



SUBJECT

FINANCIAL REPORTING**1. INTRODUCTION**

Financial reporting is a means of communicating financial information to users. Financial reporting is not an end in and of itself but is intended to provide information useful for many purposes. Financial reporting helps fulfill government's duty to be publicly accountable. Financial reporting also helps to satisfy the needs of users who have limited authority, ability, or resources to obtain information and who therefore rely on the reports as an important source of information. For that purpose, financial reporting objectives should consider the needs of users and the decisions they make. CODIFICATION Sec 100.103 through .104

2. OBJECTIVES OF FINANCIAL REPORTING

CODIFICATION Sec 100.174 through .179) - There are three major objectives of financial reporting:

- a. Financial reporting should assist in fulfilling the government's duty to be publicly accountable and should enable users to assess that accountability.
 - (1) Financial reporting should provide information to determine whether current-year revenues were sufficient to pay for current-year services. This also implies that financial reporting should show whether current-year citizens received services but shifted part of the payment burden to future-year citizens; whether previously accumulated resources were used up in providing services to current-year citizens; or, conversely, whether current-year revenues were not only sufficient to pay for current-year services, but also increased accumulated resources.
 - (2) Financial reporting should demonstrate whether resources were obtained and used in accordance with the entity's legally adopted budget; it should also demonstrate compliance with other finance-related legal or contractual requirements.
 - (3) Financial reporting should provide information to assist users in assessing the service efforts, costs, and accomplishments of the governmental entity. This information, when combined with information from other sources, helps users assess the economy, efficiency, and effectiveness of government and may help form a basis for voting or funding decisions. The information should be based on objective criteria to aid interperiod analysis within an entity and comparisons among similar entities.




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- b. Financial reporting should assist users in evaluating the operating results of the governmental entity for the year.
- (1) Financial reporting should provide information about sources and uses of financial resources. Financial reporting should account for all outflows by function and purpose, all inflows by source and type, and the extent to which inflows met outflows. Financial reporting should identify material nonrecurring financial transactions.
 - (2) Financial reporting should provide information about how the governmental entity financed its activities and met its cash requirements.
 - (3) Financial reporting should provide information necessary to determine whether the entity's financial position improved or deteriorated as a result of the year's operations.
- c. Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due.
- (1) Financial reporting should provide information about the financial position and condition of the governmental entity. Financial reporting should provide information about resources and obligations, both actual and contingent, current and noncurrent. The major financial resources of most governmental entities are derived from the ability to tax and issue debt. As a result, financial reporting should provide information about tax sources, tax limitations, tax burdens, and debt limitations.
 - (2) Financial reporting should provide information about a governmental entity's physical and or-her nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources. This information should be presented to help users assess long-term and short-term needs.
 - (3) Financial reporting should disclose legal or contractual restrictions on resources and risks of potential loss of resources.

The State of Arizona fulfills these Objectives, and complies with ARS 35-131, by issuing two Financial Reports each year. One is a Comprehensive Annual Financial Report (CAFR) prepared in accordance with GAAP. The other is an Annual Report prepared in accordance with the Legal Budgetary (Cash) Basis of accounting.

 ARIZONA ACCOUNTING MANUAL	SECTION I	PAGE C 3	DATE 07/01/93
SUBJECT FINANCIAL REPORTING			

It is essential that all State agencies comply with the requirements of the Single Audit Act and provide all the necessary financial information required for the preparation of the CAFR and the Annual Report.

3. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Introduction - Every government should prepare and publish, as a matter of public record, a Comprehensive Annual Financial Report (CAFR) that encompasses all fund and account groups. The CAFR should contain both (a) the General Purpose Financial Statements (GPFS) by fund type and account group and (b) combining statements by fund type and individual fund statements. The CAFR is the governmental unit's official annual report and should also contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions and statistical data. The purpose of the reporting entity's financial statements is to report the combined financial position and results of operations for all component units of the reporting entity as if all the activities, organizations, and functions were operated as a part of the oversight unit, reflecting a combining of all operations comprising the reporting entity. Use of the terms "comprehensive annual financial report" and "general purpose financial statements" is thus limited to financial statement presentations of the reporting entity. (CODIFICATION Sec 2200.101)

Contents and Outline (CODIFICATION Sec 2200.105) - The minimum content and general outline of the CAFR of a governmental unit are as follows:

- I. Introductory Section
(Table of contents, letter(s) of transmittal, and other material deemed appropriate by management)
- II. Financial Section
 - A. Auditor's Report
 - B. General Purpose Financial Statements (GPFS)
(Combined Statements--Overview)
 - 1. Combined Balance Sheet--All Fund Types and Account Groups (see Exhibit 1 and 2)
 - 2. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--All Governmental Fund Types and Similar Trust Funds (see Exhibit 3)
 - 3. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General and Special Revenue Fund Types (and similar governmental and trust fund types for which annual budgets have been legally adopted) (see Exhibit 4)
 - 4. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)--All Proprietary Fund Types and Similar Trust Funds (see Exhibit 5)
 - 5. Combined Statement of Cash Flows--All Proprietary Fund Types and Similar Trust Funds (see Exhibit 6)
 - 6. Notes to the Financial Statements
 - 7. Required Supplementary Information



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- C. Combining and Individual Fund and Account Group Statements and Schedules
 - 1. Combining Statements--By Fund Type--where a governmental unit has more than one fund of a given fund type
 - 2. Individual Fund and Account Group Statements--where a governmental unit has only one fund of a given type and for account groups and/or where necessary to present prior-year and budgetary comparisons
 - 3. Schedules
 - a. Schedules necessary to demonstrate compliance with finance-related legal and contractual provisions
 - b. Schedules to present information spread throughout the statements that can be brought together and shown in greater detail (for example, taxes receivable, including delinquent taxes; long-term debt; investments; and cash receipts, disbursements, and balances)
 - c. Schedules to present greater detail for information reported in the statements (for example, additional revenue sources detail and object of expenditure data by departments)
(Narrative explanations useful in understanding combining and individual fund and account group statements and schedules that are not included in the notes to the financial statements should be presented on divider pages, directly on the statements and schedules, or in a separate section.)
- III. Statistical Tables
 - A. General Governmental Expenditures by Function--Last Ten Fiscal Years
 - B. General Revenues by Source--Last Ten Fiscal Years
 - C. Property Tax Levies and Collections--Last Ten Fiscal Years
 - D. Assessed and Estimated Actual Value of Taxable Property--Last Ten Fiscal Years
 - E. Property Tax Rates--All Overlapping Governments--Last Ten Fiscal Years
 - F. Demographic Statistics
 - G. Property Value, Construction, and Bank Deposits--Last Ten Fiscal Years
 - H. Principal Taxpayers
 - I. Miscellaneous Statistics



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EXHIBIT 1

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1991
(Expressed in Thousands)

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Current Assets:						
Cash and investments (Note 2)	\$ 193,376	\$ 416,987	\$ 21,349	\$ 90,373	\$ 60,908	\$ 43,403
Cash held by trustee (Note 2)	-	-	-	-	66	-
Receivables, net of allowances:						
Taxes (Note 3)	340,632	56,108	-	1,767	5,335	-
Interest	2,030	4,856	318	233	17,220	142
Other (Note 3)	3,661	9,334	-	1	80,375	859
Due from U.S. Government (Note 4)	20,301	27,800	-	-	-	-
Due from local governments	627	4,601	-	1,246	-	110
Due from others	6	-	-	-	-	-
Due from other Funds (Note 5)	24,317	486	-	508	1,378	10,964
Inventories, at cost	-	4,856	-	-	9,915	2,758
Other	161	-	-	-	9,277	2,886
Total Current Assets	585,111	525,028	21,667	94,128	184,474	61,122
Long-term Assets:						
Investments (Note 2)	-	-	-	-	1,055,639	-
Investments held by trustee (Note 2)	-	-	-	-	46,488	-
Receivables, net of allowances (Note 3)	-	-	-	-	-	-
Other	-	-	-	-	38,630	-
Fixed assets (Note 6):						
Property and equipment	-	-	-	-	208,354	108,906
Less: accumulated depreciation	-	-	-	-	(64,414)	(53,547)
Total Long-term Assets	-	-	-	-	1,284,697	55,359
Total Assets	585,111	525,028	21,667	94,128	1,469,171	116,481
Other Debits:						
Amount available for retirement of long-term debt	-	-	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-
Total Assets and Other Debits	\$ 585,111	\$ 525,028	\$ 21,667	\$ 94,128	\$ 1,469,171	\$ 116,481

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



SUBJECT

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FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	UNIVERSITY	1991
\$ 4,069,914	\$ -	\$ -	\$ 124,684	\$ 5,020,994	\$ 5,111,296
-	-	-	189,178	189,244	225,018
34,192	-	-	-	438,034	402,142
67,345	-	-	-	92,144	100,134
41,327	-	-	79,009	214,566	209,558
-	-	-	-	48,101	45,709
-	-	-	-	6,584	9,318
-	-	-	-	6	6
7,662	-	-	11,272	56,587	112,163
-	-	-	12,019	29,548	24,726
-	-	-	4,331	16,655	7,190
<u>4,220,440</u>	<u>-</u>	<u>-</u>	<u>420,493</u>	<u>6,112,463</u>	<u>6,247,260</u>
9,661,493	-	-	62,133	10,779,265	8,935,390
-	-	-	-	46,488	52,573
26,723	-	-	-	26,723	30,600
2,273	-	-	-	40,903	39,243
18,578	1,070,195	-	2,016,537	3,422,570	7,077,419
(1,374)	(349,599)	-	-	(468,934)	(1,276,876)
<u>9,707,693</u>	<u>720,596</u>	<u>-</u>	<u>2,078,670</u>	<u>13,847,015</u>	<u>14,858,349</u>
<u>13,928,133</u>	<u>720,596</u>	<u>-</u>	<u>2,499,163</u>	<u>19,959,478</u>	<u>21,105,609</u>
-	-	21,491	-	21,491	28,038
-	-	1,532,649	-	1,532,649	1,301,055
<u>\$ 13,928,133</u>	<u>\$ 720,596</u>	<u>\$ 1,554,140</u>	<u>\$ 2,499,163</u>	<u>\$ 21,513,618</u>	<u>\$ 22,434,702</u>



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EXHIBIT 2

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1991
(CONTINUED)
(Expressed in Thousands)

LIABILITIES AND FUND EQUITY	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Current Liabilities:						
Accounts payable	\$ 99,093	\$ 50,537	\$ -	\$ 16,860	\$ 34,513	\$ 6,947
Accrued expenses	23,199	5,864	176	40	5,168	1,344
Obligations under securities loan agreements	-	-	-	-	-	-
Tax refunds payable	9,431	-	-	-	-	-
Due to U.S. Government	30	-	-	-	-	-
Due to local governments (Note 4)	228,656	59,813	-	-	-	-
Due to others	1,572	1,944	-	-	-	-
Due to other Funds (Note 5)	8,833	9,113	-	49	5,734	1,346
Deferred revenue (Note 3)	157,815	307	-	-	39,486	285
Current portion of insurance losses	91,954	-	-	-	205,239	-
Current portion of long-term debt	-	-	-	-	1,409	4,016
Other	5,275	7	-	-	36,329	-
Total Current Liabilities	625,858	127,585	176	16,949	327,878	13,938
Long-term Liabilities:						
Accrued compensated absences (Note 7)	-	-	-	-	3,696	693
Accrued insurance losses	-	-	-	-	665,965	190,987
Liabilities to plan investors	-	-	-	-	-	-
Long-term debt: (Note 9)	-	-	-	-	-	-
Revenue bonds	-	-	-	-	167,135	-
Certificates of participation	-	-	-	-	16,000	-
Leases and installment purchases	-	-	-	-	-	8,625
Other	-	-	-	-	282	-
Total Long-term Liabilities	-	-	-	-	853,078	200,308
Total Liabilities	625,858	127,585	176	16,949	1,180,956	214,246
Commitments and contingencies (Note 12)	10,684	-	-	-	-	-
Fund Equity and Other Credits:						
Net investment in fixed assets	-	-	-	-	-	-
Contributed capital (Note 10)	-	-	-	-	7,717	15,105
Retained earnings (Note 10)	-	-	-	-	280,498	(112,670)
Fund balances: (Note 10)						
Reserved	81,387	400,526	21,491	25,266	-	-
Unreserved	(132,818)	(3,083)	-	51,913	-	-
Total Fund Equity and Other Credits	(51,431)	397,443	21,491	77,179	288,215	(97,765)
Total Liabilities and Fund Equity and Other Credits	\$ 585,111	\$ 525,028	\$ 21,667	\$ 94,128	\$ 1,469,171	\$ 116,481

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



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FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS	
	GENERAL	GENERAL	UNIVERSITY	(MEMORANDUM ONLY)	
	TRUST AND FIXED AGENCY ASSETS	LONG-TERM DEBT		1991	1990
\$ 30,591	\$ -	\$ -	\$ 46,519	\$ 285,060	\$ 297,562
2,696	-	-	12,270	50,757	43,245
413,330	-	-	-	413,330	421,126
-	-	-	-	9,431	17,111
-	-	-	-	30	57
1,124,585	-	-	-	1,413,054	1,678,367
3,799	-	-	-	7,315	13,474
18,615	-	-	12,897	56,587	112,163
31,885	-	-	28,403	258,181	225,783
-	-	-	-	297,193	263,220
-	-	-	21,759	27,184	22,965
1,507,014	-	-	18,517	1,567,142	759,094
<u>3,132,515</u>	<u>-</u>	<u>-</u>	<u>140,365</u>	<u>4,385,264</u>	<u>3,854,167</u>
-	-	65,772	-	70,161	74,784
-	-	-	-	856,952	762,569
119,816	-	-	-	119,816	104,889
-	-	1,311,528	560,306	2,038,969	1,747,514
-	-	153,517	85,625	255,142	209,974
-	-	23,523	14,412	46,363	44,184
-	-	-	2,604	2,886	3,403
<u>119,816</u>	<u>-</u>	<u>1,554,140</u>	<u>662,947</u>	<u>3,390,289</u>	<u>2,947,317</u>
<u>3,252,331</u>	<u>-</u>	<u>1,554,140</u>	<u>803,312</u>	<u>7,775,553</u>	<u>6,801,484</u>
-	-	-	-	10,684	10,684
-	720,596	-	1,453,552	2,174,148	5,125,589
-	-	-	-	22,822	21,558
-	-	-	-	167,628	144,713
10,675,802	-	-	-	11,204,472	10,433,862
-	-	-	242,299	158,311	(103,188)
<u>10,675,802</u>	<u>720,596</u>	<u>-</u>	<u>1,695,851</u>	<u>13,727,381</u>	<u>15,622,534</u>
<u>\$ 13,928,133</u>	<u>\$ 720,596</u>	<u>\$ 1,554,140</u>	<u>\$ 2,499,163</u>	<u>\$ 21,513,618</u>	<u>\$ 22,434,702</u>



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EXHIBIT 3

STATE OF ARIZONA
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND
 EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 1991
 (Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	FUND TYPE EXPENDABLE TRUST
REVENUES:					
Taxes:					
Sales	\$ 1,828,694	\$ 40,593	\$ 79,828	\$ -	\$ -
Income	1,286,978	-	-	4,072	17
Motor vehicle and fuel	90,532	704,346	-	-	-
Property	168,209	1,053	-	94	-
Unemployment	-	-	-	-	119,007
Other	236,444	13,285	-	21,305	-
Intergovernmental	1,289,206	228,903	-	35	886
Licenses, fees and permits	38,763	62,535	-	1,004	3,088
Earnings on investments	22,409	17,530	6,442	10,861	49,206
Sales and charges for services	7,424	3,514	-	-	254
Fines, forfeitures and penalties	5,188	20,993	-	-	6,624
Other	25,901	20,111	-	1,631	52,879
Total Revenues	4,999,748	1,112,863	86,270	39,002	231,961
EXPENDITURES:					
General government	608,951	26,365	-	-	143,137
Health and welfare	1,897,789	19,122	-	-	211,293
Inspection and regulation	32,936	39,215	-	-	2,251
Education	1,556,038	1,882	-	-	714
Protection and safety	366,748	17,052	-	-	4,314
Transportation	8	963,558	76	-	48
Natural resources	25,311	20,384	-	-	794
Capital outlay	46,186	16,036	-	238,563	825
Debt service:					
Principal	6,685	827	61,490	-	6
Interest and other fiscal charges	803	47	103,365	-	-
Total Expenditures	4,541,455	1,104,488	164,931	238,563	363,382
Revenues Over (Under) Expenditures	458,293	8,375	(78,661)	(199,561)	(131,421)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	82,752	64,374	72,114	3,291	130,591
Operating transfers out	(608,670)	(104,957)	-	(41,187)	(3,987)
Other financing sources (uses)	9,901	1,359	-	280,510	(4)
Total Other Financing Sources (Uses)	(516,017)	(39,224)	72,114	242,614	126,600
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(57,724)	(30,849)	(6,547)	43,053	(4,821)
Beginning Fund Balances, as restated (Note 10)	(194)	431,807	28,038	34,126	613,300
Residual Equity Transfers	6,487	(3,515)	-	-	-
Ending Fund Balances	\$ (51,431)	\$ 397,443	\$ 21,491	\$ 77,179	\$ 608,479

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



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TOTALS (MEMORANDUM ONLY)	
1991	1990
\$ 1,949,115	\$ 1,924,681
1,286,995	1,172,769
798,950	630,467
169,356	121,024
119,007	120,078
271,034	236,905
1,519,030	1,320,078
105,390	176,618
106,448	149,828
11,192	24,025
32,805	34,838
100,522	86,483
<u>6,469,844</u>	<u>5,997,794</u>
778,453	903,761
2,128,204	1,720,814
74,402	70,554
1,558,634	1,438,968
388,114	376,554
963,690	506,622
46,489	43,866
301,610	968,462
69,008	65,365
104,215	89,254
<u>6,412,819</u>	<u>6,184,220</u>
57,025	(186,426)
353,122	332,853
(758,801)	(700,913)
291,766	416,223
<u>(113,913)</u>	<u>48,163</u>
(56,888)	(138,263)
1,107,077	899,957
2,972	-
<u>\$ 1,053,161</u>	<u>\$ 761,694</u>



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COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 1991
 (Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)	Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)
REVENUES	\$ 3,257,659	\$ 3,923,024	\$ 665,365	\$ -	\$ 415,874	\$ 415,874
LESS - EXPENDITURES:						
General Operations						
General government	233,598	221,421	12,177	2,179	2,339	(160)
Health and welfare	686,161	643,251	42,910	4,684	3,792	892
Inspection and regulation	37,611	35,465	2,146	29,990	28,504	1,486
Education	1,341,681	1,311,109	30,572	-	-	-
Protection and safety	293,346	283,265	10,081	335	425	(90)
Transportation	3,135	70	3,065	1,193,655	443,907	749,748
Natural resources	27,921	26,044	1,877	16,140	14,639	1,501
Capital outlay	16,698	16,698	-	-	-	-
Total General Operations	2,640,151	2,537,323	102,828	1,246,983	493,606	753,377
Other						
General government	20,338	19,801	537	-	-	-
Health and welfare	917,742	659,191	258,551	-	-	-
Protection and safety	1,518	652	866	-	-	-
Capital outlay	3,275	2,709	566	-	-	-
Total Other	942,873	682,353	260,520	-	-	-
Total Expenditures	3,583,024	3,219,676	363,348	1,246,983	493,606	753,377
Revenues Over (Under) Expenditures	(325,365)	703,348	1,026,713	(1,246,983)	(77,732)	1,169,251
OTHER FINANCING SOURCES (USES):						
General Operations						
Operating transfers in	-	2,247	2,247	-	4,594	4,594
Operating transfers out:						
General government	(20,422)	(20,422)	-	-	-	-
Health and welfare	(190,923)	(190,923)	-	(29)	(29)	-
Inspection and regulation	-	-	-	(960)	(960)	-
Education	(518,205)	(518,205)	-	-	-	-
Protection and safety	(67,914)	(67,914)	-	(3,695)	(3,695)	-
Transportation	(5)	(5)	-	(84,130)	(84,130)	-
Natural resources	(952)	(952)	-	(2,032)	(2,032)	-
General Fund portion of lottery revenues	49,800	42,784	(7,016)	-	-	-
Other financing sources (uses)	51,803	14,338	(37,465)	-	(1,450)	(1,450)
Total General Operations	(696,818)	(739,052)	(42,234)	(90,846)	(87,702)	3,144
Other						
Operating transfers in	-	17,409	17,409	-	-	-
Other financing sources (uses)	-	70	70	-	-	-
Total Other	-	17,479	17,479	-	-	-
Total Other Financing Sources (Uses)	(696,818)	(721,573)	(24,755)	(90,846)	(87,702)	3,144
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,022,183)	\$ (18,225)	\$ 1,003,958	\$ (1,337,829)	\$ (165,434)	\$ 1,172,395

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



SUBJECT FINANCIAL REPORTING

CAPITAL PROJECTS FUNDS		
Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 28,617	\$ 28,617
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
60,458	35,190	25,268
60,458	35,190	25,268
-	-	-
-	-	-
-	-	-
-	-	-
60,458	35,190	25,268
(60,458)	(6,573)	53,885
-	2,130	2,130
-	-	-
-	-	-
-	-	-
-	-	-
(679)	(679)	-
-	-	-
-	118	118
(679)	1,569	2,248
-	-	-
-	-	-
-	-	-
(679)	1,569	2,248
\$ (61,137)	\$ (5,004)	\$ 56,133



SUBJECT

FINANCIAL REPORTING

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EXHIBIT 5

STATE OF ARIZONA
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 1991
 (Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PENSION TRUST	1991	1990
OPERATING REVENUES:						
Sales and charges for services:						
Lottery	\$ 230,449	\$ -	\$ -	\$ -	\$ 230,449	\$ 287,940
Other (Note 3)	424,252	114,513	11,810	-	550,575	501,250
Taxes	24,327	-	-	-	24,327	23,978
Intergovernmental	9	-	84	-	93	165
Licenses, fees and permits	875	-	16,260	-	17,135	945
Earnings on investments	82,748	-	43,821	822,238	948,807	1,138,812
Retirement contributions (Note 8)	-	-	-	350,953	350,953	205,266
Other	27,453	2,895	32	789	31,169	28,308
Total Operating Revenues	790,113	117,408	72,007	1,173,980	2,153,508	2,186,664
OPERATING EXPENSES:						
Cost of sales and benefits	454,598	17,381	-	-	471,979	456,162
Retirement benefits and refunds	-	-	-	406,970	406,970	382,606
Personal services	101,573	19,764	204	-	121,541	107,366
Contractual services	24,538	17,660	205	-	42,403	33,952
Aid to local governments	31,154	450	63,962	-	95,566	75,513
Depreciation and amortization	12,435	13,367	373	58	26,233	22,675
Insurance	4,952	48,667	57	-	53,676	56,371
Other	60,682	5,526	3,037	50,701	119,946	118,801
Total Operating Expenses	689,932	122,815	67,838	457,729	1,338,314	1,253,446
Operating Income (Loss)	100,181	(5,407)	4,169	716,251	815,194	933,218
NON-OPERATING REVENUES (EXPENSES):						
Interest income	18,626	563	-	-	19,189	24,466
Interest expense	(5,281)	-	-	-	(5,281)	(6,307)
Other	8,411	162	17,797	-	26,370	60,592
Total Non-operating Income	21,756	725	17,797	-	40,278	78,751
Income (Loss) Before Operating Transfers	121,937	(4,682)	21,966	716,251	855,472	1,011,969
OPERATING TRANSFERS:						
Operating transfers in	908	7	6	3,836	4,757	3,337
Operating transfers out	(70,461)	(4,082)	(9)	(3,836)	(78,388)	(96,931)
Total Operating Transfers	(69,553)	(4,075)	(3)	-	(73,631)	(93,594)
Net Income (Loss)	52,384	(8,757)	21,963	716,251	781,841	918,375
Beginning Retained Earnings/Fund Balances, as restated (Note 10)	246,314	(101,601)	534,038	8,795,531	9,474,282	8,555,907
Residual Equity Transfers (Note 5)	-	(2,512)	(460)	-	(2,972)	-
Provision for Dividends	(18,200)	-	-	-	(18,200)	-
Ending Retained Earnings/Fund Balances (Note 10)	\$ 280,498	\$ (112,870)	\$ 555,541	\$ 9,511,782	\$ 10,234,951	\$ 9,474,282

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



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FINANCIAL REPORTING

EXHIBIT 6

STATE OF ARIZONA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1991
(Expressed in Thousands)

	PROPRIETARY FUND TYPES			FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL	NON-EXPENDABLE	TOTALS	
		SERVICE	TRUST	(MEMORANDUM ONLY)	
	1991	1990	1991	1990	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 100,181	\$ (5,407)	\$ 4,169	\$ 98,943	\$ 135,617
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation	12,338	13,367	373	26,078	23,090
Amortization of investment premium	(18,166)	-	-	(18,166)	(17,294)
Net (gain) on sale of investment	(103)	-	-	(103)	(262)
Net (gain) on sale of fixed assets	(3,757)	-	-	(3,757)	-
Dividends to policyholders	(27,261)	-	-	(27,261)	(31,237)
Amortization of bond issuance costs	97	-	-	97	96
Provision for long-term liabilities	2,846	-	-	2,846	-
Total Adjustments	(34,006)	13,367	373	(20,266)	(25,607)
Changes in assets and liabilities:					
Increase in receivables, net of allowances	(6,951)	(596)	(1,896)	(9,443)	(9,556)
Increase in other long-term assets	-	-	-	-	(6,443)
Increase in due from local governments	-	(89)	-	(89)	-
(Increase) decrease in due from other Funds	715	(2,238)	985	(538)	(6,574)
Increase in inventories, at cost	(875)	(237)	-	(1,112)	(446)
(Increase) decrease in other current assets	435	(2,065)	-	(1,630)	1,170
Increase in accounts payable	5,713	1,911	5,622	13,246	7,550
Increase (decrease) in accrued expenses	1,629	111	(8)	1,732	(417)
Increase (decrease) in due to other Funds	3,715	326	9,022	13,063	(10,878)
Decrease in due to other governments	-	(8)	-	(8)	-
Increase (decrease) in deferred revenue	5,607	(174)	1,101	6,534	1,623
Increase in other current liabilities	6,289	-	1	6,290	9,199
Increase (decrease) in compensated absences	56	134	(10)	180	1,714
Increase in long-term insurance losses	84,025	8,877	-	92,902	106,547
Increase in other long-term liabilities	-	-	-	-	175
Net Changes in Assets and Liabilities	100,358	5,952	14,817	121,127	93,664
Net Cash Provided by Operating Activities	166,533	13,912	19,359	199,804	203,674
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interest expense	(4,323)	-	-	(4,323)	(5,163)
Other nonoperating revenues	6,450	-	14,301	20,751	60,466
Operating transfers in	908	7	6	921	2,608
Operating transfers out	(70,461)	(4,082)	(9)	(74,552)	(96,202)
Residual equity transfers	-	(2,512)	(460)	(2,972)	1,809
Increase in advances for Hoover Upgrading Project	(6,123)	-	-	(6,123)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(73,549)	(6,587)	13,838	(66,298)	(36,482)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of fixed assets	(18,085)	(11,689)	(323)	(30,097)	(26,389)
Proceeds from sale of fixed assets	6,842	1,159	-	8,001	-
Retirement of revenue bonds principal	(495)	-	-	(495)	(656)
Interest payments under certificate of participation or bonds	(958)	-	-	(958)	(1,144)
Principal payments under leases and installment purchases	(2,013)	(3,970)	-	(5,983)	(1,961)
Borrowings under leases and installment purchases	-	-	-	-	(834)
Proceeds from other long-term debt	49,967	-	-	49,967	-
Proceeds in funds received by trustee	6,098	-	-	6,098	315
Payment for bond issuance and insurance costs	(1,781)	-	-	(1,781)	-
Contributions from other funds	-	1,187	-	1,187	407
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 39,575	\$ (13,313)	\$ (323)	\$ 25,939	\$ (30,262)



SUBJECT

FINANCIAL REPORTING

STATE OF ARIZONA
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 1991
 (CONTINUED)
 (Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTALS (MEMORANDUM ONLY)	
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	1991	1990
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments	\$ 47,577	\$ -	\$ 1,136,268	\$ 1,183,845	\$ 583,433
Purchase of investments	(200,529)	-	(1,191,618)	(1,392,147)	(736,815)
Interest and dividends on investments	13,943	1,171	-	15,114	24,201
Net Cash Provided (Used) by Investing Activities	(139,009)	1,171	(55,350)	(193,188)	(129,181)
Net Increase (Decrease) in Cash and Short-term Investments	(6,450)	(4,817)	(22,476)	(33,743)	7,749
Cash and Short-term Investments - Beginning	67,424	48,220	52,251	167,895	160,146
Cash and Short-term Investments - Ending	\$ 60,974	\$ 43,403	\$ 29,775	\$ 134,152	\$ 167,895

NONCASH TRANSACTIONSEnterprise Funds:

The Arizona Department of Transportation transferred \$39 thousand of building improvements from the General Fixed Assets Account Group to the Arizona Highways Magazine Fund an Enterprise Fund. The transfer of building improvements was recorded as an increase in contributed capital.

Internal Service Funds:

Mobile equipment of \$38 thousand was transferred from the General Fixed Asset Account Group to the Transportation Equipment Revolving Fund. The transfer of equipment was recorded as an increase in contributed capital.

Installment purchase contracts totaling \$263 thousand for telephone line equipment were initiated by the Telecommunications Fund.

Installment purchase contracts totaling \$128 thousand for office equipment were initiated by the Printing and Communications Funds of the Department of Education.

Non-expendable Trust Funds:

During the fiscal year, the Land Department obtained title to vacant land from defaulted land sales contracts. The State recorded a fixed asset increase of \$11.3 million, reduced the related receivables by \$7.8 million and recognized a gain on the defaulted contracts of \$3.5 million.

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



SUBJECT

FINANCIAL REPORTING

IV. Component Unit Financial Reports or Statements (CUFR) (optional)

Financial Statements and Schedules - The balance sheets, operating statements, and schedules required in the CUFR for a governmental unit are:

A. Balance Sheets

1. Combined Balance Sheet--All Fund Types and Account Groups
2. Combining balance sheets for all funds of each type
3. Individual balance sheets for each fund and account group--where necessary to present the financial position of each fund and account group--and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

B. Operating Statements

1. Governmental Funds

- a. A Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--All Governmental Fund Types
- b. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General and Special Revenue Fund Types (and similar governmental fund types for which annual budgets have been legally adopted)
- c. Combining statements of governmental fund revenues, expenditures, and changes in fund balances by fund type
- d. Individual Statements of revenues, expenditures, and changes in fund balance for each fund--where necessary to present fund operating results--and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions

2. Proprietary Funds

- a. A Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)--All Proprietary Fund Types
- b. A Combined Statement of Changes in Financial Position--All Proprietary Fund Types
- c. Combining statements of proprietary fund revenues, expenses, and changes in retained earnings (or equity) by fund type
- d. Combining statements of proprietary fund changes in financial position by fund type
- e. Individual statements of revenues, expenses, and changes in retained earnings (or equity) and of changes in financial position for each proprietary fund--where necessary to present fund operating results and changes in financial position--and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions



SUBJECT

FINANCIAL REPORTING

3. Fiduciary Funds

- a. Expendable trust funds are similar to governmental funds (modified accrual basis) and should be reported as indicated in (2)(a) above; nonexpendable trust and pension trust funds are similar to proprietary funds (accrual basis) and should be reported as indicated in (2)(b) above
- b. At the GPFS (Combined--Statements--Overview) level, trust fund operating statements may be presented (i) separately or (ii) within the combined operating statements of the governmental funds and the proprietary funds, as appropriate
- c. A Combining Statement of Changes in Assets and Liabilities--All Agency Funds

4. Account Groups

- a. Statement of Changes in General Fixed Assets (unless sufficiently disclosed in the notes to the financial statements)
- b. Statement of Changes in General Long-Term Debt (unless sufficiently disclosed in the notes to the financial statements)

4. ANNUAL REPORT

Introduction - The primary purpose of the Annual Report is to disclose budgetary performance. For this reason, the Annual Report is not prepared on a basis consistent with GAAP. It is prepared on a basis consistent with the Arizona Revised Statutes (Title 35) and the appropriation methodology. This basis is referred to as the Legal Budgetary Basis. In Arizona, the Legal Budgetary Basis is the Cash Basis of Accounting. The primary statement in the Annual Report is the Statement of Expenditures--Appropriations to Actual--Budgetary (Legal) Basis.

Statement of Expenditures--Appropriations to Actual--Budgetary (Legal) Basis - This statement is the primary statement in the Annual Report. It reports on the continuing appropriations at the beginning of the year, the General (or Capital Outlay as appropriate) Appropriations Bill, any Ex-Appropriations Bill(s), any Supplemental Appropriations Bill(s), any Mid-Year Reversions, Expenditures, Year-End Revertments, and any Continuing Appropriations to be carried forward to the next year.

This statement is a detailed report. It is presented by each individual appropriated line item. It is useful to budget officers, budget preparers, legislators, and agency managers to determine how efficient the agency(ies) performed.

Other Statements and Schedules - In addition to the "Detailed Budget-to-Actual" report described above, the Annual Report contains other statements and schedules. Most of these statements and schedules are similar to those contained in the CAFR described above. The main difference is that these schedules are prepared on the cash rather than the accrual basis.