-	-
93,933	92,550	-	-
-	-	-	-
430,097	313,220	337,930	324,433
20,582,310	18,617,749	16,296,113	15,151,503
758,149	718,229	689,603	511,167
8,419,913	7,733,516	6,652,661	5,788,774
146,523	136,189	139,863	133,584
4,852,099	4,702,609	4,882,516	4,188,501
1,132,473	1,028,134	925,667	892,986
564,574	717,463	463,756	401,372
175,593	153,533	163,946	140,600
2,335,828	2,144,438	2,159,691	2,190,211
381,512	327,595	297,508	270,912
200,731	188,247	140,613	125,594
710,688	695,289	1,041,038	1,127,411
19,678,083	18,545,242	17,556,862	15,771,112
904,227	72,507	(1,260,749)	(619,609)

(Continued)

STATE OF ARIZONA  
SCHEDULE 4  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
**FOR THE LAST NINE FISCAL YEARS (2)**  
**FISCAL YEAR ENDED JUNE 30, 2010**  
(Expressed in Thousands)

	Fiscal Year				
	2010	2009	2008	2007, as restated	2006
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,106,250	1,248,267	897,771	910,605	812,083
Transfers out	(1,872,212)	(2,168,964)	(1,874,084)	(1,784,833)	(1,585,754)
Proceeds from sale of trust land (9)	-	-	249,970	199,089	284,293
Proceeds from sale of capital assets	3,088	2,127	28,233	10,162	11,118
Capital lease and installment purchase contracts	187,836	4,056	23,556	132,985	3,543
Proceeds from notes and loans	32,628	23,139	19,529	-	-
Refunding bonds issued	-	-	82,880	-	596,160
Payment to refunded bond escrow agent	-	-	(86,547)	-	(646,689)
Bonds issued	425,420	621,050	563,950	325,000	118,250
Refunding grant anticipation notes issued	-	-	-	-	-
Grant anticipation notes issued	-	55,420	68,000	-	-
Refunding certificates of participation issued	-	-	-	-	-
Payment to refunded certificates of participation escrow agent	-	-	-	-	-
Certificates of participation issued	998,795	580,035	238,990	-	-
Premium on debt issued	77,709	70,083	48,972	26,201	59,711
Total Other Financing Sources (Uses)	959,514	435,213	261,220	(180,791)	(347,285)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 143,675</b>	<b>\$ (1,878,961)</b>	<b>\$ (776,048)</b>	<b>\$ 739,075</b>	<b>\$ 1,359,351</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	2.3%	1.9%	2.0%	1.9%	2.2%

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is available only beginning in fiscal year 2002.
- (3) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.  
Increase from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December, 2006.
- (4) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
- (5) Beginning in fiscal year 2004, Indian gaming revenue was earned as a result of Proposition 202.
- (6) Prior to fiscal year 2004, tobacco settlement revenue was included in other revenue.
- (7) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by \$302,375 for addition of capital assets that were previously recorded as transportation expenditures.
- (8) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
- (9) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."

Fiscal Year			
2005	2004	2003	2002, as restated (2)
1,011,456	940,050	1,053,862	848,252
(1,714,562)	(1,616,105)	(1,690,443)	(1,549,833)
274,127	149,001	88,066	51,265
-	-	-	-
5,350	24,349	101,473	4,167
-	-	-	-
224,283	107,940	90,530	74,250
(247,417)	(145,965)	(107,735)	(77,135)
210,577	389,746	662,975	148,350
-	22,633	-	-
104,385	177,322	-	-
334,225	16,725	75,295	71,051
(363,052)	(17,273)	(80,713)	(65,087)
237,625	273,735	372,730	68,203
100,509	48,834	80,563	14,816
177,506	370,992	646,603	(411,701)
\$ 1,081,733	\$ 443,499	\$ (614,146)	\$ (1,031,310)
3.1%	2.9%	2.7%	2.7%

STATE OF ARIZONA  
SCHEDULE 5  
**NET TAXABLE SALES BY CLASSIFICATION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

CLASSIFICATION (9)	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Transporting (2)	\$ 41,990	\$ 37,920	\$ 48,713	\$ 43,351	\$ 59,801	\$ 53,371
Mining, oil and gas	102,900	175,743	216,675	255,531	321,538	317,202
Mining severance	1,164,231	729,482	1,752,522	1,743,361	1,219,984	656,631
Timber severance (3) (11)	-	-	-	-	-	-
Utilities	9,354,244	9,236,366	9,237,779	8,609,034	7,679,982	6,828,179
Communications	3,618,208	2,928,433	3,669,683	3,513,667	3,220,062	2,934,858
Private car and pipelines	1,640	7,743	16,021	19,679	25,751	14,832
Publishing	103,681	102,457	122,652	129,681	133,680	134,925
Job printing	236,985	307,581	391,038	397,802	403,686	367,010
Restaurants and bars	9,020,795	9,094,485	9,663,959	9,619,785	8,933,459	7,939,964
Amusements	1,051,919	1,053,048	1,146,344	1,086,364	998,767	872,520
Commercial lease (5)	141	1	(443)	(2)	(120)	919
Personal property rentals	3,127,828	3,552,696	3,995,697	3,927,824	3,633,374	3,242,363
Contracting	9,311,612	14,882,706	20,156,299	22,415,051	20,487,917	16,044,847
Feed wholesale (6)	-	-	-	-	-	-
Retail	42,913,933	46,174,068	52,626,993	55,009,403	53,147,971	46,378,344
Hotel/motel	1,949,718	2,117,242	2,405,705	2,411,634	2,268,776	2,063,973
Rental occupancy tax (11)	(62)	(25)	(2,669)	1,065	3,471	2,414
Use tax	5,464,504	5,882,942	6,837,880	6,091,507	6,155,959	5,218,535
Use tax-utilities (10)	(35,594)	38,653	12,461	12,154	16,582	234
Membership camping (11)	10	11	52	12	2,785	2,897
Agriculture equipment (7)	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	<u>\$ 87,428,683</u>	<u>\$ 96,321,552</u>	<u>\$ 112,297,361</u>	<u>\$ 115,286,903</u>	<u>\$ 108,713,425</u>	<u>\$ 93,074,018</u>
Direct sales tax rate (8)	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) Effective July 13, 1995, the tax rate on timber severance was changed to a dollar amount per 1,000 board feet. Timber severance includes only sales subject to the repealed rate.  
(5) Commercial lease rate dropped to 0% effective July 1, 1997.  
(6) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.  
(7) Agriculture equipment was phased out on July 1, 1988 and is not a current business classification.  
(8) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2002 thru 2009 and 5.0% for most of fiscal year 2001 (rate increased to 5.6% during fiscal year 2001 on June 1, 2001). For fiscal years 2000 thru 2009, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, the hotel/motel tax was 5.5%, and the jet fuel and jet fuel use tax was \$.0305 per gallon. 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 beginning June 1, 2010 by one percentage point. That rate is not reflected in this table.  
(9) 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.  
(10) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2004-2008 were reported in fiscal year 2008. Information prior to 2004 is not available.  
(11) Effective November 1, 2006, timbering severance, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2010 and prior.

Fiscal Year			
2004	2003	2002	2001
\$ 67,486	\$ 26,106	\$ 96,356	\$ 138,656
287,787	268,073	208,310	224,834
261,623	45,049	(4,264)	168,695
-	-	766	-
6,430,306	5,940,826	5,919,273	5,814,282
2,809,508	2,869,499	2,945,681	2,870,089
15,920	12,493	7,134	15,486
128,911	133,229	82,843	124,462
348,924	427,730	351,142	402,934
7,202,034	6,655,028	6,428,712	6,300,820
813,489	782,670	743,800	760,838
(6,518)	(7,579)	36,913	182,691
3,174,945	3,319,778	3,607,519	3,658,549
13,156,490	11,563,726	11,820,597	11,250,538
(8)	(67)	(1,806)	(42)
42,409,055	39,408,769	38,432,860	38,282,337
1,831,153	1,698,499	1,659,761	1,871,009
4,202	1,428	5,968	4,897
4,644,319	3,793,691	3,240,460	3,922,953
127	-	-	-
2,998	2,406	2,741	2,420
-	-	2,107	1,213
119	-	-	-
<u>\$ 83,582,870</u>	<u>\$ 76,941,354</u>	<u>\$ 75,586,873</u>	<u>\$ 75,997,661</u>
5.60%	5.60%	5.60%	5.00%

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

<b>CLASSIFICATION</b>	Fiscal Year 2010		Fiscal Year 2001	
	Tax	Percentage	Tax	Percentage
	Collections	of Total	Collections (5)	of Total
Transporting (1)	\$ 2,099	0.04 %	\$ 4,296	0.11 %
Non-metal mining, oil and gas	3,214	0.07	7,026	0.18
Mining severance	29,099	0.60	4,217	0.11
Timbering severance - ponderosa (2)	2	-	1	-
Timbering severance - other (2)	(1)	-	1	-
Utilities	467,626	9.63	290,714	7.65
Communications	180,885	3.72	143,504	3.77
Railroads and aircraft (1)	-	-	2,637	0.07
Private car and pipelines	82	-	774	0.02
Publishing	5,183	0.11	6,223	0.16
Printing	11,846	0.24	20,147	0.53
Restaurants and bars	450,980	9.28	315,041	8.29
Amusements	52,590	1.08	38,042	1.00
Commercial lease (3)	7	-	3,883	0.10
Personal property rentals	156,364	3.22	182,927	4.81
Contracting	465,418	9.58	562,527	14.79
Retail	2,145,311	44.17	1,914,117	50.34
Hotel/motel	107,222	2.21	102,905	2.71
Rental occupancy tax (2)	2	-	147	-
Use tax utilities	(1,780)	(0.04)	-	-
Use tax	271,764	5.59	196,148	5.19
License fees	726	0.01	431	0.01
Membership camping (2)	-	-	121	-
Jet fuel tax	4,461	0.09	5,872	0.15
Jet fuel use tax	828	0.02	740	0.02
Non sufficient funds	(1)	-	29	-
Telecommunications service	-	-	-	-
assistance	(189)	-	(346)	(0.01)
Miscellaneous fees	-	-	-	-
Agriculture Equipment	-	-	12	-
Administrative Adjustment (6)	-	-	26	-
Education tax (4)	504,391	10.38	101	-
Total (6)	\$ 4,858,129	100.00 %	\$ 3,802,263	100.00 %

- (1) Transporting/towing was combined with railroads/aircraft for confidentiality purposes beginning in fiscal year 2004.
- (2) Effective November 1, 2006 these rates were repealed.
- (3) Commercial lease rate dropped to 0% effective July 17, 1997.
- (4) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are nonmetal 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.
- (5) Does not reflect the balance of undistributed estimated payments at the end of fiscal year 2000.
- (6) Includes unadjusted figure that was to be corrected in Fiscal Year 2001-02.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2010 and 2001

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

CLASSIFICATION	Calendar Year Ended December 31					
	2009	2008	2007	2006	2005	2004
Farm earnings	\$ 502,262	\$ 640,287	\$ 818,480	\$ 692,283	\$ 966,562	\$ 1,005,583
Forestry and fishing	419,519	414,197	452,456	448,533	392,423	398,258
Mining	1,189,166	1,450,604	1,031,986	903,040	717,889	652,564
Utilities	1,575,624	1,527,446	1,422,360	1,330,098	1,181,096	1,077,131
Construction	9,249,860	12,793,237	14,668,100	15,438,164	13,453,380	11,524,499
Manufacturing	12,709,979	13,829,866	13,709,747	13,656,708	12,736,884	12,241,302
Wholesale trade	8,037,416	8,578,953	8,785,582	7,924,846	7,209,873	6,643,795
Retail trade	11,563,764	12,514,926	13,329,846	12,967,991	11,909,557	10,755,773
Transportation and warehousing	4,685,960	4,885,400	4,951,483	4,778,258	4,375,950	4,073,329
Information	3,090,210	3,164,820	3,107,880	3,144,112	2,977,675	3,035,060
Finance and insurance	9,590,459	9,958,694	10,607,292	10,547,147	9,680,158	8,358,294
Real estate, rental, and leasing	4,028,623	4,309,101	4,324,050	5,321,210	5,320,830	4,854,340
Professional and technical services	12,757,951	13,408,064	12,678,935	11,795,487	10,295,791	8,975,667
Managing companies/enterprises	2,298,082	2,379,060	2,438,913	2,016,086	1,694,602	1,908,177
Administrative and waste services	8,459,019	9,490,203	9,637,819	9,219,474	8,326,832	7,186,639
Educational services	2,231,479	2,035,662	1,840,003	1,711,762	1,572,715	1,439,838
Health care and social assistance	18,521,773	17,876,791	16,345,567	14,945,405	13,342,839	12,318,173
Arts, entertainment, and recreation	1,712,796	1,785,219	1,752,388	1,697,223	1,487,796	1,438,709
Accommodation and food services	5,515,600	5,802,316	6,163,901	5,507,255	5,162,857	4,750,837
Other services, except public administration	5,251,204	5,464,288	5,769,952	5,237,758	4,761,529	4,269,944
Government and government enterprises	28,561,461	28,191,302	26,626,181	24,771,576	23,099,159	21,470,055
Other (1)	67,316,835	63,729,963	58,057,110	52,903,982	47,486,042	41,648,161
Total	<u>\$ 219,269,042</u>	<u>\$ 224,230,399</u>	<u>\$ 218,520,031</u>	<u>\$ 206,958,398</u>	<u>\$ 188,152,439</u>	<u>\$ 170,026,128</u>
Average effective rate (2)	1.11%	1.15%	1.56%	1.77%	1.94%	1.68%

(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 2001 through 2008 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			
2003	2002	2001	2000
\$ 731,608	\$ 763,907	\$ 746,773	\$ 807,189
359,899	348,540	354,692	292,986
568,278	562,242	629,836	655,056
1,043,710	1,036,530	960,134	838,388
10,379,641	10,159,027	9,762,082	9,250,550
11,754,138	11,581,992	12,169,075	12,568,167
6,001,515	5,900,156	5,915,014	5,660,202
10,055,878	9,368,279	9,050,471	8,605,358
3,720,148	3,520,402	3,488,777	3,314,360
2,982,886	2,962,772	2,980,889	3,060,789
7,848,643	7,240,812	6,988,682	6,288,781
4,150,748	4,129,856	3,756,910	3,699,083
8,156,394	8,039,619	8,068,423	7,427,982
1,598,978	1,429,896	1,467,964	1,226,338
6,568,021	6,203,543	6,204,100	5,762,071
1,165,114	1,029,270	816,618	783,387
11,093,907	10,050,149	9,206,683	8,535,472
1,347,898	1,344,317	1,266,419	1,144,351
4,328,034	4,129,811	4,050,905	3,869,720
4,043,836	4,050,133	3,764,684	3,755,694
20,037,866	18,617,360	17,271,055	15,906,869
37,670,118	35,706,259	33,943,892	32,234,242
<u>\$ 155,607,258</u>	<u>\$ 148,174,872</u>	<u>\$ 142,864,078</u>	<u>\$ 135,687,035</u>
1.49%	1.42%	1.46%	1.70%

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

	Calendar Year Ended December 31				
	2009	2008	2007	2006	2005
<b><u>AVERAGE EFFECTIVE RATE (3)</u></b>					
Personal Income Tax Revenue (1)	\$ 2,423,215	\$ 2,575,453	\$ 3,414,304	\$ 3,666,923	\$ 3,651,576
Personal Income (2)	\$ 219,269,042	\$ 224,230,399	\$ 218,520,031	\$ 206,958,398	\$ 188,152,439
Average Effective Rate (3)	1.11%	1.15%	1.56%	1.77%	1.94%

**TAX RATES ON THE PORTION OF  
TAXABLE INCOME IN RANGES (4)**

\$0 - \$10	2.59%	2.59%	2.59%	2.73%	2.87%
\$10 - \$25	2.88%	2.88%	2.88%	3.04%	3.20%
\$25 - \$50	3.36%	3.36%	3.36%	3.55%	3.74%
\$50 - \$150	4.24%	4.24%	4.24%	4.48%	4.72%
\$150 and over	4.54%	4.54%	4.54%	4.79%	5.04%

(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 2000 through 2008 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

(3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue 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 2007 AND 2000 (1)  
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2007			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<b><u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u></b>				
\$50 and under	1,778,062	67.49%	\$ 438,462	13.52%
\$50 - \$100	555,092	21.07%	673,036	20.74%
\$100 - \$500	285,248	10.83%	1,136,239	35.02%
\$500 and over	16,045	0.61%	996,710	30.72%
Total	2,634,447	100.00%	\$ 3,244,447	100.00%

(1) The taxable year 2007 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 2007, filed from January 2008 forward (or 2000, filed from January 2001 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

2004	2003	2002	2001	2000
\$ 2,854,009	\$ 2,316,040	\$ 2,104,362	\$ 2,090,646	\$ 2,303,888
\$ 170,026,128	\$ 155,607,258	\$ 148,174,872	\$ 142,864,078	\$ 135,687,035
1.68%	1.49%	1.42%	1.46%	1.70%
2.87%	2.87%	2.87%	2.87%	2.87%
3.20%	3.20%	3.20%	3.20%	3.20%
3.74%	3.74%	3.74%	3.74%	3.74%
4.72%	4.72%	4.72%	4.72%	4.72%
5.04%	5.04%	5.04%	5.04%	5.04%

Taxable Year Ended December 31, 2000

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,442,618	77.30%	\$ 412,823	24.44%
322,391	17.27%	464,724	27.52%
95,712	5.13%	470,266	27.84%
5,602	0.30%	341,104	20.20%
1,866,323	100.00%	\$ 1,688,917	100.00%

STATE OF ARIZONA  
SCHEDULE 10  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
<b>GOVERNMENTAL ACTIVITIES:</b>						
Revenue bonds	\$ 3,522,605	\$ 3,251,580	\$ 2,759,070	\$ 2,328,840	\$ 2,106,700	\$ 2,170,845
Grant anticipation notes	304,480	329,650	298,280	282,860	325,430	363,970
Certificates of participation	2,571,125	1,649,870	1,135,640	959,865	1,020,810	1,054,677
Capital leases	412,919	236,125	249,876	242,209	129,808	126,676
Installment purchase contracts	901	6,343	8,908	10,644	6,815	6,926
Notes payable	60,712	42,668	22,838	3,309	-	-
Premiums and discounts on debt	334,721	285,613	242,816	225,071	219,958	197,479
Deferred amount on refundings (2)	(5,197)	(9,171)	(13,145)	(14,266)	(17,832)	-
Total Governmental Activities	<u>7,202,266</u>	<u>5,792,678</u>	<u>4,704,283</u>	<u>4,038,532</u>	<u>3,791,689</u>	<u>3,920,573</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Revenue bonds	1,692,825	1,239,675	902,255	868,565	802,600	768,000
Certificates of participation	840,719	872,829	903,843	935,127	946,766	860,759
Capital leases	171,448	175,453	179,052	166,780	113,388	120,361
Installment purchase contracts	13,043	16,418	13,024	9,544	10,279	7,276
Notes payable	360	674	1,022	1,354	-	30
Premiums and discounts on debt	39,705	43,112	38,211	39,582	38,331	36,133
Deferred amount on refundings (2)	(23,100)	(25,294)	(27,711)	(29,211)	(21,606)	(20,821)
Total Business-type Activities	<u>2,735,000</u>	<u>2,322,867</u>	<u>2,009,696</u>	<u>1,991,741</u>	<u>1,889,758</u>	<u>1,771,738</u>
Total Primary Government	<u>\$ 9,937,266</u>	<u>\$ 8,115,545</u>	<u>\$ 6,713,979</u>	<u>\$ 6,030,273</u>	<u>\$ 5,681,447</u>	<u>\$ 5,692,311</u>
Debt as a Percentage of						
Personal Income (3)	4.5%	3.6%	3.1%	2.9%	3.0%	3.3%
Amount of Debt per Capita (3)	\$ 1,507	\$ 1,249	\$ 1,055	\$ 974	\$ 951	\$ 988

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

(1) The State of Arizona implemented GASB 34 in fiscal year 2002.

(2) For fiscal years 2001 and prior, some or all of the premiums, discounts, or deferred amounts on refundings are combined in the respective revenue bond, grant anticipation note, or certificate of participation line items.

(3) 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 2008 contains data for the calendar year ending December 31, 2007. Personal income amounts were revised by the U.S. Bureau of Economic Analysis for 2000-2008, which affected 2004-2008 debt ratios compared to the debt ratios reported in the fiscal year 2008 CAFR.

Fiscal Year			
2004	2003	2002, as restated (1)	2001, as restated (2)
\$ 2,278,225	\$ 2,173,055	\$ 1,782,510	\$ 1,882,765
308,585	169,145	182,295	182,295
845,804	582,511	231,904	186,447
125,974	104,644	8,517	9,390
4,602	6,188	10,228	9,767
562	10,301	38,859	-
144,759	108,732	32,700	19,766
-	-	-	-
3,708,511	3,154,576	2,287,013	2,290,430
756,781	597,238	596,403	540,019
641,315	429,144	422,010	244,934
80,338	31,923	37,758	29,259
5,038	3,823	3,832	1,634
80	129	-	-
28,184	21,686	20,794	-
(10,970)	(11,305)	(8,999)	-
1,500,766	1,072,638	1,071,798	815,846
\$ 5,209,277	\$ 4,227,214	\$ 3,358,811	\$ 3,106,276
3.3%	2.9%	2.4%	2.3%
\$ 932	\$ 775	\$ 633	\$ 601

STATE OF ARIZONA  
SCHEDULE 11  
**LEGAL DEBT MARGIN INFORMATION**  
**ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal Year	Total Principal Outstanding Debt Limit (1)				Highest Annual Principal and Interest Payment Debt Limit (1)			
	Debt Limit	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit	(2) Debt Limit	Highest Annual Principal and Interest Payment	Legal Debt Margin	Highest Annual Principal and Interest Payment as a Percentage of Debt Limit
2010	\$ -	\$ -	\$ -	- %	\$ 167,625	\$ 155,770	\$ 11,855	92.93 %
2009	-	-	-	-	169,728	155,774	13,954	91.78
2008	-	-	-	-	219,539	146,754	72,785	66.85
2007	-	-	-	-	317,570	137,149	180,421	43.19
2006	1,300,000	1,223,425	76,575	94.11	312,204	121,025	191,179	38.76
2005	1,300,000	1,161,355	138,645	89.34	230,882	115,633	115,249	50.08
2004	1,300,000	1,017,360	282,640	78.26	278,927	106,220	172,707	38.08
2003	1,300,000	932,700	367,300	71.75	270,270	99,923	170,347	36.97
2002	1,000,000	734,155	265,845	73.42	261,663	86,496	175,167	33.06
2001	800,000	700,280	99,720	87.54	256,945	82,712	174,233	32.19

- (1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the \$1.3 billion debt limit is eliminated from ARS §28-7510 and the amount that pledged monies are required to exceed the highest annual principal and interest payments is amended from two to three times. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding \$1.3 billion. Also, the monies subjected to pledge for the preceding twelve months must have exceeded, by two times, the highest annual principal and interest payments on all of the outstanding Arizona Highway Revenue Bonds for the highest one year period during the life of the outstanding bonds.
- (2) The Highest Annual Principal and Interest Payment debt limit is calculated by dividing pledged revenues for the Arizona Transportation Board Highway Revenue Bonds (see Schedule 15) by three for Fiscal year 2010, 2009 and 2008 or by two for Fiscal years 2007 and prior. Fiscal year 2005 pledged revenues are net of a \$118 million distribution to the State General Fund.

STATE OF ARIZONA  
SCHEDULE 12  
**LEGAL DEBT MARGIN INFORMATION**  
**ARIZONA STATE UNIVERSITY**  
FOR THE LAST FIVE FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2010	\$ 1,894,737	\$ 151,579	\$ 108,000	\$ 43,579	5.70 %
2009	1,865,385	149,231	97,000	52,231	5.20 %
2008	2,017,544	161,404	115,000	46,404	5.70 %
2007	1,880,769	150,462	97,800	52,662	5.20 %
2006	1,724,528	137,962	91,400	46,562	5.30 %

- (1) Ten years of data is not available, but will be accumulated over time.
- (2) For fiscal years 2006, 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.
- (3) 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**  
**UNIVERSITY OF ARIZONA**  
FOR THE LAST FOUR FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal	Projected	Projected	Amount of		Total Projected
Year (2)	Total	Debt Service	Projected Debt	Legal	Debt Service as
	Expenditures	Limit (8% of	Service Applicable	Debt Margin	a Percentage of
		Expenditures) (3)	to Limit		Debt Service Limit
2010	\$ 1,817,647	\$ 145,412	\$ 92,700	\$ 52,712	5.10 %
2009	1,681,818	134,545	92,500	42,045	5.50
2008	1,681,132	134,491	89,100	45,391	5.30
2007	1,657,971	132,638	114,400	18,238	6.90

- (1) Ten years of data is not available, but will be accumulated over time.  
(2) For fiscal years 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.  
(3) 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  
**LEGAL DEBT MARGIN INFORMATION**  
**NORTHERN ARIZONA UNIVERSITY**  
FOR THE LAST FOUR FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal	Projected	Projected	Amount of		Total Projected
Year (2)	Total	Debt Service	Projected Debt	Legal	Debt Service as
	Expenditures	Limit (8% of	Service Applicable	Debt Margin	a Percentage of
		Expenditures) (3)	to Limit		Debt Service Limit
2010	\$ 423,601	\$ 33,888	\$ 28,000	\$ 5,888	6.61 %
2009	419,448	33,556	28,900	4,656	6.89
2008	430,360	34,429	27,500	6,929	6.39
2007	410,811	32,865	30,400	2,465	7.40

- (1) Ten years of data is not available, but will be accumulated over time.  
(2) For fiscal years 2007, 2008, 2009 and 2010, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013 and 2012-2014 capital improvement plans, respectively.  
(3) 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 15

**PLEDGED-REVENUE COVERAGE****ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

Fiscal Year	(1), (2)		Debt Service			Coverage			
	Pledged Revenue		Principal	Interest	Total				
2010	\$	502,874	\$	68,140	\$	87,661	\$	155,801	3.2
2009		509,183		64,190		89,825		154,015	3.3
2008		658,616		60,645		75,538		136,183	4.8
2007		635,140		57,825		73,785		131,610	4.8
2006		624,408		54,830		62,222		117,052	5.3
2005		461,763		44,265		60,459		104,724	4.4
2004		557,854		51,155		53,149		104,304	5.3
2003		540,540		44,490		41,932		86,422	6.3
2002		523,326		45,365		38,534		83,899	6.2
2001		513,890		52,055		36,581		88,636	5.8

(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 2005 is net of a \$118 million distribution to the State General Fund. Fiscal year 2009 is net of \$66 million and 2010 is net of \$44 million distribution to the State General Fund.

## STATE OF ARIZONA

## SCHEDULE 16

**PLEDGED-REVENUE COVERAGE****ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

Fiscal Year	(1)		Debt Service			Coverage
	Pledged Revenue	Principal	Interest	Total		
2010	\$ 199,672	\$ 33,315	\$ 38,225	\$ 71,540	2.8	
2009	219,165	13,825	17,193	31,018	7.1	
2008	253,742	19,045	10,673	29,718	8.5	
2007	262,264	-	-	-	N/A	
2006	316,491	80,375	1,566	81,941	3.9	
2005	316,806	208,625	14,318	222,943	1.4	
2004	288,600	199,400	23,553	222,953	1.3	
2003	268,721	190,415	31,533	221,948	1.2	
2002	267,563	163,455	35,445	198,900	1.3	
2001	264,722	156,865	40,035	196,900	1.3	

(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 17

**PLEDGED-REVENUE COVERAGE****SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS**

FOR THE LAST NINE FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	(3) Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ 504,392	\$ 37,230	\$ 27,074	\$ 64,304	7.84
2009	558,900	35,420	28,885	64,305	8.69
2008	645,828	33,810	30,498	64,308	10.04
2007	666,184	31,055	31,893	62,948	10.58
2006	628,471	34,480	30,052	64,532	9.74
2005	538,346	28,485	36,060	64,545	8.34
2004	487,215	27,215	37,568	64,783	7.52
2003	447,841	25,010	36,901	61,911	7.23
2002	439,005	43,035	26,962	69,997	6.27

(1) No debt service payments were due prior to fiscal year 2002.

(2) 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.

(3) Principal does not include sinking fund deposits of \$1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of \$6,350 upon maturity, in fiscal year 2016.

## STATE OF ARIZONA

## SCHEDULE 18

**PLEDGED-REVENUE COVERAGE****SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS**

FOR THE LAST SEVEN FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2010

(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	(3) Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ N/A	\$ N/A	\$ N/A	\$ N/A	N/A
2009	72,263	15,105	9,143	24,248	2.98
2008	72,263	14,470	8,400	22,870	3.16
2007	72,263	13,980	11,524	25,504	2.83
2006	72,263	13,440	12,061	25,501	2.83
2005	72,263	13,740	11,960	25,700	2.81
2004	64,903	-	8,634	8,634	7.52

(1) No debt service payments were due prior to fiscal year 2004.

(2) 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.

(3) 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 19  
**PLEDGED-REVENUE COVERAGE**  
**ARIZONA STATE UNIVERSITY REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service					Coverage
		Net Payments (Receipts) On					
		Principal	Interest	Swap Agreements	Total		
2010	\$ 782,727	\$ 26,975	\$ 33,003	\$ 3,716	\$ 63,694	12.29	
2009	702,797	21,555	21,896	3,692	47,143	14.91	
2008	638,707	19,135	16,682	2,448	38,265	16.69	
2007	580,102	17,125	21,339	186	38,650	15.01	
2006	505,890	14,625	17,313	-	31,938	15.84	
2005	458,177	11,205	16,307	-	27,512	16.65	
2004	383,756	1,340	16,260	-	17,600	21.80	
2003	325,626	-	13,754	-	13,754	23.68	
2002	297,691	9,695	9,575	-	19,270	15.45	
2001	274,596	9,785	12,139	-	21,924	12.52	

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

(2) Pledged revenues prior to payment date of 2004 have been restated to include West and Polytechnic campuses.

STATE OF ARIZONA  
SCHEDULE 20  
**PLEDGED-REVENUE COVERAGE**  
**UNIVERSITY OF ARIZONA REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2010  
(Expressed in Thousands)

Fiscal Year	(1), (2)		(1)				
	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 1,128,091	\$ 962,469	\$ 165,622	\$ 23,860	\$ 24,593	\$ 48,453	3.42
2009	1,044,354	911,440	132,914	22,725	15,437	38,162	3.48
2008	1,113,954	1,005,572	108,382	21,235	14,978	36,213	2.99
2007	982,559	899,084	83,475	17,440	14,166	31,606	2.64
2006	897,706	836,657	61,049	12,355	13,433	25,788	2.37
2005	830,077	774,014	56,063	11,815	11,817	23,632	2.37
2004	778,939	727,161	51,778	10,970	11,706	22,676	2.28
2003	726,258	667,627	58,631	12,625	12,156	24,781	2.37
2002	670,326	625,664	44,662	9,946	15,500	25,446	1.76
2001	710,423	663,284	47,139	12,415	16,359	28,774	1.64

(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. Fiscal year 2002 Gross Revenues and Direct Operating Expenses include accounting changes applied to scholarship and allowance due to implementation of GASB Statements 34 and 35.

(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, 2010  
(Expressed in Thousands)

Fiscal Year	(1)				
	Gross Revenues		Debt Service		Coverage
			Principal	Interest	
2010	\$ 198,197	\$ 6,545	\$ 10,912	\$ 17,457	11.35
2009	164,877	6,570	7,383	13,953	11.82
2008	143,733	10,455	6,628	17,083	8.41
2007	136,100	9,610	5,943	15,553	8.75
2006	129,608	10,310	6,603	16,913	7.66
2005	110,981	10,065	6,060	16,125	6.88
2004	103,192	10,294	5,778	16,072	6.42
2003	85,294	9,426	5,066	14,492	5.89
2002	82,839	6,932	3,949	10,881	7.61
2001	78,907	6,214	5,246	11,460	6.89

(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.

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 (4)
2009	6,595,778	\$ 219,269,042	\$ 33,244	9.1
2008	6,499,377	224,230,399	34,500	5.9
2007	6,362,241	218,520,031	34,346	3.9
2006	6,192,100	206,958,398	33,423	4.2
2005	5,974,834	188,152,439	31,491	4.7
2004	5,759,425	170,026,128	29,521	5.0
2003	5,591,206	155,607,258	27,831	5.7
2002	5,452,108	148,174,872	27,178	6.0
2001	5,304,417	142,864,078	26,933	4.7
2000	5,166,697	135,687,035	26,262	4.0

(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.

(4) Unemployment rates were revised to reflect revisions made by the Arizona Department of Commerce.

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).  
Arizona Department of Transportation CAFR 2010

STATE OF ARIZONA  
SCHEDULE 23  
**PRINCIPAL EMPLOYERS**  
CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2009			Calendar Year Ended December 31, 2000		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	52,420	1	1.67 %	59,348	1	2.37 %
Wal-Mart Stores Inc.	31,280	2	1.00	13,800	6	0.55
Banner Health (1)	27,431	3	0.87	13,973	4	0.56
City of Phoenix	16,375	4	0.52	12,917	7	0.52
Wells Fargo & Co.	14,000	5	0.45	-		
Maricopa County	12,996	6	0.41	13,860	5	0.55
Apollo Group Inc.	12,299	7	0.39	-		
Arizona State University	12,043	8	0.38	-		
Raytheon Missile Systems	11,500	9	0.37	9,700	10	0.39
Honeywell International	10,145	10	0.32	17,500	2	0.70
Motorola	-		-	15,500	3	0.62
The Kroger Co.	-		-	9,837	8	0.39
U.S. Postal Service	-		-	3,756	9	0.39
Total	200,489		6.38 %	170,191		7.04 %

(1) Formerly known as Samaritan Health Systems.

Source: Arizona Department of Transportation CAFR 2010

STATE OF ARIZONA  
SCHEDULE 24  
**STATE EMPLOYEES BY FUNCTION (1)**  
**FOR THE LAST SEVEN FISCAL YEARS (2)**  
**FISCAL YEAR ENDED JUNE 30, 2010**

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
<b>FULL-TIME EQUIVALENT EMPLOYEES</b>							
General government:							
Lottery	104.0	110.0	110.0	110.0	110.0	110.0	110.0
Arizona State Retirement System	236.0	236.0	235.0	231.0	221.0	199.0	197.0
Department of Revenue	863.0	1,164.0	1,164.0	1,148.0	1,146.0	1,024.0	1,134.0
All other	2,746.5	2,989.2	2,999.2	2,957.5	2,898.6	2,944.3	3,003.0
Health and welfare:							
Department of Economic Security	4,201.0	4,201.0	4,099.2	3,874.4	3,953.7	3,902.7	3,592.9
Arizona Health Care Cost Containment System	1,484.0	1,635.8	1,629.0	1,617.3	1,583.5	1,574.5	1,530.1
Department of Health Services	1,538.6	1,699.1	1,702.1	1,680.4	1,735.5	1,734.5	1,701.5
All other	966.5	981.5	981.5	859.9	858.5	924.2	933.2
Inspection and regulation	1,820.7	1,943.1	1,930.1	1,853.7	1,827.3	1,818.5	1,815.3
Education:							
Universities	15,664.5	17,353.5	17,138.8	16,975.0	16,419.5	16,027.5	15,467.4
All other	972.4	1,003.4	1,001.4	969.0	913.8	949.5	948.1
Protection and safety:							
Department of Corrections	9,755.9	9,932.5	9,755.9	9,726.9	9,726.9	10,322.4	10,295.4
Department of Juvenile Corrections	1,050.7	1,163.7	1,163.7	1,195.7	1,160.5	1,151.5	1,214.4
Department of Public Safety	2,099.8	2,114.8	2,108.8	2,065.8	1,901.8	1,872.0	1,853.0
All other	118.4	134.9	133.9	125.4	127.4	120.6	149.6
Department of Transportation	4,548.0	4,748.0	4,744.0	4,703.5	4,649.0	4,626.0	4,605.0
Natural resources	956.7	1,009.7	1,007.7	967.3	926.9	903.2	856.9
Total	<u>49,126.7</u>	<u>52,420.2</u>	<u>51,904.3</u>	<u>51,060.8</u>	<u>50,159.9</u>	<u>50,204.4</u>	<u>49,406.8</u>

(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) Ten years of data is not available, but will be accumulated over time.

Source: The Executive Budget (Detail).

STATE OF ARIZONA  
SCHEDULE 25  
**OPERATING INDICATORS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2010

FISCAL YEAR ENDED JUNE 30, 2010	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
<b><u>FUNCTIONS/PROGRAMS</u></b>							
General government:							
Number of tax returns received (in millions)	5.2	5.7	5.6	5.5	5.5	6.0	6.0
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,392,420	1,282,910	1,136,585	1,075,125	1,065,444	1,075,873	971,292
Average monthly number of recipients of temporary assistance for needy families	N/A	83,969	80,221	82,408	93,553	105,517	122,577
Average monthly number of persons receiving food stamp benefits	N/A	779,089	600,549	537,072	546,424	546,369	521,992
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	75.2	84.0	101.8	99.4	97.0	87.1	85.7
Incident rate per 100 full-time workers (3)	3.7	3.9	4.6	4.6	4.9	4.7	4.8
Education:							
Public school enrollment, grades K-12 (4)	1,068,987	1,062,618	0	1,106,207	1,084,247	1,043,704	1,002,630
Protection and safety:							
Number of miles patrolled by the Highway Patrol (11)	N/A	21,987,920	21,881,034	20,282,212	19,703,282	19,922,704	19,229,079
State prison adult inmate population (5)	40,477	39,628	38,897	37,088	34,864	32,710	31,937
Transportation:							
Number of registered vehicles (6)	6,740,536	6,692,834	6,733,610	6,608,726	6,318,402	5,945,131	5,638,799
Number of driver licenses issued (7)	1,241,977	1,246,358	1,200,227	1,266,973	1,205,068	1,158,223	1,122,893
Natural resources:							
Game and Fish Department's license and tag sales (8)	N/A	874,363	896,143	940,223	897,159	808,055	835,669
Universities:							
University full-time equivalent students (9)	122,734	118,743	113,092	110,580	107,765	104,685	102,461
Unemployment compensation:							
Number of initial unemployment claims filed	363,189	396,755	0	185,397	161,869	200,282	227,585
Industrial Commission special fund:							
No-insurance awards issued	1,781	2,244	2,748	3,265	2,744	3,281	3,300
Number of vocational rehabilitation awards issued	128	103	118	133	124	102	139
Lottery:							
Total lottery sales (in millions)	\$ 551.5	\$ 484.5	\$ 472.9	\$ 462.2	\$ 468.7	\$ 397.6	\$ 366.6
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	10,760	14,560	21,646	26,914	21,600	14,626	11,218

N/A = Not available

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002. In November 2000, Arizona voters approved Proposition 204, the Healthy Arizona Initiative, which expanded eligibility to 100% of the federal poverty level. This added 142,800 members and accounted for 28.5% of the overall growth since March 1, 2001.
- (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 2008 contains data for the calendar year ending December 31, 2007. 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 2009 contains data from the October 1, 2008 enrollment figures. Starting with the 2008-09 school year, due to federal requirements new business rules were used to calculate enrollment, so that counts are unduplicated. Prior to this, the counts are not unduplicated counts; concurrently enrolled students are counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools are included, which may additionally overstate aggregated enrollment figures.
- (5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates.
- (6) Count represents the total number of vehicles registered as of the end of the fiscal year. Starting with fiscal year 2002, a new category for "unassigned vehicles" was added to more fully reflect the total count of all registered vehicles.
- (7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.
- (8) 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 2008 contains data for the calendar year ending December 31, 2007.
- (9) 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 2008 contains data for the fall 2007 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.
- (10) Approximate number of members enrolled as of June 1.
- (11) Fiscal year 2008 number was revised to reflect the Departments 2009 annual report.

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



Fiscal Year		
2003	2002	2001
5.3	6.3	N/A
955,600	791,000	609,000
121,193	109,547	93,857
442,320	355,722	277,192
95.9	113.1	112.8
5.1	5.9	6.0
970,283	915,656	878,987
18,363,977	18,160,134	N/A
30,898	29,273	27,451
5,311,590	5,118,115	4,639,405
1,039,780	1,072,245	973,476
865,634	898,453	986,691
100,258	96,603	92,725
255,579	255,303	187,697
2,954	3,986	N/A
150	121	N/A
\$ 322.3	\$ 294.8	\$ 272.7
11,400	12,100	N/A

STATE OF ARIZONA  
SCHEDULE 26  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2010

	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
<b><u>FUNCTIONS/PROGRAMS</u></b>							
Protection and safety:							
Number of adult prison facilities (3)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (2)	6,789	6,753	6,785	6,817	6,922	6,816	6,912
Number of bridges (2)	4,700	4,648	4,637	4,648	4,676	4,608	4,488
Natural resources:							
State Trust acres	N/A	9,259,296	9,260,253	9,262,781	9,267,377	9,269,723	9,271,580
Universities:							
Number of facilities (4)	1,737	1,670	1,669	1,663	1,002	N/A	N/A
Gross square feet (in thousands) (4)	37,589	37,186	36,000	34,946	20,154	N/A	N/A

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, unemployment compensation, Industrial Commission special fund, Lottery, and other business-type activity functions.

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as a calendar year), as indicated in the notes below.
- (2) 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.
- (3) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
- (4) 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, and Corrections and the Universities.

Fiscal Year		
2003	2002	2001
10	10	10
6,801	6,650	N/A
4,463	4,378	N/A
9,279,243	9,266,158	9,271,921
N/A	N/A	N/A
N/A	N/A	N/A

## ACKNOWLEDGMENTS

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