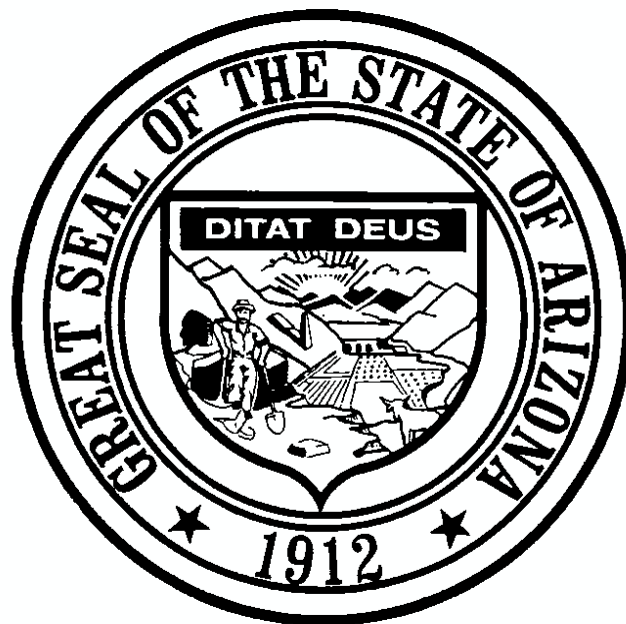


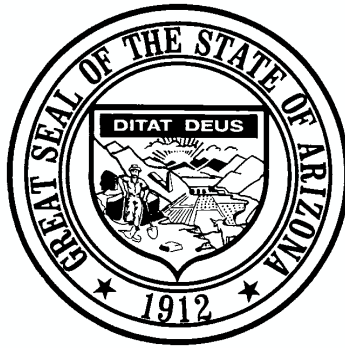
STATE OF ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022



Katie Hobbs
GOVERNOR



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



STATE OF ARIZONA
ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

Katie Hobbs
Governor



Ben Henderson
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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

October 18, 2023

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

Ladies and Gentlemen:

It is our pleasure to transmit to you the Annual Comprehensive Financial Report (ACFR) of the State of Arizona for the fiscal year ended June 30, 2022. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

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

INTERNAL CONTROLS

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

INDEPENDENT AUDIT

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

FINANCIAL REPORTING ENTITY OF THE STATE

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

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

ARIZONA

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state by area, with 113,909 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

PROFILE OF THE GOVERNMENT

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a Governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), Superior Court, justice of the peace courts, and municipal courts. The Superior Court, justice of the peace courts, and municipal courts are excluded from the financial reporting entity of the State as these entities do not meet GASB criteria for inclusion. The Supreme Court is the highest court in the State and is comprised of seven justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

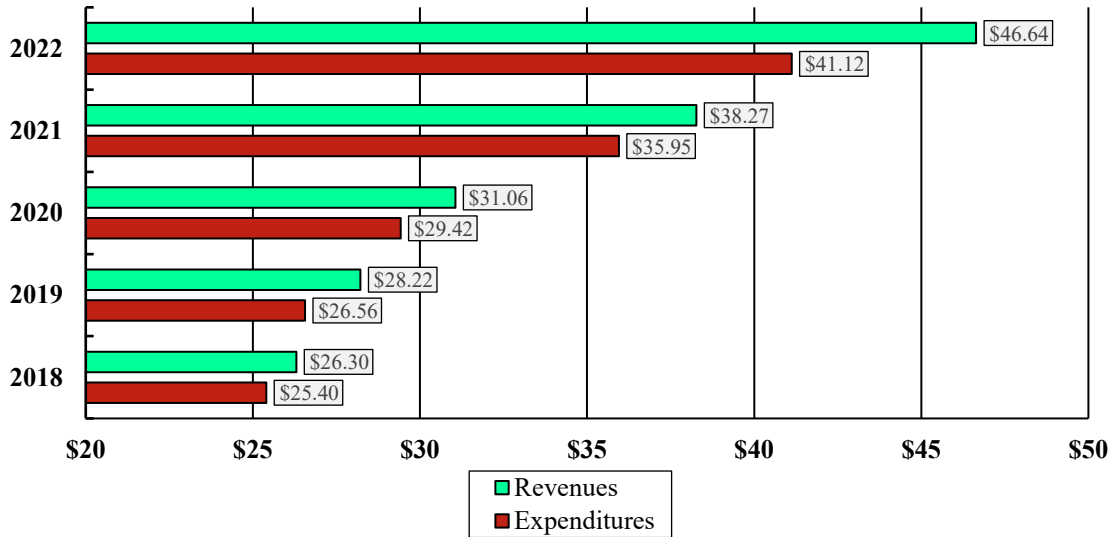
BUDGETARY CONTROLS

The State adopts budgets by departments and program which ties to funding sources. The State's legally adopted budgets are not done at the individual fund level. Funds established in statutes may be subject to legislative appropriation, not subject to legislative appropriation, or partially subject to legislative appropriation. Thus, many funds have both legislative appropriation and non-appropriation. Budgetary control is maintained through Legislative appropriation and the Executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. The appropriated funds are controlled by the Executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations that continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

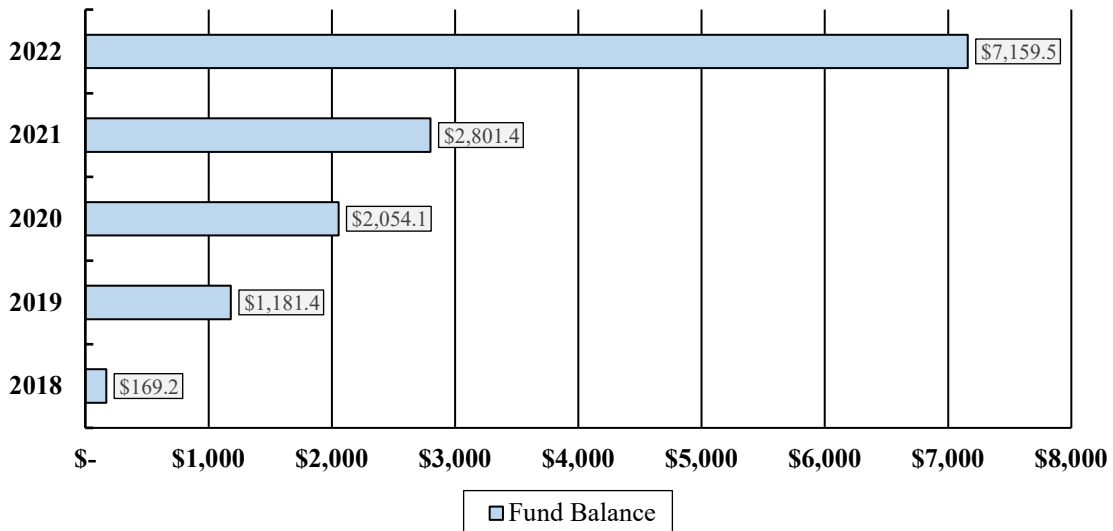
Graph 1
General Fund Revenues and Expenditures for the last 5 fiscal years
(Dollars in billions)



The General Fund ended the June 30, 2022 fiscal year with a total fund balance of \$7.2 billion. This compares to the previous year's total fund balance of \$2.8 billion.

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

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



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is based on the Industry and Occupation Employment Projections released on February 16, 2023, by the Office of Economic Opportunity.

The employment projections estimation methodology is described below:

- The short-term projections process estimate employment eight quarters (two years) from the base period
 - Historic Quarter 2 2022 employment data are used as the base year of the forecast
 - This is the most current data published by the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW) program
 - Employment was projected through Quarter 2 2024
- Projected employment estimates are created using historical employment trends
- Estimates are refined by a review of current U.S. and Arizona economic trends
- The principal data source used to create the employment projections is the QCEW data program
- The QCEW industry classification structure differs slightly from the Center for Economic Studies (CES) industry classification structure
 - QCEW: Employment for federal, state and local government establishments is categorized in the industry that best describes the business activity
 - CES: Employment for federal, state and local government establishments is categorized in the government industry sector, regardless of business activity

Industry projection methodology included and excluded data as follows:

- Industry Projections Estimates **Include**:
 - Nonfarm employment
 - Self-employed workers
 - Private household workers
 - Railway workers
 - Religious organization employees
 - Farm workers
- Industry Projections Estimates **Exclude**:
 - Unpaid family workers
 - Active duty military service personnel

Economic assumptions influencing the projections are as follows:

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

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

- Arizona employment is projected to grow by 90,625 jobs or 1.4% annually, to 3,332,012 jobs in Q2 2024 from 3,241,387 jobs in Q2 2022
- Ten of the eleven industry sectors are projected to add jobs
- Trade, Transportation and Utilities is projected to add the largest number of jobs (18,557 jobs, or 1.5% annualized growth)
- Manufacturing is projected to record the largest percentage gain, growing 3.4% annually (13,300 jobs)
- Financial Activities is projected to record a loss (-2,796 jobs, or -0.6%)

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

Arizona Supersector Employment (2022 to 2024)

Employment Supersectors	Numeric Change	Percentage Change
Trade Transportation and Utilities	18,557	1.5%
Leisure and Hospitality	17,458	2.4%
Professional and Business Services	17,457	1.8%
Education and Health Services	15,822	1.2%
Manufacturing	13,300	3.4%
Information	3,514	3.3%
Construction	2,880	0.7%
Other Services	2,449	1.2%
Government	1,392	0.4%
Self Employed	344	0.1%
Natural Resources and Mining	248	0.3%
Financial Activities	-2,796	-0.6%

MAJOR INITIATIVES

The Major Initiatives for the year ended June 30, 2022, were as follows:

- The fiscal year 2022 budget appropriated \$1,025,000 and 6.0 FTE positions to the Department of Liquor License and Control to administer To-Go Cocktail licenses to qualifying restaurants, bars, and liquor stores.
- The State Land Department was appropriated \$1,500,000 from the General Fund to complete due diligence projects to prepare land for auction.
- The Department of Juvenile Corrections received \$1,582,600 to provide Youth Correctional Officers a 5% raise as well.
- The fiscal year 2022 budget appropriated \$2,500,000 from the General Fund to replace aging equipment in the State Agricultural Lab.
- The fiscal year 2022 budget increased the Department of Environmental Quality’s budget by \$3,700,000 to cover increased contractor payments for vehicle emissions testing.
- \$5,000,000 was appropriated from the General Fund to the Water Infrastructure Finance Authority to provide grants to select counties for water project grants.
- The Arizona Commerce Authority received a \$5,000,000 appropriation increase to distribute to research centers specializing in blockchain research and wearable technology.

- The Arizona Department of Transportation (ADOT) was appropriated \$6,134,900 to provide an average 9% salary increase for targeted positions.
- The fiscal year 2022 budget increased the Board of Regents' budget by \$7,500,000 to establish a new financial assistance program for qualifying students titled the Arizona Promise Program.
- Nearly \$10,000,000 was appropriated to the Department of Veteran's Services to study the financial impact of opening 2 new veterans' homes in Flagstaff and Yuma.
- The Department of Economic Security (DES) was appropriated an additional \$13,040,800 from the General Fund to accommodate caseload growth within the Division of Developmental Disabilities (DDD).
- The Arizona Health Care Cost Containment System (AHCCCS) received a \$13,300,000 increase for Arizona Long Term Care System (ALTCS) provider rate increases.
- \$13,774,100 and 29.0 FTE positions were appropriated to the Department of Public Safety (DPS) to manage, administer, and perform IT support for a new body-worn camera program.
- Nearly \$31,000,000 was appropriated to the Department of Corrections, Rehabilitation & Reentry (DCRR) to provide a 5% salary increase to all Correctional Officers.
- \$50,000,000 was appropriated to Arizona Department of Education (ADE) to increase Basic State Aid funding for special education.
- AHCCCS saw an increase of \$60,000,000 from Federal Medicaid Authority in FY 2022 for an 1115 waiver amendment to expand AHCCCS housing services.
- The fiscal year 2022 budget increased the ADE budget by \$86,491,300 for a 1.21% inflation increase in the per pupil base level. Additionally, the ADE budget was increased by \$81,682,300 for enrollment and Empowerment Scholarship Account growth.

AWARDS AND ACKNOWLEDGMENTS

The State of Arizona will not submit its ACFR to the Government Finance Officers Association (GFOA) of the United States and Canada for the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2022, as it did not complete the ACFR within the 12 months after fiscal year end, due to late receipt of audited financial statements and other required financial information from state agencies.

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

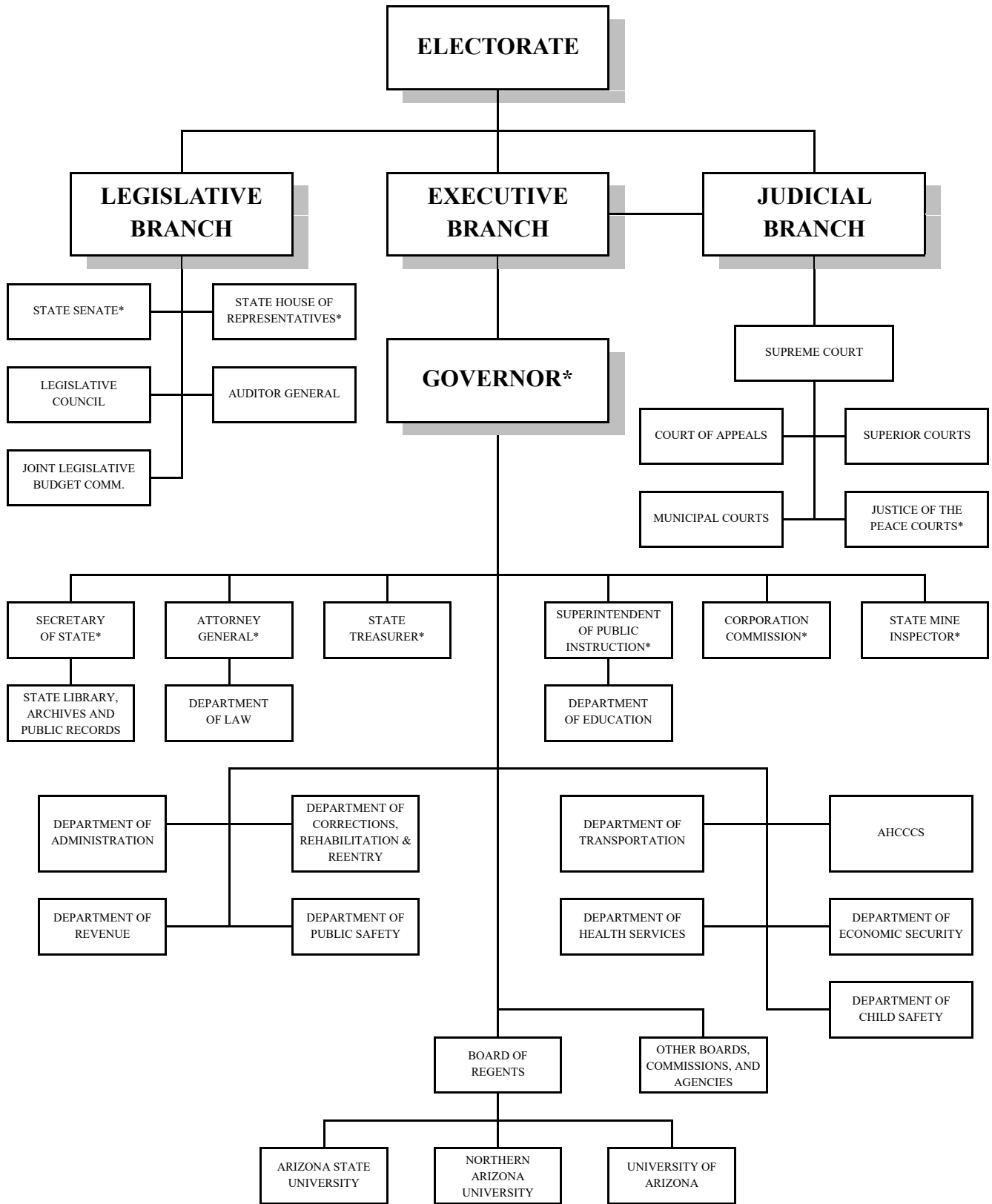


Elizabeth Alvarado-Thorson
Cabinet Executive Officer
Executive Deputy Director



Michael Wiseshart
Deputy Director | State Comptroller

ARIZONA STATE GOVERNMENT ORGANIZATION



*ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2022

ELECTED OFFICIALS – as of June 30, 2022

Douglas A. Ducey, Governor
Senator Karen Fann, President of the Senate
Representative Russell Bowers, Speaker of the House
Katie Hobbs, Secretary of State
Mark Brnovich, Attorney General
Paul D. Marsh, State Mine Inspector
Kimberly Yee, State Treasurer

Kathy Hoffman, Superintendent of Public Instruction
Lea Márquez Peterson, Chairwoman – Corporation Commission
Jim O’Connor, Commissioner – Corporation Commission
Justin Olson, Commissioner – Corporation Commission
Sandra Kennedy, Commissioner – Corporation Commission
Anna Tovar, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of June 30, 2022

Executive Officials

Andy Tobin, Director – Department of Administration
David Shinn, Director – Department of Corrections, Rehabilitation & Reentry
Michael Wischart, Director – Department of Economic Security
Mike Faust, Director – Department of Child Safety
Rob Woods, Director – Department of Revenue
Colonel Heston Silbert, Director – Department of Public Safety
Don Herrington, Interim Director – Department of Health Services
Jami Snyder, Director – Arizona Health Care Cost Containment System
John S. Halikowski, Director – Department of Transportation

Judicial Officials

Robert M. Brutinel, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council
Richard Stavneak, Director – Joint Legislative Budget Committee
Lindsey A. Perry, CPA, CFE, Auditor General – Arizona Auditor General

University Officials

Dr. Michael M. Crow, President – Arizona State University
Dr. José Luis Cruz Rivera, President – Northern Arizona University
Dr. Robert C. Robbins, President – University of Arizona

ELECTED OFFICIALS – as of October 18, 2023

Katie Hobbs, Governor
Senator Warren Petersen, President of the Senate
Representative Ben Toma, Speaker of the House
Adrian Fontes, Secretary of State
Kris Mayes, Attorney General
Paul D. Marsh, State Mine Inspector
Kimberly Yee, State Treasurer

Tom Horne, Superintendent of Public Instruction
Jim O’Connor, Chairman – Corporation Commission
Nick Myers, Commissioner – Corporation Commission
Lea Márquez Peterson, Commissioner – Corporation Commission
Anna Tovar, Commissioner – Corporation Commission
Kevin Thompson, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of October 18, 2023

Executive Officials

Elizabeth Alvarado-Thorson, Cabinet Executive Officer – Department of Administration
Ryan Thornell, Director – Department of Corrections, Rehabilitation & Reentry
Angie Rodgers, Executive Deputy Director – Department of Economic Security
David Lujan, Cabinet Executive Officer – Department of Child Safety
Rob Woods, Director – Department of Revenue
Colonel Jeffrey D. Glover, Director – Department of Public Safety
Jennie Cunico, Acting Director – Department of Health Services
Carmen Heredia, Executive Deputy Director – Arizona Health Care Cost Containment System
Jennifer Toth, Director – Department of Transportation

Judicial Officials

Robert M. Brutinel, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council
Richard Stavneak, Director – Joint Legislative Budget Committee
Lindsey A. Perry, CPA, CFE, Auditor General – Arizona Auditor General

University Officials

Dr. Michael M. Crow, President – Arizona State University
Dr. José Luis Cruz Rivera, President – Northern Arizona University
Dr. Robert C. Robbins, President – University of Arizona

FINANCIAL SECTION

**INDEPENDENT
AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

The Honorable Katie Hobbs, Governor
State of Arizona

The Honorable Warren Petersen, President
Arizona State Senate

The Honorable Ben Toma, Speaker
Arizona House of Representatives

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

Report on the audit of the financial statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of certain departments, the State's retirement systems and plans, and certain discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion units affected	Assets and deferred outflows of resources	Revenues, additions, and other financing sources
Government-wide statements		
Governmental activities		
Arizona Department of Transportation	45.40%	8.34%
Arizona Health Care Cost Containment System	7.02%	34.34%
Early Childhood Development and Health Board	0.54%	0.24%
Business-type activities		
Arizona Correctional Industries	0.32%	0.66%
Arizona Department of Transportation	0.00%	0.00%
Arizona State Lottery	1.37%	14.38%
Aggregate discretely presented component units		
Arizona Commerce Authority	2.73%	8.19%
Arizona Department of Insurance and Financial Institutions Guaranty Funds	5.98%	1.77%
Arizona Power Authority	0.57%	1.96%
Greater Arizona Development Authority	0.21%	0.00%
Rio Nuevo Multipurpose Facilities District	3.31%	1.63%
Universities—Affiliated Component Units	68.14%	79.65%
Water Infrastructure Finance Authority	17.09%	3.69%
Fund statements		
Major fund—General Fund		
Arizona Health Care Cost Containment System	19.61%	37.29%
Major fund—Transportation and Aviation Planning, Highway Maintenance and Safety Fund		
Arizona Department of Transportation	100.00%	100.00%
Aggregate remaining fund information		
Arizona Correctional Industries	0.06%	0.43%
Arizona Department of Transportation	0.12%	3.13%
Arizona Health Care Cost Containment System	0.25%	5.97%
Arizona State Lottery	0.25%	9.28%
Arizona State Retirement System	61.35%	19.18%
AZ529	1.82%	1.05%
Corrections Officer Retirement Plan	4.92%	4.85%
Early Childhood Development and Health Board	0.40%	0.88%
Elected Officials' Retirement Plan	0.44%	0.31%
Public Safety Personnel Retirement System	17.37%	18.15%

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

Basis for opinions

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to

provide a basis for our audit opinions. The other auditors did not audit, in accordance with *Government Auditing Standards*, the financial statements of the Arizona Power Authority, AZ529, and the Universities—Affiliated Component Units, except for those of the Arizona State University Preparatory Academy, Inc.

Emphasis of matter

As discussed in Note 1.R., Note 4 and Note 8 to the financial statements, for the year ended June 30, 2022, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

As discussed in Note 1.R. and Note 8 to the financial statements, for the year ended June 30, 2022, the State restated beginning net position of Pension and Other Employee Benefit Trust Funds within the Aggregate Remaining Fund Information opinion unit due to a change in reporting entity. Our opinions are not modified with respect to this matter.

Management's responsibilities for the financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

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

Required supplementary information	Pages
Management's discussion and analysis	21 - 33
Budgetary comparison schedules	165 - 183
Infrastructure assets	184 - 187
Schedules of the State's proportionate share of the net pension liability—cost-sharing pension plans	188 - 191
Schedules of changes in the State's net pension liability and related ratios—agent pension plans	192 - 195
Schedules of State pension contributions	196 - 201
Notes to required supplementary information—pension plan schedules	202 - 203
Schedule of changes in the State's total OPEB liability and related ratios	204

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

Supplementary information

Combining and individual nonmajor fund financial statements and schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the accompanying combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

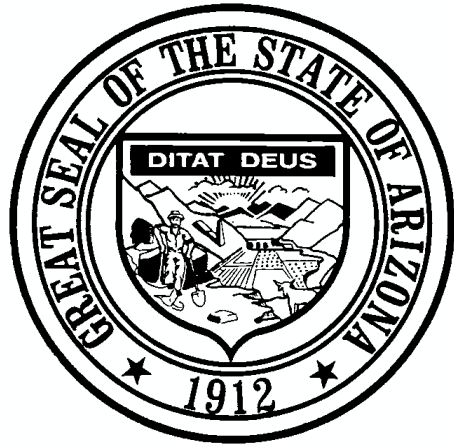
Other reporting required by *Government Auditing Standards*

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

October 18, 2023



MANAGEMENT'S
DISCUSSION
AND
ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- The assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$46.4 billion (reported as net position). Of this amount, a surplus of \$6.2 billion exists for unrestricted net position, \$13.4 billion is restricted for specific purposes (restricted net position), and \$26.8 billion is net investment in capital assets.
- Beginning net position has been restated (increased) by \$21.7 million due to a change in reporting entity, corrections of errors, changes in accounting principal, and a change in accounting estimate during the current fiscal year as described further in Note 8. After adjustments, the State's total net position increased in fiscal year 2022 by \$8.5 billion. Net position of governmental activities increased by \$7.0 billion, while net position of the business-type activities increased by \$1.5 billion.

Fund Level:

- Beginning fund balance has been restated (decreased) for governmental funds by \$29.9 million due to a correction of an error and a change in accounting principle as described further in Note 8. After adjustments, the State's governmental funds reported combined ending fund balances of \$18.2 billion, an increase of \$3.5 billion from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$7.1 billion, \$3.0 billion, and \$2.4 billion, respectively, the State's unassigned fund balance had a surplus of \$5.6 billion, or 31.0% of combined fund balances.
- The Land Endowments Fund reported fund balance at fiscal year-end of \$7.1 billion, a decrease of \$556.4 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.
- Beginning fund balance has been restated (increased) for enterprise funds by \$93.6 million due to a change in reporting entity, corrections of errors, and a change in accounting principle as described further in Note 8. After adjustments, the enterprise funds reported net position at fiscal year-end of \$5.1 billion, an increase of \$1.6 billion during the year.

Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to \$6.8 billion, a decrease of \$1.3 billion or (16.0%). Changes during the year included defeasances of \$610.8 million and retirements of \$68.0 million for Certificates of Participation (COPs), and defeasances of \$223.1 million and retirements of \$395.6 million for revenue bonds. Net issuance premiums increases and decreases were \$17.7 million and \$178.0 million, respectively.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 37**.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position (pages 37-39) presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The Statement of Financial Position (page 41) presents the State's Universities-affiliated component units' assets and liabilities, with the difference between the two reported as net assets.

The Statements of Activities (pages 42-44) present information showing how the State's net position/net assets changed during the most recent fiscal year. All changes in net position/net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide statements report three activities:

- *Governmental Activities* — Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* — The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's three universities are examples of business-type activities.
- *Discretely Presented Component Units* — Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. The Arizona Finance Authority, the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Arizona Commerce Authority, the Department of Insurance and Financial Institutions Guaranty Funds, and the Arizona Public School Credit Enhancement are discretely presented component units reported by the State. The State has included component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), as adopted by the Financial Accounting Standards Board. These organizations include the Arizona State University Enterprise Partners, the University of Arizona Foundation, and other non-major component units affiliated with the Universities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the Governmental Accounting Standards Board (GASB), and include a statement of financial position (**page 41**) and a statement of activities (**page 44**). See **pages 69-74 and 147-162** for more information on discretely presented component units.

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

The fund financial statements begin on **page 46** 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 208** begins the individual fund data for the non-major funds. The State's funds are divided into three categories - governmental, proprietary, and fiduciary - each category uses different accounting approaches.

- *Governmental funds* — Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules (**pages 48 and 52-53**) 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 46-47 and 50-51 of this report.

- *Proprietary funds* — When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public - such as the State's Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the proprietary fund financial statements on **pages 55-56**.

Proprietary fund financial statements can be found on pages 54-59 of this report.

- *Fiduciary funds* — The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on **page 60**. These funds are reported using accrual accounting and include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds. The government-wide statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 60 and 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.

Notes to the financial statements begins on page 69 of this report.

Required Supplementary Information

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

Required supplementary information begins on page 165 of this report.

Other Supplementary Information

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

Other supplementary information begins on page 208 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

State of Arizona-Primary Government Net Position as of June 30, 2022 and 2021 (expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 20,063,611	\$ 15,333,269	\$ 3,485,611	\$ 2,492,768	\$ 23,549,222	\$ 17,826,037
Capital assets	26,862,820	26,135,499	7,347,610	6,534,961	34,210,430	32,670,460
Other non-current assets	10,816,578	9,733,008	3,352,007	3,073,177	14,168,585	12,806,185
Total Assets	57,743,009	51,201,776	14,185,228	12,100,906	71,928,237	63,302,682
Deferred outflows of resources	2,181,767	2,245,736	604,453	614,912	2,786,220	2,860,648
Current liabilities	9,912,897	9,653,889	1,531,223	1,687,524	11,444,120	11,341,413
Non-current liabilities	6,322,980	9,164,145	7,018,056	7,164,285	13,341,036	16,328,430
Total Liabilities	16,235,877	18,818,034	8,549,279	8,851,809	24,785,156	27,669,843
Deferred inflows of resources	2,376,079	274,275	1,137,823	370,469	3,513,902	644,744
Net position:						
Net investment in capital assets	24,388,905	23,656,057	2,422,730	2,314,765	26,811,635	25,970,822
Restricted	11,085,171	11,135,752	2,277,559	1,032,376	13,362,730	12,168,128
Unrestricted	5,838,744	(436,606)	402,290	146,399	6,241,034	(290,207)
Total Net Position	\$ 41,312,820	\$ 34,355,203	\$ 5,102,579	\$ 3,493,540	\$ 46,415,399	\$ 37,848,743

For the year ended June 30, 2022, the State's combined net position totaled \$46.4 billion reflecting an increase of \$8.5 billion during the current fiscal year.

The largest portion of the State's net position (57.8%) represents net investment in capital assets of \$26.8 billion. Additions to land, roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$732.8 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, amortization, and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net position also included \$13.4 billion (28.8%) of resources that are subject to external restrictions on how they may be used. The governmental activities decrease in restricted net position of \$50.6 million is due to a \$429.4 million decrease in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund, a \$694.3 million decrease in the amount restricted for debt service due to \$799.4 million State appropriation in fiscal year 2021 to defease long-term debt versus \$88.4 million State appropriation in fiscal year 2022 to defease long-term debt and \$16.7 million other debt service restriction changes, offset by a \$450.8 million increase in the amount restricted due to the Opioid Settlement, a \$456.0 million increase in the amount restricted for health and welfare programs at AHCCCS, a \$151.7 million increase in the amount restricted for health and welfare programs at other State agencies, and \$14.6 million increase in restrictions of other activities. The business-type activities increase in restricted net position of \$1.2 billion is primarily due to an increase of \$1.2 billion in the amount restricted for the Unemployment Compensation Fund as the fund experienced a higher change in net position than the prior fiscal year including \$758.8 million in funds received from the American Rescue Plan Act (ARPA) to address negative economic impacts in response to the pandemic and a \$62.0 million one-time supplemental appropriation from the General Fund.

After accounting for the above net position restrictions, the State has a remaining surplus of \$6.2 billion (13.4%) reported as unrestricted net position.

More detailed information regarding beginning net position restatements is on page 139.

State of Arizona-Primary Government
Changes in Net Position for Fiscal Years June 30, 2022 and 2021
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,972,826	\$ 1,665,058	\$ 5,157,675	\$ 4,951,764	\$ 7,130,501	\$ 6,616,822
Operating grants and contributions	27,058,660	23,952,916	3,351,694	10,325,015	30,410,354	34,277,931
Capital grants and contributions	780,045	690,050	76,455	41,836	856,500	731,886
General revenues:						
Sales taxes	10,981,317	9,523,611	130,456	85,891	11,111,773	9,609,502
Income taxes	8,678,628	6,672,112	—	—	8,678,628	6,672,112
Tobacco taxes	287,539	299,821	—	—	287,539	299,821
Property taxes	43,278	42,583	—	—	43,278	42,583
Motor vehicle and fuel taxes	2,497,258	2,502,442	—	—	2,497,258	2,502,442
Other taxes	904,528	769,964	—	—	904,528	769,964
Unrestricted investment earnings	(55,401)	35,056	(83,975)	117,450	(139,376)	152,506
Unrestricted grants and contributions	37,860	33,083	—	—	37,860	33,083
Gain on sale of trust land	663,197	806,188	—	—	663,197	806,188
Loss on in-substance defeasance	(24,475)	—	—	—	(24,475)	—
Miscellaneous revenue	167,051	300,749	91,616	173,400	258,667	474,149
Total Revenues	53,992,311	47,293,633	8,723,921	15,695,356	62,716,232	62,988,989
Expenses:						
General government	1,295,921	1,779,607	—	—	1,295,921	1,779,607
Health and welfare	26,566,010	22,636,105	—	—	26,566,010	22,636,105
Inspection and regulation	249,665	192,692	—	—	249,665	192,692
Education	9,792,491	8,257,299	—	—	9,792,491	8,257,299
Protection and safety	1,935,823	1,891,198	—	—	1,935,823	1,891,198
Transportation	1,143,401	1,094,831	—	—	1,143,401	1,094,831
Natural resources	292,800	279,965	—	—	292,800	279,965
Intergovernmental revenue sharing	4,844,422	4,418,998	—	—	4,844,422	4,418,998
Interest on long-term debt	56,581	95,967	—	—	56,581	95,967
Universities	—	—	6,244,746	5,904,889	6,244,746	5,904,889
Unemployment compensation	—	—	542,802	8,513,331	542,802	8,513,331
Other business-type activities	—	—	1,211,075	1,245,997	1,211,075	1,245,997
Total Expenses	46,177,114	40,646,662	7,998,623	15,664,217	54,175,737	56,310,879
Excess (deficiency) before contributions and transfers	7,815,197	6,646,971	725,298	31,139	8,540,495	6,678,110
Contributions to permanent endowments	—	—	4,490	5,590	4,490	5,590
Transfers	(785,620)	(488,821)	785,620	488,821	—	—
Change in Net Position	7,029,577	6,158,150	1,515,408	525,550	8,544,985	6,683,700
Net Position - Beginning, as restated	34,283,243	28,197,053	3,587,171	2,967,990	37,870,414	31,165,043
Net Position - Ending	\$ 41,312,820	\$ 34,355,203	\$ 5,102,579	\$ 3,493,540	\$ 46,415,399	\$ 37,848,743

For additional information on the difference between fiscal year 2021 ending net position and fiscal year 2022 beginning net position, see Note 8.

Change in Net Position

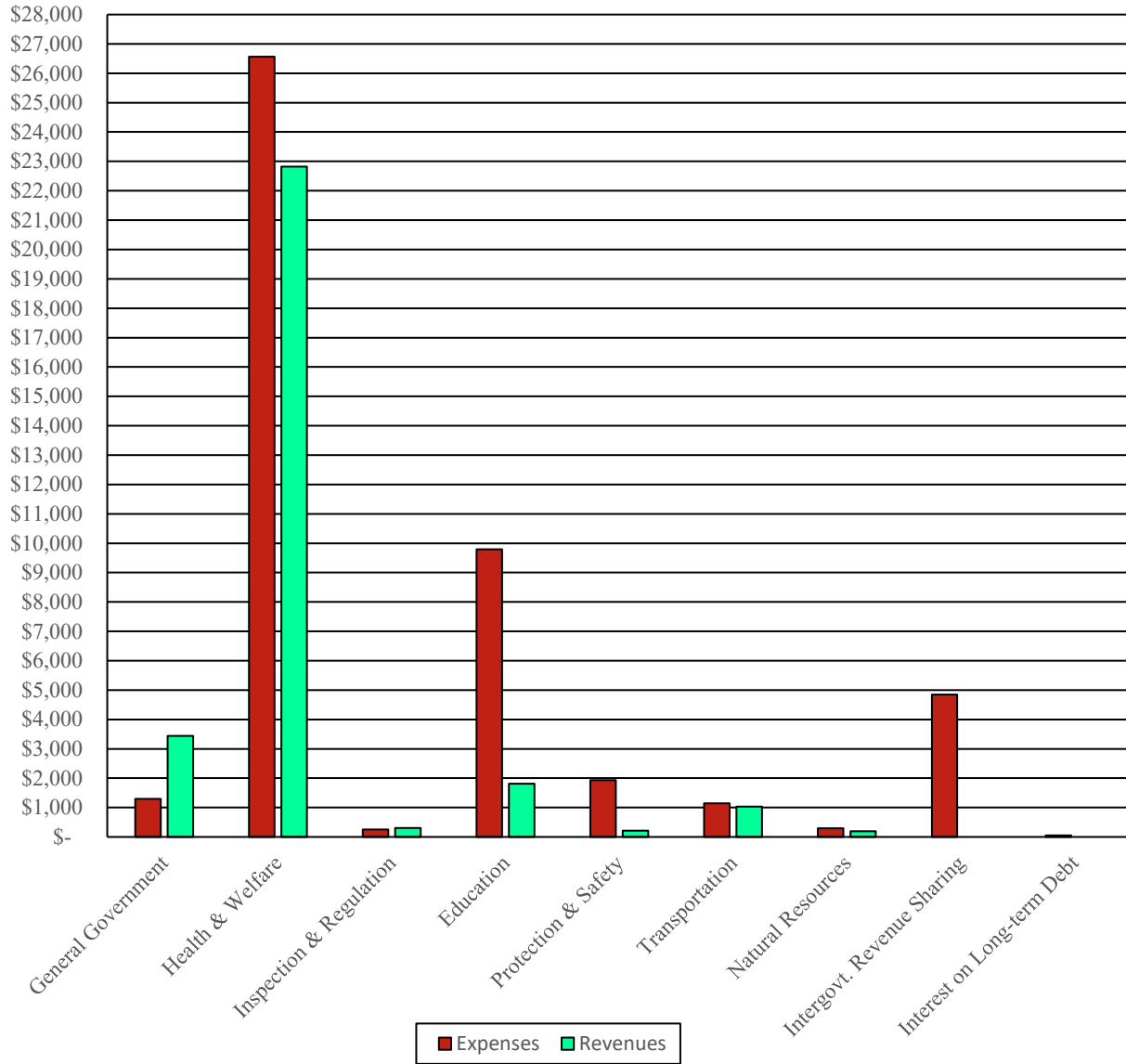
Governmental Activities — Net Position increased by \$7.0 billion representing a 21% increase from fiscal year 2021 due to the State favorably managing its expenditures relative to revenues. Reported sales and income tax revenues grew by \$1.5 billion, or 15% and \$2.0 billion, or 30%, from fiscal year 2021, respectively. The increase in tax collections generally reflects improved economic activity in the State during fiscal year 2022. Net taxable sales rose by 16% from fiscal year 2021, resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2022 were in retail, restaurants and bars, and remote seller/marketplace facilitator. The increase in income tax revenue for the State during fiscal year 2022 reflects increased withholding, individual, and corporate tax collections. The Permanent Fund investment portfolio experienced a decrease of \$834.9 million in the fair value of investments. Furthermore, operating grants and contributions increased by \$3.1 billion (13%) compared to fiscal year 2021. This increase is mostly attributable to the rise in federal and local government grants received by the AHCCCS due to an increase in the Federal Medical Assistance Percentage (FMAP) rate of 6.2% from the Families First Coronavirus Response Act, effective January 1, 2020, temporary increase of 10% FMAP for home and community-based services from the ARPA signed into law March 11, 2021, and increases in the funding received for the designated State health programs for the targeted investment program, access to professional services initiative and hospital assessment collections. The increase in health and welfare expenses of \$3.9 billion (17%) is mostly due to AHCCCS utilization, capitation rate increases, the COVID-19 behavioral health grants, the Hospital Enhanced Access Leading to Health Improvements Initiative, ARPA directed payments and enrollment growth. The increase in education expenses of \$1.5 billion (19%) was primarily due to increased aid to school districts and charter schools, and for additional school days.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2021 and 2022. 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	
	2022	2021	2022	2021
Functions/Programs:				
General government	\$ 1,295,921	\$ 1,779,607	\$ (2,141,159)	\$ 575,533
Health and welfare	26,566,010	22,636,105	3,742,498	2,650,952
Inspection and regulation	249,665	192,692	(57,230)	(62,258)
Education	9,792,491	8,257,299	7,980,433	4,878,854
Protection and safety	1,935,823	1,891,198	1,725,149	1,621,256
Transportation	1,143,401	1,094,831	112,050	71,459
Natural resources	292,800	279,965	102,839	87,877
Intergovernmental revenue sharing	4,844,422	4,418,998	4,844,422	4,418,998
Interest on long-term debt	56,581	95,967	56,581	95,967
Total Governmental Activities	<u>\$ 46,177,114</u>	<u>\$ 40,646,662</u>	<u>\$ 16,365,583</u>	<u>\$ 14,338,638</u>

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2022
(in millions of dollars)



Business-type Activities — Net Position increased by \$1.5 billion from fiscal year 2021, or 43%. This increase is primarily due to increases in net position for the Unemployment Compensation Fund and Universities of \$1.2 billion and \$386.8 million, respectively. The Unemployment Compensation Fund’s operating revenue and operating expenses decreased by \$7.0 billion and \$8.0 billion, respectively as compared to the prior fiscal year showing signs that the fund is returning to more normal operating levels since the pandemic. Additionally, the fund received \$758.8 million from the ARPA to address negative economic impacts in response to the pandemic and a \$62.0 million one-time supplemental appropriation from the General Fund. Non-operating revenues and transfers from the General Fund more than offset the Universities’ operating loss of \$1.7 billion. The Universities’ operating revenues increased by \$392.6 million over fiscal year 2021 mostly due to an increase in auxiliary enterprises revenue due to the restoration of pre-pandemic levels of operating activities and an increase in tuition and fee revenues primarily as a result of a rise in full-time student enrollment.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for the fiscal years 2021 and 2022. 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				
		2022	2021	2022	2021			
Functions/Programs:								
Universities	\$	6,244,746	\$	5,904,889	\$	809,893	\$	634,593
Unemployment compensation		542,802		8,513,331		(1,114,503)		(29,760)
Other		1,211,075		1,245,997		(282,591)		(259,231)
Total Business-type Activities	\$	7,998,623	\$	15,664,217	\$	(587,201)	\$	345,602

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

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

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2022, the non-spendable, restricted and committed fund balances were: \$13.4 million, \$1.2 billion, and \$323.4 million, respectively.

The fund balance of the State's General Fund increased \$4.4 billion during the fiscal year. Revenues exceeded expenditures by \$5.5 billion, before other financing sources and uses. However, other financing sources and uses offset this excess by \$1.1 billion, which consisted primarily of transfers to the Universities in support of higher education in the amount of \$937.9 million, offset by legislative transfers from other funds to the General Fund. Overall revenues increased by \$8.4 billion (22%) and expenditures increased by \$5.2 billion (14%) from fiscal year 2021. Primary reasons for increases in fund balance during the fiscal year are increased sales and income taxes and increased intergovernmental revenue due to a rise in federal government funding received by AHCCCS and the Governor's office. Primary reasons for decreases in fund balance during the fiscal year were due to expenditure increases for health and welfare and education. The significant increases and decreases were discussed in the government-wide financial analysis beginning on **page 25**.

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 ADOT. Total fund balance increased by \$352.4 million during fiscal year 2022. Although revenues exceeded expenditures by \$605.1 million, transfers to non-major governmental funds of \$312.4 million, to pay debt service, largely offset this excess. Overall, revenue increased by \$217.0 million (6%) and expenditures increased by \$192.9 million (6%), as compared to the prior fiscal year.

Land Endowments Fund

The Land Endowments Fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. For fiscal year 2022, the Land Endowments Fund total fund balance decreased by \$556.4 million. Endowment investments decreased by \$550.8 million at fiscal year-end, mainly due to a net decrease in

the fair value of investments of \$834.9 million which was offset by realized gains of \$118.3 million and increased land sales of \$182.9 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 25**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Differences between the original budget and the final amended budget resulted in a \$3.5 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- \$771.6 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$1.1 billion increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for traditional Medicaid services for \$418.1 million, Proposition 204 services for \$324.8 million, ALTCS for \$256.5 million, and Comprehensive Medical and Dental Services program for \$50.0 million.
- The \$1.2 billion increase to the ADE's original budget is primarily due to the basic state aid deferred payment from fiscal year 2021 for \$930.7 million, which was appropriated as a supplemental appropriation in the fiscal year 2022 budget, as well as funding for additional school days for \$150.4 million, and funding for school districts and charter schools for \$75.0 million.
- The \$422.6 million increase to the DES's original budget is primarily due to supplemental appropriations for the DDD to implement the ARPA of 2021 home and community-based services plan for \$362.7 million, workforce investment act services of \$34.9 million, and a loan from the Budget Stabilization fund for reimbursement grants of \$25.0 million. This overall increase was offset by a \$4.8 million decrease in supplemental appropriations for Case Management – Title XIX for \$2.9 million, DDD for \$1.0 million, and Institutional Services – Title XIX for \$0.9 million.
- The \$185.7 million increase to the Arizona Department of Administration's (ADOA) original budget is primarily due to supplemental appropriations for building renewal grants in the school facilities division within ADOA for \$93.1 million and for the partial defeasance of COP Series 2015 and full defeasance of Direct Placement COP Series 2017 for \$93.5 million.

The actual expenditures were less than the final budget by \$5.4 billion. Of this amount, \$736.8 million will continue as legislative multiple fiscal year spending authority for fiscal years 2023 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$4.7 billion represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 165-180 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, 2022 totaled \$34.2 billion, net of accumulated depreciation and amortization. The total primary government increase in capital assets for the current period was 5%, with a 3% increase in capital assets used for governmental activities and a 12% increase for business-type activities. Depreciation and amortization charges of the governmental and business-type activities for the fiscal year totaled \$663.8 million.

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

- The ADOT started or completed roads and bridges totaling \$497.1 million during the fiscal year.
- The Universities' additions to capital assets totaled \$984.4 million and included projects to provide needed classroom, instructional, collaboration, and office space as well as parking infrastructure to support the growth of academic programs.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Right-to-use lease assets are amortized from the start of the lease date until 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 and right-to-use lease assets for the governmental and business-type activities as of June 30, 2022 and 2021 are presented below (expressed in thousands):

Capital Assets	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,811,853	\$ 3,701,497	\$ 301,932	\$ 298,815	\$ 4,113,785	\$ 4,000,312
Buildings	2,561,988	2,521,043	8,619,452	8,026,283	11,181,440	10,547,326
Improvements other than buildings	219,507	222,447	26,012	16,278	245,519	238,725
Equipment	1,008,964	1,005,481	1,939,222	1,836,621	2,948,186	2,842,102
Software and other intangibles	605,459	605,050	163,075	163,075	768,534	768,125
Collections (non-depreciable)	—	—	28,163	28,155	28,163	28,155
Infrastructure	16,882,405	16,699,954	766,983	733,839	17,649,388	17,433,793
Construction in progress	3,974,624	3,799,196	426,408	620,142	4,401,032	4,419,338
Development in progress	9,764	6,358	85,708	77,100	95,472	83,458
Total Capital Assets	29,074,564	28,561,026	12,356,955	11,800,308	41,431,519	40,361,334
Less: accumulated depreciation	(2,538,023)	(2,425,527)	(5,603,260)	(5,265,347)	(8,141,283)	(7,690,874)
Total Capital Assets, Net	\$ 26,536,541	\$ 26,135,499	\$ 6,753,695	\$ 6,534,961	\$ 33,290,236	\$ 32,670,460

Right-to-Use Lease Assets	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,167	\$ —	\$ —	\$ —	\$ 2,167	\$ —
Buildings	367,583	—	658,300	—	1,025,883	—
Equipment	—	—	4,643	—	4,643	—
Total Right-to-Use Lease Assets	369,750	—	662,943	—	1,032,693	—
Less: accumulated amortization	(43,471)	—	(69,028)	—	(112,499)	—
Total Right-to-Use Lease Assets, Net	\$ 326,279	\$ —	\$ 593,915	\$ —	\$ 920,194	\$ —

For more detail on beginning net position restatements involving capital assets and right-to-use lease assets, see Note 4.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1.H. Assets accounted for under the modified approach include 9,415 center lane miles of roads (22,383 travel lane miles) and 4,927 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 3.51 was achieved for fiscal year 2022.

The State manages its bridges using the Bridge Management System. To comply with federal standards, the State is expected to maintain its bridges to a condition where not more than 10.0% are classified as poor. The State’s most recent assessment indicated that 0.6% of the bridges were so classified for fiscal year 2022.

More detailed information regarding capital assets is on pages 103-105.

Long-term debt:

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

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

- The ADOA defeased \$610.8 million in COPs and refunding COPs and \$223.1 million in revenue refunding bonds.
- The ADOT retired \$284.0 million in revenue bonds and issued \$84.5 million in revenue refunding direct placement bonds.
- The Arizona State University issued revenue bonds for \$172.2 million primarily to fund the improvements, renovation, purchase and deferred maintenance of capital facilities. The Universities also retired \$111.6 million in revenue bonds and revenue refunding bonds.

**State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2022 and 2021
(expressed in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue bonds	\$ 1,365,585	\$ 1,872,630	\$ 3,676,945	\$ 3,616,395	\$ 5,042,530	\$ 5,489,025
Grant anticipation notes	163,705	184,460	—	—	163,705	184,460
Certificates of participation	217,410	839,825	245,145	289,610	462,555	1,129,435
Direct placements	73,320	4,005	234,280	247,785	307,600	251,790
Total	\$ 1,820,020	\$ 2,900,920	\$ 4,156,370	\$ 4,153,790	\$ 5,976,390	\$ 7,054,710

More detailed information regarding long-term debt can be found on pages 122-138

ECONOMIC CONDITION AND OUTLOOK

The Office of Economic Opportunity within the ADOA is forecasting the State to gain a projected 90,625 jobs, representing an annual growth rate of 1.4% over the two-year projected employment period of 2022 (quarter 2) to 2024 (quarter 2).

The following budgetary information is based on the State of Arizona's Fiscal Year 2023 Appropriations Report.

The State’s fiscal year 2023 General Fund budget is based on \$16.8 billion in revenue and \$15.8 billion in spending. The budget includes increased spending for the ADE, AHCCCS, the DES, and for one-time capital and transportation projects. These increases in spending were offset with savings from a one-time buy down of State employee pension debt and early payoff of State building debt which occurred in fiscal year 2022. The General Fund fiscal year 2023 cash balance is projected to be \$1.1 billion. The ending cash balance estimate does not reflect the Budget Stabilization Fund reserve amount that is expected to have a balance of \$1.4 billion at the end of fiscal year 2023.

The following budgetary information is based on the State of Arizona's Fiscal Year 2024 Appropriations Report.

The State’s fiscal year 2023 General Fund budget has been revised to increase revenue projections from \$16.8 billion to \$18.1 billion based on a projected 8.8% base revenue growth, a one-time gain of \$75.5 million associated with depositing a portion of an Attorney General litigation settlement from Google into the General Fund, with an offset of \$700.0 million revenue loss associated with a

reduction in individual income tax withholding rates. Additionally, the spending has been adjusted downwards from \$15.8 billion to \$15.6 billion primarily based on a reduction of \$482.0 million in additional Medicaid revertsments, offset with a \$180.6 million supplemental appropriation to fund the ADE formula costs and \$28.2 million in various other supplemental appropriations and ex-appropriations.

The State's fiscal year 2024 revenues are projected to be \$17.8 billion compared to spending of \$17.8 billion with an ending cash balance of \$10.0 million. The State's fiscal year 2025 revenues are projected to be \$16.3 billion compared to spending of \$16.2 billion with an ending cash balance of \$75.8 million.

The following budgetary information is based on the Joint Legislative Budget Committee's Finance Advisory Committee - Revenue and Budget update on October 11, 2023.

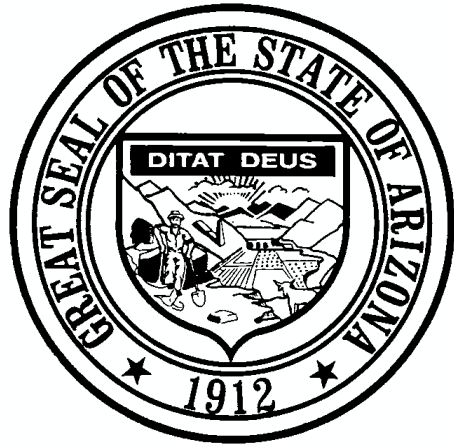
The fiscal year 2024 enacted budget assumed ongoing General Fund revenue growth of 1.9% in fiscal year 2024 but revenues have declined by 6.2% since July primarily as a result of decreased individual income tax collections of \$243.0 million and slowed sales tax growth (\$64.0 million loss relative to the budget) with an offset of increased corporate income tax collections of \$83.0 million. The new October forecast projects that revenues will decline 0.6% for all of fiscal year 2024 resulting in a projected General Fund balance shortfall of \$400.0 million. Additionally, the fiscal year 2024 budget assumed \$625.0 million spending of Empowerment Scholarship Accounts (ESA) awards for 68,000 students but actual enrollment is currently 68,000 with awards of \$665.0 million.

The projected General Fund balance shortfall in fiscal year 2025 is \$450.0 million. The forecast assumes that ESA enrollment will grow to 75,000 in fiscal year 2025 with total awards of \$752.0 million.

CONTACTING THE STATE COMPTROLLER'S OFFICE

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

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 70**.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2022
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
ASSETS				
Current Assets:				
Cash	\$ 5,525	\$ 479,132	\$ 484,657	\$ 45,989
Cash with U.S. Treasury	—	1,456,517	1,456,517	—
Cash and pooled investments with State Treasurer	14,128,734	467,121	14,595,855	500,202
Restricted cash and pooled investments with State Treasurer	256,106	—	256,106	—
Cash held by trustee	—	—	—	41,820
Collateral investment pool	107,855	—	107,855	—
Short-term investments	—	297,811	297,811	85,385
Restricted investments held by trustee	—	—	—	1,183
Receivables, net of allowances:				
Taxes	1,253,164	67,953	1,321,117	—
Interest	69,726	2,013	71,739	3,230
Leases	9,247	13,958	23,205	1,234
Loans and notes	372	3,310	3,682	61,142
Other	1,933,161	413,509	2,346,670	14,446
Internal balances	65,961	(65,961)	—	—
Due from U.S. Government	1,503,781	294,055	1,797,836	—
Due from local governments	108,901	—	108,901	—
Due from others	434,720	—	434,720	—
Due from component units	12,363	—	12,363	—
Due from primary government	—	—	—	3,428
Custodial securities in safekeeping	135,651	—	135,651	6,822
Inventories, at cost	17,991	23,830	41,821	—
Other current assets	20,353	32,363	52,716	858
Total Current Assets	<u>20,063,611</u>	<u>3,485,611</u>	<u>23,549,222</u>	<u>765,739</u>
Noncurrent Assets:				
Restricted assets:				
Cash	42	48,006	48,048	—
Cash and pooled investments with State Treasurer	1,555,702	—	1,555,702	11,965
Cash held by trustee	69,241	218,938	288,179	22,585
Investments	3,682	—	3,682	—
Investments held by trustee	—	387,675	387,675	1,805
Receivables, net of allowances:				
Leases	1,163,805	192,261	1,356,066	—
Loans and notes	757,636	28,761	786,397	659,318
Other	—	—	—	124,484
Securities held in escheat	78,230	—	78,230	—
Equity interest in joint venture	—	4,993	4,993	—
Investments	—	1,718,282	1,718,282	169,935
Endowment investments	7,065,119	737,903	7,803,022	—
Net OPEB asset	123,121	836	123,957	—
Other noncurrent assets	—	14,352	14,352	21,229
Capital assets:				
Infrastructure, land, and other non-depreciable	24,652,983	842,211	25,495,194	33,387
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,883,558	5,911,484	7,795,042	119,999
Right-to-use lease assets, net of accumulated amortization	326,279	593,915	920,194	2,576
Total Noncurrent Assets	<u>37,679,398</u>	<u>10,699,617</u>	<u>48,379,015</u>	<u>1,167,283</u>
Total Assets	<u>57,743,009</u>	<u>14,185,228</u>	<u>71,928,237</u>	<u>1,933,022</u>

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2022
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 1,951,631	\$ 360,453	\$ 2,312,084	\$ 618
Related to OPEB	183,727	177,289	361,016	38
Loss on debt refundings	46,409	60,869	107,278	25,253
Interest rate swap	—	5,842	5,842	—
Total Deferred Outflows of Resources	2,181,767	604,453	2,786,220	25,909
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	766,113	274,172	1,040,285	14,268
Payable for securities purchased	—	3,981	3,981	—
Accrued liabilities	1,753,291	204,513	1,957,804	3,809
Obligations under securities loan agreements	107,855	—	107,855	—
Tax refunds payable	8,203	—	8,203	—
Due to U.S. Government	1,130,954	124,753	1,255,707	—
Due to local governments	2,039,870	—	2,039,870	—
Due to others	681,772	107,065	788,837	7,066
Due to component units	3,428	—	3,428	—
Due to primary government	—	—	—	12,363
Unearned revenue	2,708,082	462,643	3,170,725	1,279
Current portion of accrued insurance losses	172,092	10,453	182,545	14,357
Current portion of long-term debt	319,629	284,669	604,298	52,206
Current portion of other long-term liabilities	221,608	58,974	280,582	932
Total Current Liabilities	9,912,897	1,531,223	11,444,120	106,280
Noncurrent Liabilities:				
Unearned revenue	59,253	—	59,253	1,654
Accrued insurance losses	364,767	204,109	568,876	216,872
Funds held for others	—	25,196	25,196	—
Net pension liability	2,743,975	1,261,523	4,005,498	2,246
Net OPEB liability	719,659	438,759	1,158,418	159
Long-term debt	1,858,542	4,377,506	6,236,048	411,801
Derivative instrument - interest rate swap	—	5,842	5,842	—
Other long-term liabilities	576,784	705,121	1,281,905	6,233
Total Noncurrent Liabilities	6,322,980	7,018,056	13,341,036	638,965
Total Liabilities	16,235,877	8,549,279	24,785,156	745,245
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	770,832	429,198	1,200,030	752
Related to OPEB	392,200	297,239	689,439	14
Related to leases	1,170,820	205,630	1,376,450	4,534
Resources received before time requirements met	—	202,723	202,723	—
Gain on debt refundings	42,227	3,033	45,260	—
Total Deferred Inflows of Resources	2,376,079	1,137,823	3,513,902	5,300

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2022
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
NET POSITION				
Net investment in capital assets	\$ 24,388,905	\$ 2,422,730	\$ 26,811,635	\$ 54,799
Restricted for:				
General government	490,485	—	490,485	—
Health and welfare	1,146,897	—	1,146,897	—
Inspection and regulation	15,112	—	15,112	—
Education	626,847	—	626,847	—
Protection and safety	15,715	—	15,715	—
Natural resources	20,025	—	20,025	—
Unemployment Compensation	—	1,421,986	1,421,986	—
Capital projects	700,997	39,572	740,569	—
Debt service	72,488	34,601	107,089	99,524
Permanent funds and University funds:				
Expendable	64,651	471,604	536,255	—
Nonexpendable	7,809,356	300,801	8,110,157	—
Loans and other financial assistance:				
Expendable	122,598	—	122,598	862,421
Other	—	8,995	8,995	135,886
Unrestricted	5,838,744	402,290	6,241,034	55,756
Total Net Position	\$ 41,312,820	\$ 5,102,579	\$ 46,415,399	\$ 1,208,386

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

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STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

ASSETS

Cash and cash equivalent investments	\$ 273,802
Restricted cash	4,613
Receivables:	
Pledges receivable	230,881
Other receivables	117,982
Total receivables	<u>348,863</u>
Investments:	
Investments in securities	3,157,304
Other investments	95,327
Total investments	<u>3,252,631</u>
Net direct financing leases	48,679
Property and equipment, net of accumulated depreciation	167,845
Intangible assets, net	22,816
Other assets	70,368
Total Assets	<u>4,189,617</u>

LIABILITIES

Accounts payable and accrued liabilities	74,698
Liability under endowment trust agreements	655,427
Long-term debt	284,404
Deferred revenue	62,074
Other liabilities	52,095
Total Liabilities	<u>1,128,698</u>

NET ASSETS

With donor restrictions	2,634,128
Without donor restrictions	426,791
Total Net Assets	<u>\$ 3,060,919</u>

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

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 1,295,921	\$ 654,890	\$ 2,782,190	\$ —
Health and welfare	26,566,010	747,713	22,075,799	—
Inspection and regulation	249,665	252,394	54,501	—
Education	9,792,491	77,338	1,734,720	—
Protection and safety	1,935,823	106,564	104,110	—
Transportation	1,143,401	44,941	206,365	780,045
Natural resources	292,800	88,986	100,975	—
Intergovernmental revenue sharing	4,844,422	—	—	—
Interest on long-term debt	56,581	—	—	—
Total Governmental Activities	<u>46,177,114</u>	<u>1,972,826</u>	<u>27,058,660</u>	<u>780,045</u>
Business-type Activities:				
Universities	6,244,746	3,244,938	2,115,168	74,747
Unemployment Compensation	542,802	420,779	1,236,526	—
Other	1,211,075	1,491,958	—	1,708
Total Business-type Activities	<u>7,998,623</u>	<u>5,157,675</u>	<u>3,351,694</u>	<u>76,455</u>
Total Primary Government	<u>\$ 54,175,737</u>	<u>\$ 7,130,501</u>	<u>\$ 30,410,354</u>	<u>\$ 856,500</u>
COMPONENT UNITS:				
Arizona Finance Authority	\$ 74,677	\$ 84,262	\$ 14,338	\$ —
Other Component Units	90,660	34,625	8,614	—
Total Component Units	<u>\$ 165,337</u>	<u>\$ 118,887</u>	<u>\$ 22,952</u>	<u>\$ —</u>

General Revenues:

- Taxes:
 - Sales
 - Income
 - Tobacco
 - Property
 - Motor vehicle and fuel
 - Other
- Unrestricted investment earnings
- Unrestricted grants and contributions
- Gain on sale of trust land
- Payments from primary government
- Loss on in-substance defeasance
- Miscellaneous
- Contributions to permanent endowments
- Transfers

Total General Revenues, Contributions, and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

The Notes to the Financial Statements are an integral part of this statement. For beginning net position restatement detail, see Note 8 and 15.L.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
\$	2,141,159			\$ 2,141,159	
	(3,742,498)			(3,742,498)	
	57,230			57,230	
	(7,980,433)			(7,980,433)	
	(1,725,149)			(1,725,149)	
	(112,050)			(112,050)	
	(102,839)			(102,839)	
	(4,844,422)			(4,844,422)	
	(56,581)			(56,581)	
	<u>(16,365,583)</u>			<u>(16,365,583)</u>	
		\$ (809,893)		(809,893)	
		1,114,503		1,114,503	
		282,591		282,591	
		<u>587,201</u>		<u>587,201</u>	
	<u>(16,365,583)</u>	<u>587,201</u>		<u>(15,778,382)</u>	
					\$ 23,923
					<u>(47,421)</u>
					<u>(23,498)</u>
	10,981,317	130,456		11,111,773	—
	8,678,628	—		8,678,628	—
	287,539	—		287,539	—
	43,278	—		43,278	—
	2,497,258	—		2,497,258	—
	904,528	—		904,528	—
	(55,401)	(83,975)		(139,376)	(6,319)
	37,860	—		37,860	275
	663,197	—		663,197	—
	—	—		—	103,053
	(24,475)	—		(24,475)	—
	167,051	91,616		258,667	1,582
	—	4,490		4,490	—
	<u>(785,620)</u>	<u>785,620</u>		<u>—</u>	<u>—</u>
	<u>23,395,160</u>	<u>928,207</u>		<u>24,323,367</u>	<u>98,591</u>
	7,029,577	1,515,408		8,544,985	75,093
	<u>34,283,243</u>	<u>3,587,171</u>		<u>37,870,414</u>	<u>1,133,293</u>
\$	<u>41,312,820</u>	\$ <u>5,102,579</u>		\$ <u>46,415,399</u>	\$ <u>1,208,386</u>

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES			
Contributions	\$ 25,937	\$ 390,236	\$ 416,173
Student revenues, net of scholarship allowance of \$169,561	290,433	—	290,433
Rental revenue	43,980	—	43,980
Sales and services	53,614	—	53,614
Net investment income	86,215	(84,662)	1,553
Grants and aid	72,007	5,889	77,896
Other revenues	53,818	3,451	57,269
Net assets released from restrictions	284,278	(284,278)	—
Total Revenues	<u>910,282</u>	<u>30,636</u>	<u>940,918</u>
EXPENSES			
Program services:			
Payments to Universities	256,114	—	256,114
Leasing related expenses	15,215	—	15,215
Payments on behalf of Universities	29,976	—	29,976
Other program services	10,867	—	10,867
Management and general expenses	207,279	—	207,279
Fundraising expenses	14,025	—	14,025
Academic and educational activities	250,200	—	250,200
Interest	8,576	—	8,576
Depreciation and amortization	12,077	—	12,077
Other expenses	17,553	—	17,553
Total Expenses	<u>821,882</u>	<u>—</u>	<u>821,882</u>
Increase in Net Assets, before losses	88,400	30,636	119,036
Loss of uncollectible pledges	—	(2,074)	(2,074)
Loss on sale of capital assets	(978)	—	(978)
Increase in Net Assets	87,422	28,562	115,984
Net Assets - Beginning, as restated	336,593	2,608,342	2,944,935
Transfers	2,776	(2,776)	—
Net Assets - Ending	<u>\$ 426,791</u>	<u>\$ 2,634,128</u>	<u>\$ 3,060,919</u>

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

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STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
ASSETS			
Cash	\$ 153	\$ —	\$ 28
Cash and pooled investments with State Treasurer	11,391,214	702,162	146,533
Collateral investment pool	34,102	—	71,490
Receivables, net of allowances:			
Taxes	1,052,068	72,500	—
Interest	10	—	66,147
Leases	687	21,758	759,401
Loans and notes	41,849	372	715,787
Other	451,806	10,343	2,022
Due from U.S. Government	1,341,670	139,386	—
Due from local governments	108,901	—	—
Due from component units	12,363	—	—
Due from others	434,720	—	—
Due from other funds	135,785	39,293	102
Custodial securities in safekeeping	—	—	—
Inventories, at cost	13,370	402	—
Restricted assets:			
Cash	42	—	—
Cash and pooled investments with State Treasurer	209,466	1,337,361	—
Cash held by trustee	175	2,185	—
Investments	3,682	—	—
Securities held in escheat	78,230	—	—
Endowment investments	—	—	7,065,119
Other	—	—	5
Total Assets	\$ 15,310,293	\$ 2,325,762	\$ 8,826,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 542,171	\$ 145,747	\$ 5,832
Accrued liabilities	1,158,265	4,542	739
Obligations under securities loan agreements	34,102	—	71,490
Tax refunds payable	—	8,203	—
Due to U.S. Government	370,574	—	—
Due to local governments	1,540,262	194,931	—
Due to component units	3,428	—	—
Due to others	516,024	—	22,120
Due to other funds	274,498	30,508	9,538
Unearned revenue	2,680,619	1,550	82,414
Total Liabilities	7,119,943	385,481	192,133
Deferred Inflows of Resources:			
Unavailable revenue	1,030,154	32,234	762,477
Related to leases	678	21,617	758,026
Total Deferred Inflows of Resources	1,030,832	53,851	1,520,503
Fund Balances:			
Nonspendable	13,370	402	7,113,998
Restricted	1,179,579	1,065,243	—
Committed	323,371	820,785	—
Unassigned	5,643,198	—	—
Total Fund Balances	7,159,518	1,886,430	7,113,998
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,310,293	\$ 2,325,762	\$ 8,826,634

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	5,344	\$ 5,525
	1,675,286	13,915,195
	2,263	107,855
	128,596	1,253,164
	3,569	69,726
	391,206	1,173,052
	—	758,008
	513,623	977,794
	22,725	1,503,781
	—	108,901
	—	12,363
	—	434,720
	254,059	429,239
	135,651	135,651
	707	14,479
	—	42
	264,981	1,811,808
	66,881	69,241
	—	3,682
	—	78,230
	—	7,065,119
	—	5
<u>\$</u>	<u>3,464,891</u>	<u>\$ 29,927,580</u>

\$	35,880	\$ 729,630
	57,399	1,220,945
	2,263	107,855
	—	8,203
	—	370,574
	304,677	2,039,870
	—	3,428
	143,628	681,772
	37,755	352,299
	2,752	2,767,335
<u>\$</u>	<u>584,354</u>	<u>8,281,911</u>

	451,237	2,276,102
<u>\$</u>	<u>390,499</u>	<u>1,170,820</u>

	841,736	3,446,922
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	707	7,128,477
	774,517	3,019,339
	1,263,577	2,407,733
	—	5,643,198
<u>\$</u>	<u>2,038,801</u>	<u>18,198,747</u>

<u>\$</u>	<u>3,464,891</u>	<u>\$ 29,927,580</u>
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**STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2022

(Expressed in Thousands)

Total fund balances - governmental funds \$ 18,198,747

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 26,463,494

Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 326,279

Certain revenues collected after year-end are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds. 2,276,102

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. (485,754)

The allocation of the internal service funds accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds. (12,110)

Accrued receivable for AHCCCS programmatic costs' reimbursements are not available in the current period and, therefore, are not reported in the governmental funds. 923,963

Net OPEB assets held in trust for future benefits are not available in the current period and, therefore, are not reported in the governmental funds. 121,635

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

Loss on refunding of debt	46,409	
Related to pensions	1,941,697	
Related to OPEB	180,747	2,168,853

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

Net pension	(2,705,584)	
Net OPEB	(709,477)	
Accrued interest on certificates of participation	(3,646)	
Revenue bonds	(1,365,585)	
Grant anticipation notes	(163,705)	
Certificates of participation	(217,410)	
Direct placements	(73,320)	
Financed purchases	(99,460)	
Premiums and discounts on debt	(258,691)	
Leases	(328,589)	
Compensated absences	(163,706)	
Pollution remediation obligations	(72,566)	
Utility/railroad settlement accrual and accrued relocation costs	(34,968)	(6,196,707)

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. (1,285,319)

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

Gain on refunding of debt	(42,227)	
Related to pensions	(758,249)	
Related to OPEB	(385,887)	(1,186,363)

Net position of governmental activities \$ 41,312,820

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

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STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
REVENUES			
Taxes:			
Sales	\$ 9,543,469	\$ 448,237	\$ —
Income	8,644,242	—	—
Tobacco	57,810	—	—
Property	29,251	14,027	—
Motor vehicle and fuel	24,934	2,411,647	—
Other	755,580	33,727	—
Intergovernmental	27,097,663	958,504	—
Licenses, fees, and permits	109,146	6,552	20,896
Hospital and nursing facility assessments	—	—	—
Earnings on investments	(16,230)	(17,335)	(818,062)
Interest revenues - leases	10	64	13,122
Amortization revenues - leases	37	1,588	14,843
Sales and charges for services	119,578	36,727	29,071
Fines, forfeitures, and penalties	20,140	—	—
Gaming	8,868	—	—
Tobacco settlement	108,433	—	—
Proceeds from sale of trust land	—	—	519,423
Other	138,630	28,419	1,836
Total Revenues	<u>46,641,561</u>	<u>3,922,157</u>	<u>(218,871)</u>
EXPENDITURES			
Current:			
General government	2,168,594	—	575
Health and welfare	25,517,667	—	6,700
Inspection and regulation	76,145	—	—
Education	8,225,252	—	309,069
Protection and safety	1,520,213	—	7,159
Transportation	—	1,149,038	—
Natural resources	104,589	—	6,263
Intergovernmental revenue sharing	3,138,688	1,694,345	—
Debt service:			
Principal	221,786	—	—
Interest and other fiscal charges	14,403	—	—
Capital outlay	127,876	473,638	5,031
Total Expenditures	<u>41,115,213</u>	<u>3,317,021</u>	<u>334,797</u>
Excess (Deficiency) before Expenditures	<u>5,526,348</u>	<u>605,136</u>	<u>(553,668)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	379,382	59,622	2,853
Transfers out	(1,559,741)	(312,423)	(5,626)
Lease proceeds	44,863	—	—
Proceeds from sale of capital assets	—	42	—
Refunding bonds issued	—	—	—
Payment to refunded bond escrow agent	—	—	—
Total Other Financing Sources (Uses)	<u>(1,135,496)</u>	<u>(252,759)</u>	<u>(2,773)</u>
Net Change in Fund Balances	4,390,852	352,377	(556,441)
Fund Balances - Beginning, as restated	2,768,666	1,534,053	7,670,439
Fund Balances - Ending	<u>\$ 7,159,518</u>	<u>\$ 1,886,430</u>	<u>\$ 7,113,998</u>

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

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	974,201	\$ 10,965,907
	—	8,644,242
	229,729	287,539
	—	43,278
	60,677	2,497,258
	115,221	904,528
	302,225	28,358,392
	421,402	557,996
	559,334	559,334
	76,894	(774,733)
	6,760	19,956
	7,646	24,114
	38,781	224,157
	116,607	136,747
	148,048	156,916
	—	108,433
	—	519,423
	42,567	211,452
	<u>3,100,092</u>	<u>53,444,939</u>
	173,607	2,342,776
	1,071,638	26,596,005
	168,070	244,215
	1,251,432	9,785,753
	371,548	1,898,920
	21	1,149,059
	172,644	283,496
	11,389	4,844,422
	1,053,840	1,275,626
	91,600	106,003
	38,910	645,455
	<u>4,404,699</u>	<u>49,171,730</u>
	<u>(1,304,607)</u>	<u>4,273,209</u>
	846,055	1,287,912
	(188,139)	(2,065,929)
	759	45,622
	—	42
	84,520	84,520
	(84,005)	(84,005)
	<u>659,190</u>	<u>(731,838)</u>
	(645,417)	3,541,371
	<u>2,684,218</u>	<u>14,657,376</u>
\$	<u>2,038,801</u>	\$ <u>18,198,747</u>

STATE OF ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 3,541,371

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 and amortization expense. Also, infrastructure was adjusted to primarily reflect reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital. This is the amount by which capital outlays exceeded depreciation and infrastructure adjustments in the current period.

Capital outlay	645,455	
Infrastructure adjustment	(25,837)	
Depreciation expense	(166,755)	
Amortization expense	(45,067)	
	407,796	407,796

The adjusted change in net position of the internal service funds allocable to governmental activities is included in the Statement of Activities. (58,606)

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

Sales taxes	15,410	
Income taxes	34,386	
Opioid settlement	450,845	
Operating grants	(115,098)	
Capital grants	27,906	
Other revenue	(732)	
	412,717	412,717

Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In fiscal year 2022, gains resulting from current year land sales exceeded mortgage payments received. In addition, accrued interest on land sales contracts is reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.

Excess of gains on sale of land over mortgage receipts	143,774	
Accrued interest on land sales' contracts	29,653	
	173,427	173,427

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

Pension contributions made during fiscal year 2022	1,505,236	
Pension expense and pension-related grant expense	(337,364)	
	1,167,872	1,167,872
OPEB contributions during fiscal year 2022	19,473	
OPEB expense	(51,467)	
	(31,994)	(31,994)

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

AHCCCS accrued programmatic costs	145,925	
ADOT accrued programmatic costs	10,782	
Compensated absences	14,533	
Pollution remediation obligation	(8,682)	
Interest on long-term obligations	8,179	
	170,737	170,737

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

STATE OF ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

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

Refunding bonds issued	(84,520)	
Lease proceeds	<u>(45,622)</u>	(130,142)

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

Debt service principal	1,275,626	
Payment to refunded bond escrow agent	84,005	
Debt premium/discount amortization	33,595	
Amortization of deferred gains/losses on refundings	<u>7,648</u>	1,400,874

Loss on in-substance defeasance		<u>(24,475)</u>
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Change in net position of governmental activities		<u><u>\$ 7,029,577</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current Assets:					
Cash	\$ 405,068	\$ 50,896	\$ 23,168	\$ 479,132	\$ —
Cash with U.S. Treasury	—	1,456,517	—	1,456,517	—
Cash and pooled investments with State Treasurer	239,995	—	227,126	467,121	213,539
Short-term investments	297,811	—	—	297,811	—
Receivables, net of allowances:					
Taxes	—	67,953	—	67,953	—
Interest	953	—	1,060	2,013	—
Leases	13,804	—	154	13,958	—
Loans and notes	3,310	—	—	3,310	—
Other	259,239	124,759	29,511	413,509	31,404
Due from U.S. Government	294,055	—	—	294,055	—
Due from other funds	—	—	—	—	2,061
Inventories, at cost	5,936	—	17,894	23,830	3,512
Other current assets	32,130	—	233	32,363	20,348
Total Current Assets	1,552,301	1,700,125	299,146	3,551,572	270,864
Noncurrent Assets:					
Restricted assets:					
Cash	48,006	—	—	48,006	—
Cash held by trustee	218,938	—	—	218,938	—
Investments held by trustee	387,675	—	—	387,675	—
Receivables, net of allowances:					
Leases	191,828	—	433	192,261	—
Loans and notes	28,761	—	—	28,761	—
Equity interest in joint venture	4,993	—	—	4,993	—
Investments	1,399,440	—	318,842	1,718,282	—
Endowment investments	737,903	—	—	737,903	—
Net OPEB asset	—	—	836	836	1,486
Other noncurrent assets	4,441	—	9,911	14,352	—
Capital assets:					
Land and other non-depreciable	834,756	—	7,455	842,211	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	5,839,242	—	72,242	5,911,484	73,047
Right-to-use lease assets, net of accumulated amortization	591,341	—	2,574	593,915	—
Total Noncurrent Assets	10,287,324	—	412,293	10,699,617	74,533
Total Assets	11,839,625	1,700,125	711,439	14,251,189	345,397
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	354,018	—	6,435	360,453	9,934
Related to OPEB	173,904	—	3,385	177,289	2,980
Loss on debt refundings	60,869	—	—	60,869	—
Interest rate swap	5,842	—	—	5,842	—
Total Deferred Outflows of Resources	594,633	—	9,820	604,453	12,914

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 JUNE 30, 2022
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER		
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 263,095	\$ —	\$ 11,077	\$ 274,172	\$ 36,482
Payable for securities purchased	—	—	3,981	3,981	—
Accrued liabilities	94,278	109,410	825	204,513	652
Due to U.S. Government	—	124,753	—	124,753	3,110
Due to others	23,924	10,031	73,110	107,065	—
Due to other funds	—	1,674	76,397	78,071	930
Unearned revenue	430,216	32,271	156	462,643	—
Current portion of accrued insurance losses	—	—	10,453	10,453	172,092
Current portion of long-term debt	284,669	—	—	284,669	—
Current portion of other long-term liabilities	56,263	—	2,711	58,974	14,184
Total Current Liabilities	<u>1,152,445</u>	<u>278,139</u>	<u>178,710</u>	<u>1,609,294</u>	<u>227,450</u>
Noncurrent Liabilities:					
Accrued insurance losses	—	—	204,109	204,109	364,767
Funds held for others	25,196	—	—	25,196	—
Net pension liability	1,234,266	—	27,257	1,261,523	38,391
Net OPEB liability	428,291	—	10,468	438,759	10,182
Long-term debt and other lease obligations	4,377,506	—	—	4,377,506	—
Derivative instrument - interest rate swap	5,842	—	—	5,842	—
Other long-term liabilities	702,883	—	2,238	705,121	184,379
Total Noncurrent Liabilities	<u>6,773,984</u>	<u>—</u>	<u>244,072</u>	<u>7,018,056</u>	<u>597,719</u>
Total Liabilities	<u>7,926,429</u>	<u>278,139</u>	<u>422,782</u>	<u>8,627,350</u>	<u>825,169</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	418,800	—	10,398	429,198	12,583
Related to OPEB	291,364	—	5,875	297,239	6,313
Related to leases	205,047	—	583	205,630	—
Resources received before time requirements met	202,723	—	—	202,723	—
Gain on debt refundings	3,033	—	—	3,033	—
Total Deferred Inflows of Resources	<u>1,120,967</u>	<u>—</u>	<u>16,856</u>	<u>1,137,823</u>	<u>18,896</u>
NET POSITION					
Net investment in capital assets	2,341,585	—	81,145	2,422,730	73,047
Restricted for:					
Unemployment compensation	—	1,421,986	—	1,421,986	—
Capital projects	39,572	—	—	39,572	—
Debt service	34,601	—	—	34,601	—
Universities fund:					
Expendable	471,604	—	—	471,604	—
Nonexpendable	300,801	—	—	300,801	—
Other	—	—	8,995	8,995	—
Unrestricted (deficit)	198,699	—	191,481	390,180	(558,801)
Total Net Position	<u>\$ 3,386,862</u>	<u>\$ 1,421,986</u>	<u>\$ 281,621</u>	<u>\$ 5,090,469</u>	<u>\$ (485,754)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				12,110	
Net position of business-type activities				<u>\$ 5,102,579</u>	

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

STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION**
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	OTHER		
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of \$1,083,034	\$ 2,568,315	\$ —	\$ —	\$ 2,568,315	\$ —
Auxiliary enterprises, net of scholarship allowances of \$40,808	519,864	—	—	519,864	—
Educational department	156,759	—	—	156,759	—
Other	—	—	1,489,756	1,489,756	1,071,300
Assessments	—	418,288	—	418,288	—
Intergovernmental	768,565	1,216,756	1,708	1,987,029	—
Nongovernmental grants and contracts	249,915	—	—	249,915	—
Fines, forfeitures, and penalties	—	2,491	—	2,491	—
Settlement income	—	—	2,202	2,202	—
Other	66,806	1,229	2,507	70,542	4,251
Total Operating Revenues	<u>4,330,224</u>	<u>1,638,764</u>	<u>1,496,173</u>	<u>7,465,161</u>	<u>1,075,551</u>
OPERATING EXPENSES					
Cost of sales and benefits	1,713,999	542,802	1,104,815	3,361,616	969,238
Scholarships and fellowships	473,309	—	—	473,309	—
Personal services	3,425,359	—	29,449	3,454,808	84,333
Contractual services	—	—	26,635	26,635	39,194
Depreciation and amortization	427,379	—	8,351	435,730	16,222
Insurance	—	—	737	737	45,172
Other	—	—	22,358	22,358	17,296
Total Operating Expenses	<u>6,040,046</u>	<u>542,802</u>	<u>1,192,345</u>	<u>7,775,193</u>	<u>1,171,455</u>
Operating Income (Loss)	<u>(1,709,822)</u>	<u>1,095,962</u>	<u>303,828</u>	<u>(310,032)</u>	<u>(95,904)</u>
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	130,456	—	—	130,456	—
Intergovernmental	817,889	—	—	817,889	—
Gifts and donations	361,546	—	—	361,546	—
Gain (loss) on sale of capital assets	(719)	—	(387)	(1,106)	473
Investment income	(37,390)	19,770	(46,585)	(64,205)	6
Endowment earnings on investments	(82,747)	—	—	(82,747)	—
Other non-operating revenue	19,410	—	2,770	22,180	—
Distributions	—	—	(14,660)	(14,660)	—
Interest expense	(159,572)	—	(15)	(159,587)	—
Other non-operating expense	(7,102)	—	(4,055)	(11,157)	(2,538)
Total Non-Operating Revenues (Expenses)	<u>1,041,771</u>	<u>19,770</u>	<u>(62,932)</u>	<u>998,609</u>	<u>(2,059)</u>
Income (Loss) Before Contributions and Transfers	<u>(668,051)</u>	<u>1,115,732</u>	<u>240,896</u>	<u>688,577</u>	<u>(97,963)</u>
Capital grants and contributions	74,747	—	—	74,747	8,934
Contributions to permanent endowments	4,490	—	—	4,490	—
Transfers in	975,641	62,000	11,150	1,048,791	8,938
Transfers out	—	(5,654)	(257,517)	(263,171)	(16,541)
Change in Net Position	<u>386,827</u>	<u>1,172,078</u>	<u>(5,471)</u>	<u>1,553,434</u>	<u>(96,632)</u>
Total Net Position - Beginning, as restated	<u>3,000,035</u>	<u>249,908</u>	<u>287,092</u>	<u>3,537,035</u>	<u>(389,122)</u>
Total Net Position - Ending	<u>\$ 3,386,862</u>	<u>\$ 1,421,986</u>	<u>\$ 281,621</u>	<u>\$ 5,090,469</u>	<u>\$ (485,754)</u>
Change in net position of enterprise funds				\$ 1,553,434	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(38,026)</u>	
Change in net position of business-type activities				<u>\$ 1,515,408</u>	

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

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STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT	OTHER	TOTAL	
		COMPENSATION		ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ —	\$ —	\$ 985,888	\$ 985,888	\$ —
Receipts from assessments	—	466,731	—	466,731	—
Receipts from student tuition and fees	2,516,652	—	—	2,516,652	—
Receipts from sales and services of auxiliary enterprises	521,398	—	—	521,398	—
Receipts from sales and services of educational departments	157,580	—	—	157,580	—
Receipts from interfund services / premiums	—	—	—	—	1,081,219
Receipts from grants and contracts	1,007,290	1,115,351	1,708	2,124,349	—
Receipts from student loans collected	2,581	—	—	2,581	—
Receipts from settlement income	—	—	2,202	2,202	—
Receipts from custodial funds	334,471	—	—	334,471	—
Payments to suppliers, prize winners, claimants, or insurance companies	(1,757,615)	(584,131)	(653,433)	(2,995,179)	(984,357)
Payments to employees	(3,495,388)	—	(50,142)	(3,545,530)	(85,054)
Payments to retirees	—	—	—	—	(15,659)
Payments for scholarships and fellowships	(463,213)	—	—	(463,213)	—
Payments for student loans issued	(5,269)	—	—	(5,269)	—
Custodial funds disbursed	(390,831)	—	—	(390,831)	—
Other receipts	105,113	2,508	5,178	112,799	4,243
Other payments	—	—	—	—	(2,538)
Net Cash Provided (Used) by Operating Activities	(1,467,231)	1,000,459	291,401	(175,371)	(2,146)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from share of State sales tax	124,424	—	—	124,424	—
Receipts from grants and contributions	2,299,190	—	—	2,299,190	—
Transfers from other funds	881,499	62,000	10,870	954,369	8,938
Grants and contributions disbursed	(1,025,542)	—	—	(1,025,542)	—
Distributions	—	—	(14,660)	(14,660)	—
Transfers to other funds	—	(5,130)	(268,332)	(273,462)	(16,541)
Net Cash Provided (Used) by Non-capital Financing Activities	2,279,571	56,870	(272,122)	2,064,319	(7,603)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	33	—	—	33	2,191
Proceeds from capital debt	190,234	—	—	190,234	—
Receipts from federal subsidy	2,963	—	—	2,963	—
Receipts from capital grants and contributions	64,757	—	—	64,757	—
Transfers from other funds	90,002	—	—	90,002	—
Acquisition and construction of capital assets	(588,082)	—	(5,020)	(593,102)	(2,291)
Interest paid on capital debt and leases	(203,742)	—	(38)	(203,780)	—
Principal paid on capital debt and leases	(219,082)	—	(364)	(219,446)	—
Net Cash (Used) by Capital and Related Financing Activities	(662,917)	—	(5,422)	(668,339)	(100)

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

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	UNEMPLOYMENT	OTHER	TOTAL	
		COMPENSATION		ENTERPRISE FUNDS	
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	764,736	—	131,505	896,241	—
Interest and dividends from investments	40,751	19,770	5,311	65,832	6
Purchase of investments	(1,086,759)	—	(132,323)	(1,219,082)	—
Net Cash Provided (Used) by Investing Activities	(281,272)	19,770	4,493	(257,009)	6
Net Increase (Decrease) in Cash and Cash Equivalents	(131,849)	1,077,099	18,350	963,600	(9,843)
Cash and Cash Equivalents - Beginning, as restated	1,043,856	430,314	231,944	1,706,114	223,382
Cash and Cash Equivalents - Ending	912,007	1,507,413	250,294	2,669,714	213,539
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,709,822)	\$ 1,095,962	\$ 303,828	\$ (310,032)	\$ (95,904)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	427,379	—	8,351	435,730	16,222
Miscellaneous income (expense)	31,899	—	(33)	31,866	(2,538)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in receivables, net of allowances	(84,993)	74,286	(8,875)	(19,582)	8,568
(Increase) decrease in due from other funds	—	(15)	—	(15)	2,256
(Increase) in inventories, at cost	(1,435)	—	(4,664)	(6,099)	(999)
(Increase) in other assets	(5,547)	—	(71)	(5,618)	(408)
(Increase) in net OPEB asset	—	—	(698)	(698)	(1,331)
Decrease in equity interest in joint venture	1,920	—	—	1,920	—
(Increase) decrease in deferred outflows of resources related to pensions	(44,485)	—	1,071	(43,414)	(728)
Decrease in deferred outflows of resources related to OPEB	37,572	—	746	38,318	832
Increase (decrease) in accounts payable	(82,239)	—	1,192	(81,047)	27,598
Increase (decrease) in accrued liabilities	(27,820)	21,909	2,655	(3,256)	118
Increase (decrease) in due to U.S. Government	—	(48,088)	—	(48,088)	1,016
Increase in due to other funds	—	—	—	—	218
Increase (decrease) in due to others	4,925	(88,730)	—	(83,805)	—
Increase (decrease) in unearned revenue	27,655	(54,865)	(17)	(27,227)	—
Increase (decrease) in accrued insurance losses	—	—	(10,978)	(10,978)	19,786
(Decrease) in net pension liability	(423,532)	—	(12,382)	(435,914)	(12,275)
(Decrease) in net OPEB liability	(202,852)	—	(3,619)	(206,471)	(3,501)
Increase in other liabilities	—	—	360	360	23,579
Increase in deferred inflows of resources related to pensions	390,588	—	9,637	400,225	11,254
Increase in deferred inflows of resources related to OPEB	194,576	—	4,315	198,891	4,091
Increase (decrease) in deferred inflows of resources related to leases	(1,020)	—	583	(437)	—
Net Cash Provided (Used) by Operating Activities	\$ (1,467,231)	\$ 1,000,459	\$ 291,401	\$ (175,371)	\$ (2,146)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other funds	\$ —	\$ —	\$ —	\$ —	\$ 18
Gifts and conveyances of capital assets	11,991	—	—	11,991	—
(Loss) on disposal of capital assets, net	(8,335)	—	(387)	(8,722)	—
(Decrease) in fair value of investments	(175,165)	—	(53,697)	(228,862)	—
(Decrease) in fair value of investments held by trustee	(18,369)	—	—	(18,369)	—
Amortization of bond premium	37,259	—	—	37,259	—
Intangible right-to-use lease asset additions	55,351	—	—	55,351	—
Total Noncash Investing, Capital and Non-capital Financing Activities	\$ (97,268)	\$ —	\$ (54,084)	\$ (151,352)	\$ 18

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

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ASSETS			
Cash	\$ 2,802,545	\$ 3,062	\$ 23,216
Cash and pooled investments with State Treasurer	—	1,573	53,870
Receivables, net of allowances:			
Accrued interest and dividends	49,452	467	3,936
Securities sold	240,847	23,441	—
Capital shares sold	—	1,594	—
Futures contracts	51,082	—	—
Contributions	145,883	—	—
Due from other funds	24,449	—	—
Distributions	—	535	—
Other	11,695	88	1
Total receivables	<u>523,408</u>	<u>26,125</u>	<u>3,937</u>
Investments, at fair value:			
Short-term investments	762,636	125,352	—
Fixed income securities	14,814,111	—	5,839,131
Gold bullion	—	1,962	—
Equity	33,606,098	—	—
Core bonds	572,796	—	—
Private credit	2,016,229	—	—
Real estate	9,652,333	—	—
Diversifying strategies	1,597,555	—	—
Collateral investment pool	651,095	2,175	13,791
Mutual funds	—	1,791,123	—
Registered investment companies	—	39,374	—
Other investments	629,895	—	—
Total investments	<u>64,302,748</u>	<u>1,959,986</u>	<u>5,852,922</u>
Due from others	—	—	70,014
Custodial securities in safekeeping	—	—	316,006
Other assets	—	87	—
Prepaid benefits	295,953	—	—
Net OPEB Asset	271	—	—
Property and equipment, net of accumulated depreciation	7,489	—	—
Total Assets	<u>67,932,414</u>	<u>1,990,833</u>	<u>6,319,965</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,165	—	—
Related to OPEB	29	—	—
Total Deferred Outflows of Resources	<u>2,194</u>	<u>—</u>	<u>—</u>
LIABILITIES			
Accounts payable and other current liabilities	28,890	212	—
Securities purchased payable	37,484	24,787	—
Management fee payable	—	514	277
Capital shares redeemed payable	—	1,229	—
Cash collateral on securities loaned	—	2,175	—
Obligation under securities loan agreements	651,095	—	13,791
Futures contracts payable	51,296	—	—
Due to others	—	1,225	4
Due to other funds	24,449	—	—
Net pension liability	7,648	—	—
Other liabilities	—	133	—
Total Liabilities	<u>800,862</u>	<u>30,275</u>	<u>14,072</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,600	—	—
Related to OPEB	243	—	—
Total Deferred Inflows of Resources	<u>2,843</u>	<u>—</u>	<u>—</u>
NET POSITION			
Restricted for:			
Pension benefits	64,329,977	—	—
Other post-employment benefits	2,800,926	—	—
Pool participants	—	—	5,855,750
Individuals, organizations, and other governments	—	1,960,558	450,143
Total Net Position	<u>\$ 67,130,903</u>	<u>\$ 1,960,558</u>	<u>\$ 6,305,893</u>

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

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS:			
Member contributions	\$ 1,630,158	\$ —	\$ —
Employer contributions	4,212,421	—	—
Health insurance contributions	5,799	—	—
Non-employer entity contributions	1,160,086	—	—
Contributions from other plans	452	—	—
Other contributions	—	12,934	—
Member purchase of service credit	36,429	—	—
Court fees	10,617	—	—
Investment income:			
Net increase (decrease) in fair value of investments	(1,278,633)	48,698	(64,234)
Interest, dividends, and other	733,863	38,751	26,039
Securities lending income	6,149	—	108
Total investment income	(538,621)	87,449	(38,087)
Less investment expenses:			
Investment activity expenses	258,615	8,511	3,021
Securities lending expenses	89	—	41
Net investment income	(797,325)	78,938	(41,149)
Capital share and individual account transactions:			
Shares sold	—	511,068	6,143,889
Reinvested distributions	—	70,018	22,160
Shares redeemed	—	(458,718)	(5,461,258)
Net capital share and individual account transactions	—	122,368	704,791
Other additions:			
Collections for restitutions	—	—	8,237
Collections for inmates	—	—	99,424
Collections for child support	—	—	648,588
Deposits from applicants	—	—	210,423
Collections from condemnation proceedings	—	—	1,948
Other revenues	7,939	—	452
Total Additions	6,266,576	214,240	1,632,714
DEDUCTIONS:			
Retirement, disability, and survivor benefits	4,883,825	—	—
Health insurance subsidy	127,469	—	—
Refunds to withdrawing members, including interest	326,441	—	—
Administrative expense	43,313	—	—
Distributions to shareholders	—	44,830	—
Allocation to pool participants	—	—	(41,252)
Other deductions	3,429	14,044	—
Distributions to individuals, organizations, and other governments	—	—	971,842
Total Deductions	5,384,477	58,874	930,590
Net increase in Fiduciary Net Position	882,099	155,366	702,124
Net Position - Beginning, as restated	66,248,804	1,805,192	5,603,769
Net Position - Ending	\$ 67,130,903	\$ 1,960,558	\$ 6,305,893

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

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2022
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 15,764	\$ 30,225	\$ 45,989
Cash and pooled investments with State Treasurer	246,531	253,671	500,202
Cash held by trustee	41,820	—	41,820
Short-term investments	—	85,385	85,385
Restricted investments held by trustee	—	1,183	1,183
Receivables, net of allowances:			
Interest	3,230	—	3,230
Loans and notes	61,118	24	61,142
Other	4,881	9,565	14,446
Lease receivables	—	1,234	1,234
Due from primary government	426	3,002	3,428
Custodial securities in safekeeping	6,822	—	6,822
Other current assets	—	858	858
Total Current Assets	<u>380,592</u>	<u>385,147</u>	<u>765,739</u>
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	11,965	—	11,965
Cash held by trustee	—	22,585	22,585
Investments held by trustee	—	1,805	1,805
Loans and notes receivable, net of allowances	648,445	10,873	659,318
Investments	18,803	151,132	169,935
Other receivables, net of allowances	—	124,484	124,484
Other noncurrent assets	—	21,229	21,229
Capital assets:			
Land and other non-depreciable	—	33,387	33,387
Buildings, equipment, and other depreciable, net of accumulated depreciation	2	119,997	119,999
Right-to-use lease assets, net of accumulated amortization	—	2,576	2,576
Total Noncurrent Assets	<u>679,215</u>	<u>488,068</u>	<u>1,167,283</u>
Total Assets	<u>1,059,807</u>	<u>873,215</u>	<u>1,933,022</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	467	151	618
Related to OPEB	—	38	38
Loss on debt refundings	22,713	2,540	25,253
Total Deferred Outflows of Resources	<u>23,180</u>	<u>2,729</u>	<u>25,909</u>

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

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2022
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 802	\$ 13,466	\$ 14,268
Accrued liabilities	2,690	1,119	3,809
Due to others	6,822	244	7,066
Due to primary government	—	12,363	12,363
Unearned revenue	—	1,279	1,279
Current portion of accrued insurance losses	—	14,357	14,357
Current portion of long-term debt	44,250	7,956	52,206
Current portion of other long-term liabilities	69	863	932
Total Current Liabilities	<u>54,633</u>	<u>51,647</u>	<u>106,280</u>
Noncurrent Liabilities:			
Unearned revenue	1,654	—	1,654
Accrued insurance losses	—	216,872	216,872
Net pension liability	1,204	1,042	2,246
Net OPEB liability	—	159	159
Long-term debt	210,001	201,800	411,801
Other long-term liabilities	—	6,233	6,233
Total Noncurrent Liabilities	<u>212,859</u>	<u>426,106</u>	<u>638,965</u>
Total Liabilities	<u>267,492</u>	<u>477,753</u>	<u>745,245</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	405	347	752
Related to OPEB	—	14	14
Related to leases	—	4,534	4,534
Total Deferred Inflows of Resources	<u>405</u>	<u>4,895</u>	<u>5,300</u>
NET POSITION			
Net investment in capital assets	2	54,797	54,799
Restricted for:			
Debt service	88,042	11,482	99,524
Loans and other financial assistance	713,484	148,937	862,421
Other	—	135,886	135,886
Unrestricted	13,562	42,194	55,756
Total Net Position	<u>\$ 815,090</u>	<u>\$ 393,296</u>	<u>\$ 1,208,386</u>

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

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Finance Authority	\$ 74,677	\$ 84,262	\$ 14,338
Other Component Units	90,660	34,625	8,614
Total	<u>\$ 165,337</u>	<u>\$ 118,887</u>	<u>\$ 22,952</u>

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

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
\$ 23,923	\$ —	\$ 23,923
—	(47,421)	(47,421)
(1,155)	(5,164)	(6,319)
—	275	275
4,290	98,763	103,053
—	1,582	1,582
<u>27,058</u>	<u>48,035</u>	<u>75,093</u>
<u>788,032</u>	<u>345,261</u>	<u>1,133,293</u>
<u>\$ 815,090</u>	<u>\$ 393,296</u>	<u>\$ 1,208,386</u>

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	OTHER COMPONENT UNITS	TOTAL
ASSETS				
Cash and cash equivalent investments	\$ 24,194	\$ 149,697	\$ 99,911	\$ 273,802
Restricted cash	—	—	4,613	4,613
Receivables:				
Pledges receivable, net of allowances	155,822	35,693	39,366	230,881
Other receivables	9,087	—	108,895	117,982
Total receivables	<u>164,909</u>	<u>35,693</u>	<u>148,261</u>	<u>348,863</u>
Investments:				
Investments in securities	1,669,104	1,214,084	274,116	3,157,304
Other investments	80,324	—	15,003	95,327
Total investments	<u>1,749,428</u>	<u>1,214,084</u>	<u>289,119</u>	<u>3,252,631</u>
Net direct financing leases	16,905	—	31,774	48,679
Property and equipment, net of accumulated depreciation	13,161	1,584	153,100	167,845
Intangible assets, net	—	—	22,816	22,816
Other assets	28,719	1,324	40,325	70,368
Total Assets	<u>1,997,316</u>	<u>1,402,382</u>	<u>789,919</u>	<u>4,189,617</u>
LIABILITIES				
Accounts payable and accrued liabilities	39,373	7,156	28,169	74,698
Liability under endowment trust agreements	384,081	232,121	39,225	655,427
Long-term debt	80,071	—	204,333	284,404
Deferred revenue	—	—	62,074	62,074
Other liabilities	29,339	—	22,756	52,095
Total Liabilities	<u>532,864</u>	<u>239,277</u>	<u>356,557</u>	<u>1,128,698</u>
NET ASSETS				
With donor restrictions	1,252,108	1,137,707	244,313	2,634,128
Without donor restrictions	212,344	25,398	189,049	426,791
Total Net Assets	<u>\$ 1,464,452</u>	<u>\$ 1,163,105</u>	<u>\$ 433,362</u>	<u>\$ 3,060,919</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, 2022
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	OTHER COMPONENT UNITS	TOTAL
REVENUES				
Contributions	\$ 206,803	\$ 167,666	\$ 41,704	\$ 416,173
Student revenues, net of scholarship allowance of \$169,561	—	—	290,433	290,433
Rental revenue	779	—	43,201	43,980
Sales and services	31,883	3,100	18,631	53,614
Net investment income	99,998	(63,785)	(34,660)	1,553
Grants and aid	—	—	77,896	77,896
Other revenues	12,671	13,754	30,844	57,269
Total Revenues	<u>352,134</u>	<u>120,735</u>	<u>468,049</u>	<u>940,918</u>
EXPENSES				
Program services:				
Payments to Universities	145,463	92,320	18,331	256,114
Leasing related expenses	—	—	15,215	15,215
Payments on behalf of Universities	—	26,432	3,544	29,976
Other program services	—	—	10,867	10,867
Management and general expenses	48,375	8,340	150,564	207,279
Fundraising expenses	—	8,629	5,396	14,025
Academic and educational activities	—	—	250,200	250,200
Interest	1,166	—	7,410	8,576
Depreciation and amortization	1,271	—	10,806	12,077
Other expenses	16,193	—	1,360	17,553
Total Expenses	<u>212,468</u>	<u>135,721</u>	<u>473,693</u>	<u>821,882</u>
Increase (decrease) in Net Assets, before losses	139,666	(14,986)	(5,644)	119,036
Loss of uncollectible pledges	—	—	(2,074)	(2,074)
Loss on sale of capital assets	—	—	(978)	(978)
Increase (decrease) in Net Assets	139,666	(14,986)	(8,696)	115,984
Net Assets - Beginning, as restated	<u>1,324,786</u>	<u>1,178,091</u>	<u>442,058</u>	<u>2,944,935</u>
Net Assets - Ending	<u>\$ 1,464,452</u>	<u>\$ 1,163,105</u>	<u>\$ 433,362</u>	<u>\$ 3,060,919</u>

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

STATE OF ARIZONA
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB. The Universities' component units have a June 30 year-end, with the exception of the Arizona State University Bermuda Institute of Ocean Sciences which has a December 31 year-end. The State's fiduciary component units have a June 30 year-end, with the exception of the AZ529 which has a September 30 year-end, a December 31 year-end, and a March 31 year-end due to the different year ends of the financial institutions holding the assets. The State's discretely presented component units have a June 30 year-end, with the exception of the Arizona Power Authority, which has a September 30 year-end, and the Department of Insurance and Financial Institutions Guaranty Funds, which have a December 31 year-end.

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

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

The Northern Arizona Capital Facilities Finance Corporation (NACFFC), the Arizona State University Bermuda Institute of Ocean Sciences (ASUBIOS), the Thunderbird School of Global Management (Thunderbird), and the Arizona State University Athletic Facilities District (ASUAFD) are blended with the Universities' financial statements. The NACFFC was established for the purpose of acquiring, developing, constructing, and operating student housing and other capital facilities and equipment for the use and benefit of Northern Arizona University's (NAU) students. The NACFFC's debt outstanding is expected to be repaid entirely with resources from the NAU. The ASUBIOS, a New York nonprofit corporation, primarily exists to benefit the Arizona State University (ASU) by providing an Atlantic Ocean hub for research and instructional activities. The ASUBIOS holds assets that are material to the ASU's overall financial position, primarily the ASUBIOS Campus and its research boat fleet, which are all controlled and managed by the ASU and

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

used to support the ASU's research and academic programs. The Thunderbird primarily exists to benefit the ASU by providing a framework for global education programming. The ASUAFD was formed pursuant to the provisions of Arizona Revised Statutes (A.R.S.) Title 48, Chapter 26 and supports the ASU's efforts to construct, reconstruct, finance, furnish, maintain, and improve intercollegiate athletic facilities located on the ASU's property, including utilities, roads, parking areas or buildings necessary for full use of the athletic facilities.

The State reports the following component units as fiduciary funds:

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

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

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer public employee retirement plan that benefits elected officials and judges of certain state, county, and local governments who were members of the plan on December 31, 2013, and remain in the plan. As part of the 2013 Fifty-first Legislature, House Bill 2608 effectively closed the EORP to new members and created the Elected Officials' Defined Contribution Retirement System (EODCRS), with an effective date of January 1, 2014. The EODCRS does not meet the GASB criteria for inclusion in the State's reporting entity. The Board of Trustees of the PSPRS administers the EORP plan according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The State has the ability to impose its will on the EORP as the State Legislature can modify the plan design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at <https://www.psprs.com>.

The Corrections Officer Retirement Plan (CORP) is a multiple-employer public employee retirement plan that benefits prison and jail employees of certain state, county, and local governments. CORP includes a cost-sharing multiple employer plan for Administrative Office of the Courts (AOC) probation officers and an agent multiple-employer plan for all other members. Pension reform legislation (Senate Bill 1442) passed in 2017 created a new tier of benefits for those members who will become members on or after July 1, 2018. Senate Bill 1442 closed CORP to new members for corrections and detention positions. Newly hired corrections and detention officers who work in state prisons, county jails, and municipalities will receive retirement benefits through the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPDCRP does not meet the GASB criteria for inclusion in the State's reporting entity. CORP remains open for new hires of the AOC's probation and surveillance positions. Those hired into these positions will have a choice of enrolling in the defined benefit plan or in the PSPDCRP. The Board of Trustees of the PSPRS, 28 local boards of the CORP, and 15 local boards of the AOC administer the plans according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. The State has the ability to impose its will on the CORP and AOC as the State Legislature can modify the plans design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at <https://www.psprs.com>.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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The State reports the following fiduciary component unit, which is aggregated within the State's fiduciary fund:

The AZ529 (formerly known as the Family College Savings Program) was established pursuant to A.R.S. § 15-1873. The AZ529 is an individual savings account that is exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary. The AZ529 is governed by the State Board of Investment consisting of the State Treasurer, the Director of the Department of Administration or designee, the Director of the Department of Insurance and Financial Institutions or designee, and two individuals appointed by the State Treasurer. All members of the governing board can be removed at will; thus the State has the ability to impose its will on the AZ529. The assets of the AZ529 are (1) administered through a trust equivalent agreement in which the State itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with benefit terms, and (3) legally protected from creditors of the State. Complete financial statements for the AZ529 may be obtained by contacting the AZ529 Plan Administrator at the State Treasurer's office at: Office of the Arizona State Treasurer, 1700 W. Washington Street, Phoenix, AZ 85007, and at (602) 542-7800.

The State reports the following discretely presented component units:

Major Component Unit:

Arizona Finance Authority (AFA) – In the Fifty-second Legislature - Second Regular Session (2016), the State Legislature passed into law House Bill 2666 (HB2666) that established the AFA. The AFA was created to provide a one-stop shop for financing, supporting expanding and relocating businesses, communities' infrastructure needs, and first-time homebuyers. The Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and the Arizona Industrial Development Authority (AIDA) are established in the AFA by HB2666 for this purpose. Also enacted by this law, the powers, duties, and responsibilities of the Arizona Health Facilities Authority, the Arizona Housing Finance Authority, and the Arizona International Development Authority succeed to the AIDA. The AFA is governed by a five-member board of directors that also governs the AFA's WIFA, GADA, and AIDA. Members are appointed by the Governor and serve at the pleasure of the Governor; thus, the State has the ability to impose its will on AFA.

The AFA's WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The AFA's WIFA has also entered into an agreement with the U.S. Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The AFA's GADA provides cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The AFA's AIDA provides cost-effective capital for private borrowers by reducing their financing costs through the issuance of tax-exempt bonds. Complete financial statements for AFA's WIFA and GADA may be obtained from the administrative office at 100 North 7th Avenue, Suite 130, Phoenix, AZ 85007, (602) 364-1323. Complete financial statements for AFA's AIDA may be obtained from Kutak Rock LLP's administrative office at 8601 North Scottsdale Road, Suite 300, Scottsdale, AZ 85253.

Non-major Component Units:

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) – The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. The Rio Nuevo receives a portion of the State's sales tax revenue generated from within its multipurpose facilities site. The Rio Nuevo is governed by a nine-member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by the Speaker of the House of Representatives. All board of directors can be removed at will; thus, the State has the ability to impose its will on Rio Nuevo. Complete financial statements may be obtained from Rio Nuevo's administrative office at 1703 East Broadway Boulevard, Tucson, AZ 85719, (520) 623-7336, or its website at <https://rionuevo.org>.

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

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Arizona Commerce Authority (ACA) – The ACA is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion, and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus, and responsiveness; and advancement of public policy to meet the State’s economic development objectives. The ACA is governed by a nineteen-member board of directors consisting of the Governor serving as Chairperson, a Chief Executive Officer, and seventeen members consisting of private sector business leaders serving staggered three-year terms, of which, nine are appointed by the Governor, four are appointed by the President of the Senate, and the other four are appointed by the Speaker of the House of Representatives. A financial benefit/burden relationship exists between the State and ACA as its primary funding source is the allocated State General Fund withholding tax revenues received in each fiscal year according to A.R.S. § 43-409. Complete financial statements may be obtained from the ACA’s administrative office at 100 North 7th Avenue, Suite 400, Phoenix, AZ 85007, (602) 845-1200.

Arizona Public School Credit Enhancement (APSCE) – The APSCE was established to assist achievement district schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financings issued by or on behalf of achievement district schools. The APSCE is governed by a three-member board of directors that is established by A.R.S. § 41-5852 and consists of the Governor (or designee), State Treasurer (or designee), and the director of the Department of Administration (or designee). A financial benefit/burden relationship exists between the State and APSCE as monies were appropriated by the State Legislature for partial capitalization of its fund. Separate financial statements are not prepared for the APSCE.

Department of Insurance and Financial Institutions Guaranty Funds (DIFIGF) – The DIFIGF, a division of the Arizona Department of Insurance and Financial Institutions (ADIFI), is comprised of the Arizona Property and Casualty Insurance Guaranty Fund (APCIGF) and the Arizona Life and Disability Insurance Guaranty Fund (ALDIGF). The DIFIGF pays for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts. The APCIGF and ALDIGF hold corporate powers in accordance with A.R.S. § 20-664 and A.R.S. § 20-685 respectively, which distinguish them as being legally separate from the State. The APCIGF and the ALDIGF are each governed by an eleven-member board of directors appointed by the Governor. The ADIFI maintains the ability to hire and dismiss the persons responsible for day-to-day operations of the DIFIGF; thus, the State has the ability to impose its will on the DIFIGF. Complete financial statements may be obtained from the DIFIGF’s administrative office at 100 North 15th Avenue, Suite 261, Phoenix, AZ 85007, (602) 364-3863.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of the Campus Research Corporation (CRC). The CRC is included because the U of A approves the budget and can access its resources.

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

Arizona State University Enterprise Partners (ASUEP) – The ASUEP’s resources are disbursed at the discretion of the ASUEP’s independent board of directors, in accordance with donor directions and the ASUEP policy. The directors of the ASUEP make all decisions regarding the ASUEP’s business affairs, including distributions made to the ASU. The economic resources held by the ASUEP are significant to the ASU and are entirely for the benefit of the ASU.

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

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

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

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Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for use by students of ASU or ASU itself. A fiscal dependency and financial benefit/burden relationship exists between the ACFFC and the ASU.

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

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

ASU Preparatory Academy, Inc. (ASU Prep) – The ASU Prep prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities. The ASU is able to impose its will on the ASU Prep and the ASU appoints the voting majority of its board. Additionally, a fiscal dependency and financial benefit/burden exists between the ASU Prep and the ASU.

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

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

University of Arizona Global Campus (UAGC) – The UAGC was established to expand access to higher education for adult learners and other non-traditional students, expand and accelerate online higher education offerings aimed at workforce and economic development goals with the State of Arizona, and extend those same offerings to a national and international student audience consistent with the mission of the U of A.

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

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

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

UAGC – contact the Chief Financial Officer at The University of Arizona Global Campus, 180 S. Arizona Ave., Suite 301, Chandler, AZ 85225-9606

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

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

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

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

The financial statements of the ASUAFD are not available as of June 30, 2022, as there was no financial activity.

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

Related Organizations

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

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

Joint Ventures

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

B. BASIS OF PRESENTATION

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

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

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

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

Program revenues include:

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

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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/amortization 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 ADOT. The ADOT builds and maintains the State's highway system and the Grand Canyon Airport. The fund primarily receives revenues from motor vehicle and fuel taxes and federal grants.

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

The State reports the following major enterprise funds:

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

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

Additionally, the State reports the following fund types:

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

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

Private-Purpose Trust Funds – accounts for all fiduciary activities that are (1) not required to be reported in the Pension and Other Employee Benefit Trust Funds and (2) assets associated with the activity are administered through a trust or trust equivalent arrangement in which the State is not a beneficiary, are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the State. The State has two Private-Purpose Trust Funds, (1) the AZ529 is an individual savings account that is exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary, and (2) the Developmental Disabilities Client Investment fund where the State acts as a representative payee for members.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met. Fiduciary fund liabilities are incurred when an event has happened that compels the State to disburse resources or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

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

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

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

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

- *Cash* – includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.
- *Cash with U.S. Treasury* – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.
- *Cash and pooled investments with State Treasurer* – consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer’s pooled investments are described in Note 2.
- *Cash held by trustee* – consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.
- *Collateral investment pool* – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

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2. Investment Valuation

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

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

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

For the AZ529, publicly traded mutual funds are presented at fair value based on published quotations.

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

E. TAXES RECEIVABLE

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

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2022. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2022, but not collected until the following month.

F. LEASES RECEIVABLE

As a lessor, the State recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements. The State's threshold for lease accounting is for all leases where the undiscounted total lease payments is \$500,000 or more. At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. In the absence of a stated interest rate provided in the lease contracts or if the implicit rate cannot be determined, present value is calculated using the State's incremental borrowing rate which is based on a blend of revenue lease bond rates provided by the State Treasurer's office and State-issued COP yield rates. Over the lease term, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the commencement of the lease term that relate to future periods, less any lease incentives paid at or before the commencement of the lease term. Over the lease term, the State recognizes revenue from the interest income when it is earned and also recognizes revenue from the amortization of deferred inflows of resources on a straight-line basis.

G. 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.

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H. CAPITAL ASSETS

Capital assets are stated at cost or, if donated, at acquisition value.

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

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

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

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

Capitalization thresholds and estimated useful lives of right-to-use lease assets being amortized 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)
Right-to-use lease assets – land	\$500,000	Varied	—	—
Right-to-use lease assets – buildings	\$500,000	Varied	\$100,000-\$500,000	Varied
Right-to-use lease assets – equipment	\$500,000	Varied	\$5,000-\$500,000	Varied

The right-to-use lease asset is initially measured at the value of the lease liability, plus any payments made at or before the commencement of the lease term plus direct costs to place the asset into service, less any lease incentives received at or before the commencement of the lease term. Right-to-use lease assets – land is amortized over the length of the lease term unless the lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, in which case the lease asset would not be amortized. Right-to-use lease assets – buildings/equipment are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset unless the lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, in which case the lease asset would be amortized over the useful life of the underlying asset.

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

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

Additional disclosures related to capital assets are provided in Note 4.

I. INVESTMENT EARNINGS

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

J. SCHOLARSHIP ALLOWANCES

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

K. UNEARNED REVENUE

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

L. POSTEMPLOYMENT BENEFITS

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

M. COMPENSATED ABSENCES

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

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 320 hours of vacation, and any vacation hours in excess of the maximum

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amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State employment is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

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

For sick leave policy, see Note 12.C.

N. LONG-TERM OBLIGATIONS

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

As a lessee, the State recognizes a right-to-use lease asset and a corresponding lease liability. The State's threshold for lease accounting is for all leases where the undiscounted total lease payments is \$500,000 or more. The lease liability is measured at the commencement of the lease based on the present value of the future minimum lease payments expected to be made less any lease incentives. In the absence of a stated interest rate provided in the lease contracts or if the implicit rate cannot be determined, present value is calculated using the State's incremental borrowing rate which is based on a blend of revenue lease bond rates provided by the State Treasurer's office and State-issued COP yield rates. The lease liability is reduced by the principal portion of the payments made with a corresponding interest expense component.

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

O. NET POSITION/FUND BALANCES

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

Net position is reported in three categories:

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

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

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

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

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

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

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

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

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

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

Budget Stabilization Fund

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

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

The budgets developed by the Governor and the Joint Legislative Budget Committee and submitted to the State Legislature at the start of each regular session include estimates of the amount to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount is made by the EEC on June 1 of the budget year. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. Additionally, by a two-thirds majority, the State Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal. The BSF's fund balance, including earnings on investments, as of June 30, 2022, was \$981.2 million.

P. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGE IN REPORTING ENTITY

GASB Statement No. 87 (GASB 87), *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the

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relevance and consistency of information about government's leasing activities. This Statement is effective for fiscal years beginning after June 15, 2021, as amended by GASB Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*. The State has implemented the requirements of this standard.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2020, as amended by GASB 95. The State has implemented the requirements of this standard.

GASB Statement No. 92, *Omnibus 2020 (multiple effective dates)* establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The State has implemented the requirements of this standard.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (paragraphs 11b, 13, and 14)* establishes accounting and financial reporting requirements related to the replacement of an interbank offered rate. This Statement is effective for reporting periods ending after December 31, 2021 for paragraph 11b and for fiscal years beginning after June 15, 2021 for paragraphs 13 and 14, as amended by GASB 95. The implementation of this standard had no significant effect in the financial statements.

GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*, requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. The State has implemented the requirements of this standard.

In fiscal year 2022, the ASUBIOS was added as a blended component unit of the Universities. Additionally, the Arizona Smart Save was removed from the State's fiduciary component units. See Note 8 for further information about the changes to the State's reporting entity and the impact on beginning net position.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, the Industrial Commission (the Commission), and the AZ529. These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes, or a governing board, or both, and are described below.

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

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

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

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

In December 2011, the United States Bankruptcy Court for the Southern District of New York entered an order confirming the Modified Third Amended Lehman Brothers Joint Plan of Liquidation. During the current year, approximately \$49.0 thousand was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received was allocated to participants based on the participant's share balance and then transferred to the LGIP, reducing the carry or cost basis in the Lehman Brothers Pool. As of June 30, 2022, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.0 million and \$44.0 thousand, respectively. There was a distribution in June 2022 during fiscal year 2022. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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

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

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

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

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

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

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shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.

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

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

The State Board of Investment serves as trustee of the AZ529, and the State Treasurer administers the fund. On the recommendation of the Treasurer, the board selects financial institutions to implement the plan. These institutions have been authorized to invest AZ529 assets in securities, including shares of mutual funds advised by affiliates, subsidiaries or divisions of the financial institution, or other property or part interest therein for the account. Investment options include age based, static portfolios and single underlying mutual funds with established target ranges for the allocation of the portfolio's assets for the U.S. equity, international equity, investment grade bond, non-investment grade bond and short-term bond asset classes. Two additional fund types may be offered with mutual agreement of the Trustee and Investment Manager – a stable value portfolio and a sustainability portfolio.

Since all investments for the AZ529 are participant directed, all investment risks (custodial credit risk, interest rate risk, credit risk, concentration of credit risk, and foreign currency risk) exist at the participant level and not with the State. Each individual participant has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss. Therefore, as there is no investment risk exposure to the State, these investments are not included in the risk disclosures in Note 2.B through Note 2.F. However, they are included in the fair value measurement disclosures in Note 2.G.4.

B. CUSTODIAL CREDIT RISK - DEPOSITS AND INVESTMENTS

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regard to custodial credit risk for investments. As of June 30, 2022, the State had \$43.5 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

C. INTEREST RATE RISK

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

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

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

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

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

The following table presents the State Treasurer's, the ASRS', the ASU's, and the Commission's weighted average maturity in years by investment type as of June 30, 2022 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	\$ 391,220	2.87
Certificates of deposit (negotiable)	102,543	0.07
Commercial mortgage backed securities	124,091	17.53
Commercial paper	7,466,311	0.12
Commingled funds – fixed income	1,608,516	8.80
Corporate notes & bonds	5,059,316	3.45
Government bonds	1,340,748	6.58
Money market mutual funds	2,134,359	0.03
Private market fixed income	11,506,055	*
Repurchase agreements	6,778,911	0.01
U.S. agency mortgage backed securities	814,577	16.64
U.S. agency mortgage backed securities – full faith	424,670	17.89
U.S. agency securities	976,981	3.07
U.S. agency securities – full faith	164,805	1.40
U.S. Treasury securities	3,515,666	1.76
Other	1,198	12.93
Total	<u>\$ 42,409,967</u>	

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

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

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The following table presents the PSPRS', the EORP's, and the CORP's effective duration by investment type as of June 30, 2022 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	\$ 1	4.89
Corporate notes & bonds	1,986	—
U.S. agency mortgage backed securities	6,422	7.08
U.S. fixed income	563,982	—
Other	405	—
Total	<u>\$ 572,796</u>	

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

The following table presents the interest rate risk for the NAU, the U of A, and other State agencies utilizing the segmented time distribution as of June 30, 2022 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit (negotiable)	\$ 6,685	\$ 5,459	\$ 1,226	\$ —	\$ —
Commercial paper	9,958	9,958	—	—	—
Corporate notes & bonds	499,042	71,825	422,129	5,088	—
Government bonds	1,843	—	1,843	—	—
Money market mutual funds	186,943	186,943	—	—	—
U.S. agency securities	27,301	6,803	20,498	—	—
U.S. Treasury securities	201,468	142,655	50,226	8,587	—
Other	9,429	4,882	1,015	2,196	1,336
Total	<u>\$ 942,669</u>	<u>\$ 428,525</u>	<u>\$ 496,937</u>	<u>\$ 15,871</u>	<u>\$ 1,336</u>

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes as of June 30, 2022 (expressed in thousands):

Interest Rate Terms	Corporate Notes & Securities	U.S. Agency Securities	Other	Total
Investments (including full faith) with coupon tied to the London Interbank Offered Rate (LIBOR), U.S. International Swaps and Derivatives Association (USISDA), or Secured Overnight Financing Rate (SOFR) plus/minus a fixed basis point amount which resets monthly, quarterly, or semi-annually.	\$ 990,896	\$ 136,006	\$ —	\$ 1,126,902
Asset backed securities with coupon tied to the LIBOR or SOFR plus/minus a fixed basis point amount which resets from monthly to quarterly.	75,537	—	—	75,537
Mortgage backed securities (including full faith) – when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes the fair value of the investment.	61,705	813,263	—	874,968
U.S. Treasury securities with coupon tied to the U.S. Treasury 3 month bill money market yield plus/minus a fixed basis point amount which resets weekly.	—	—	45,040	45,040
Investments – where on certain specified dates, the issuer can call the investment. If the investment is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than the increases in the coupon interest rate.	186,400	49,660	—	236,060
Other investments (including full faith) with high sensitivity to rate changes.	—	55,088	—	55,088
Total	<u>\$ 1,314,538</u>	<u>\$ 1,054,017</u>	<u>\$ 45,040</u>	<u>\$ 2,413,595</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 when purchased. Corporate bonds, debentures, notes, negotiable certificates of deposit, and municipal bonds must carry an investment grade rating by any NRSRO. For securities of, or any other interests in, any open-end management type investment company or investment trust, including exchange traded funds, the underlying investments must be securities which are allowable under State statutes. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies, or repurchase agreements. The underlying securities for repurchase agreements are either directly guaranteed by the U.S. Government (Treasury securities) or implicitly guaranteed by the U.S. Government (agency securities).

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

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

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

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

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2022. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	A-1 Thru A-3	Not Rated
Asset backed securities	\$ 346,555	\$ 299,901	\$ 29,178	\$ —	\$ 2,452	\$ —	\$ 287	\$ 14,737
Certificates of deposit (negotiable)	2,226	—	—	320	—	—	—	1,906
Commercial mortgage backed securities	124,091	100,681	—	—	—	—	—	23,410
Commercial paper	7,476,269	—	—	9,958	—	—	7,465,814	497
Commingled funds – fixed income	1,608,516	1,149,285	4,825	454,406	—	—	—	—
Corporate notes & bonds	5,583,440	87,656	634,099	2,830,995	1,954,480	24,465	—	51,745
Government bonds	1,323,256	957,217	315,082	46,164	1,981	—	—	2,812
Money market mutual funds	2,321,302	733,223	1,588,079	—	—	—	—	—
Private market fixed income	11,506,055	—	—	—	—	—	—	11,506,055
Repurchase agreements	2,980,000	—	2,980,000	—	—	—	—	—
U.S. agency mortgage backed securities	816,228	435,612	379,936	—	—	—	—	680
U.S. agency securities	1,004,282	—	1,004,282	—	—	—	—	—
U.S. fixed income	563,982	—	—	—	—	—	—	563,982
Other	70,359	4,882	—	—	—	—	—	65,477
Total	\$ 35,726,561	\$ 3,768,457	\$ 6,935,481	\$ 3,341,843	\$ 1,958,913	\$ 24,465	\$ 7,466,101	\$ 12,231,301

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E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5% of their investments shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. However, securities issued by the U.S. government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy bonds issued by an agency of the State, and pre-refunded municipal bonds issued by any entity that are invested in obligations issued or guaranteed by the U.S. government or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds issued as direct obligations of, and fully guaranteed by, the U.S. Government. At June 30, 2022, no investments in any one issuer exceeded more than 5% of the primary government's total investments.

F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per A.R.S. § 38-718, no more than 40% of the ASRS' assets may be invested in foreign securities and those investments shall be made only by investment managers with expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. Per A.R.S. § 38-848, the PSPRS, the EORP, and the CORP shall not invest more than 20% of the combined assets of the system or other plans that the Board of Trustees manages in foreign securities.

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The following table summarizes the State's foreign currency risk as of June 30, 2022 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value				
Currency	Short Term	Equities	Other Investments	Total
Australian Dollar	\$ (1,941)	\$ 439,261	\$ —	\$ 437,320
Brazilian Real	73	31,574	—	31,647
British Pound Sterling	5,285	997,761	—	1,003,046
Canadian Dollar	17,928	726,593	—	744,521
Chilean Peso	—	2,459	—	2,459
Chinese Yuan Renminbi	—	36,259	—	36,259
Columbian Peso	—	1,133	—	1,133
Czech Koruna	—	60	—	60
Danish Krone	3,472	153,798	—	157,270
Egyptian Pound	—	126	—	126
Euro Currency	72,708	1,840,453	474,532	2,387,693
Hong Kong Dollar	433	339,652	—	340,085
Hungarian Forint	—	1,324	—	1,324
Indian Rupee	—	61,689	—	61,689
Indonesian Rupiah	—	11,456	—	11,456
Japanese Yen	15,605	1,321,409	—	1,337,014
Malaysian Ringgit	—	10,269	—	10,269
Mexican Peso	—	15,564	—	15,564
New Israeli Shekel	(18)	44,661	—	44,643
New Taiwan Dollar	—	94,649	—	94,649
New Zealand Dollar	540	15,658	—	16,198
Norwegian Krone	828	56,314	405	57,547
Philippine Peso	—	4,293	—	4,293
Polish Zloty	—	3,194	—	3,194
Qatari Riyal	—	18,316	—	18,316
Singapore Dollar	(14)	79,902	—	79,888
South African Rand	—	24,254	—	24,254
South Korean Won	—	72,412	—	72,412
Swedish Krona	(946)	209,859	—	208,913
Swiss Franc	14,444	571,446	—	585,890
Thai Baht	—	11,499	—	11,499
Turkish Lira	—	2,499	—	2,499
UAE Dirham	—	13,568	—	13,568
Total	\$ 128,397	\$ 7,213,364	\$ 474,937	\$ 7,816,698

G. FAIR VALUE MEASUREMENT OF INVESTMENTS

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

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

1. Primary Government (excluding Universities and Fiduciary Funds)

a. Investments Classified in Fair Value Hierarchy

The investments held by the primary government (excluding Universities and Fiduciary Funds) at June 30, 2022, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 312,647	\$ —	\$ 312,647	\$ —
Commercial mortgage backed securities	63,305	—	63,305	—
Commercial paper	7,465,814	—	7,465,814	—
Corporate notes & bonds	4,193,692	—	4,193,692	—
Equities	4,271,786	4,271,786	—	—
Government bonds	582,037	—	582,037	—
Money market mutual funds	1,600,379	12,300	1,588,079	—
Repurchase agreements	6,778,911	—	6,778,911	—
Security lending collateral investments	121,645	—	121,645	—
U.S. agency mortgage backed securities	388,593	—	388,593	—
U.S. agency mortgage backed securities – full faith	424,670	—	424,670	—
U.S. agency securities	926,989	—	926,989	—
U.S. agency securities – full faith	164,805	—	164,805	—
U.S. Treasury securities	3,152,750	—	3,152,750	—
Other	24,294	23,096	1,198	—
Total investments by fair value level	<u>30,472,317</u>	<u>\$ 4,307,182</u>	<u>\$ 26,165,135</u>	<u>\$ —</u>
Investments Measured at the Net Asset Value (NAV)				
Bank loan partnership fund	17,831			
Foreign large value fund	28,464			
High yield short term duration bond fund	<u>21,843</u>			
Total investments measured at the NAV	<u>68,138</u>			
Total investments measured at fair value	<u>\$ 30,540,455</u>			

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

b. Investments Measured at the NAV

The investments held at June 30, 2022, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Bank loan partnership fund	\$ 17,831	—	N/A	N/A
Foreign large value fund	28,464	—	N/A	N/A
High yield short term duration bond fund	<u>21,843</u>	—	N/A	N/A
Total	<u>\$ 68,138</u>			

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2. Universities

a. Investments Classified in Fair Value Hierarchy

The investments held by the Universities at June 30, 2022, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 68,212	\$ —	\$ 68,212	\$ —
Certificates of deposit (negotiable)	8,911	—	8,911	—
Commercial mortgage backed securities	24,417	—	24,417	—
Commercial paper	10,455	—	10,455	—
Corporate notes & bonds	890,046	—	890,046	—
Equities	6,453	5,433	544	476
Equity mutual funds	75,228	74,668	—	560
Fixed income mutual funds	7,070	7,070	—	—
Government bonds	27,343	—	27,343	—
Money market mutual funds	720,423	172,083	548,340	—
Mutual funds – asset allocation	1,545	970	—	575
Real estate	72,419	—	—	72,419
U.S. agency securities	61,504	—	61,504	—
U.S. Treasury securities	564,384	564,384	—	—
Total investments by fair value level	2,538,410	\$ 824,608	\$ 1,639,772	\$ 74,030
Other Investments at Fair Value				
ASU Foundation Endowment Pool	383,597			
ASU BIOS Endowment Funds	17,829			
NAU Foundation Investment Pool	38,682			
U of A – Academic Enhancement Fund Trust	231,323			
U of A Foundation	214,216			
U of A – Split Interest Endowment	10,036			
Total other investments at fair value	895,683			
Investments Measured at the NAV				
Equity mutual funds	9,061			
Total investments measured at the NAV	9,061			
Total investments measured at fair value	\$ 3,443,154			

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

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b. Other Investments at Fair Value

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

c. Investments Measured at the NAV

The investments held by the Universities at June 30, 2022, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity mutual funds	\$ 9,061	—	Quarterly	90 days
Total	<u>\$ 9,061</u>			

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

STATE OF ARIZONA
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3. Pension and Other Employee Benefit Trust Funds

a. Investments Classified in Fair Value Hierarchy

The investments held by the ASRS, PSPRS, EORP, and CORP at June 30, 2022, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 10,362	\$ —	\$ 10,362	\$ —
Commercial mortgage backed securities	36,369	—	36,369	—
Corporate notes & bonds	476,606	—	476,606	—
Government bonds	749,000	708,855	40,145	—
Non U.S. diversifying strategies	183,319	183,319	—	—
Non U.S. equities	7,061,219	7,061,206	—	13
Real estate	478,727	437,526	—	41,201
U.S. agency mortgage backed securities	435,612	—	435,612	—
U.S. equities	13,521,293	13,521,287	—	6
U.S. fixed income	457,009	457,009	—	—
Other	405	405	—	—
Total investments by fair value level	23,409,921	\$ 22,369,607	\$ 999,094	\$ 41,220
Investments Measured at the NAV				
Commingled funds – interest rate sensitive	1,608,516			
Commingled funds – international emerging markets	2,047,795			
Credit funds	11,506,055			
Diversifying strategies	1,414,236			
Global private equities	4,205,906			
Non U.S. public equities	153,188			
Private credit	2,016,229			
Private equity funds	6,178,417			
Real estate funds	9,173,606			
U.S. fixed income	106,973			
U.S. public equities	438,280			
Other – capital appreciation	100,290			
Other – contractual income	529,605			
Total investments measured at the NAV	39,479,096			
Cash and short term instruments	762,636			
Securities lending collateral	651,095			
Total investments measured at fair value	\$ 64,302,748			

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

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NOTES TO THE FINANCIAL STATEMENTS
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b. Investments Measured at the NAV

The investments held by the ASRS, PSPRS, EORP, and CORP at June 30, 2022, valued using the NAV per share were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled funds – interest rate sensitive	\$ 1,608,516	\$ —	Daily	2 days
Commingled funds – international emerging markets	2,047,795	—	Daily	1 - 2 days
Credit funds	11,506,055	5,618,299	N/A	N/A
Diversifying strategies	1,414,236	—	Monthly, Quarterly, Annually	5 days - 1 year
Global private equities	4,205,906	2,257,940	N/A for the private holdings; Daily for liquid placeholders (if any)	N/A for the private holdings; 2 days for liquid placeholders (if any)
Non U.S. public equities	153,188	—	Daily, Monthly	1 day - 1 month
Private credit	2,016,229	1,971,209	N/A	N/A
Private equity funds	6,178,417	2,602,909	N/A	N/A
Real estate funds	9,173,606	5,083,674	N/A	N/A
U.S. fixed income	106,973	—	Daily	2 - 5 days
U.S. public equities	438,280	—	Daily, Monthly	1 day - 1 month
Other – capital appreciation	100,290	85,441	N/A	N/A
Other – contractual income	529,605	220,995	N/A for the private holdings; Daily for liquid placeholders (if any)	N/A for the private holdings; 2 days for liquid placeholders (if any)
Total	\$ 39,479,096	\$ 17,840,467		

Commingled Funds – The types of strategies within commingled funds can include investments in public markets interest rate sensitive and public markets international equities. The funds have a perpetual life. Redemption frequencies are daily. There are no plans to liquidate the total portfolio.

Credit Funds – Credit investments are invested within limited partnerships or limited liability companies. The types of investment strategies within these structures consist of corporate debt, asset backed securities and special situations. These investments have an approximate life of 3 to 10 years and are generally illiquid. Redemption restrictions are generally in place throughout the life of the investment unless an early termination right exists. If the early termination right is exercised, the result is an acceleration of distributions and the approximate life of the investment would be reduced. Distributions are received as investments are realized. There are no plans to liquidate the portfolio.

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

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

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

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

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Real Estate Funds – Investments in real estate funds are invested primarily through highly customized separate accounts as well as within limited partnerships or limited liability companies. Real estate investments include public and private real estate investment trusts, debt instruments, and assets with strategies including opportunistic, stabilized, and develop-to-core assets within multi-family, student housing, senior housing, single family rental, industrial, grocery anchored retail, office, medical office, data centers, and manufacturing housing. Across the separate accounts, the ASRS maintains the ability to sell individual assets. Redemption restrictions are generally in place throughout the life of the investment unless an early termination right exists. If the early termination right is exercised, the result is an acceleration of distributions and the approximate life of the investment would be reduced. Distributions are received as investments are realized. There are no plans to liquidate the portfolio.

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

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

c. Other Investments at Cost Plus Accrued Interest

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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4. Private-Purpose Trust Funds

a. Investments Classified in Fair Value Hierarchy

The investments held by the AZ529 are managed by different investment companies with three different fiscal year ends, September 30, 2021, December 31, 2021, and March 31, 2022. The investments, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	Fiscal year ending June 30, 2022 or earlier	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 1,593	\$ —	\$ 1,593	\$ —
Corporate notes & bonds	20,507	—	20,507	—
Gold bullion	1,962	1,962	—	—
Government money market mutual funds	62,406	62,406	—	—
Mutual funds – bonds	573,874	573,874	—	—
Mutual funds – government bonds	103,897	103,897	—	—
Mutual funds – non U.S. equities	265,643	265,643	—	—
Mutual funds – short term securities	22,955	22,955	—	—
Mutual funds – U.S. equities	592,720	592,720	—	—
Mutual funds – U.S. Treasury securities	75,307	75,307	—	—
Non U.S. equities	22,781	3,510	19,202	69
Registered investment companies	39,374	39,374	—	—
Securities lending collateral – short term	2,175	2,175	—	—
U.S. agency mortgage backed securities	870	—	870	—
U.S. agency securities	5,687	—	5,687	—
U.S. equities	165,584	164,930	649	5
U.S. Treasury securities	1,657	—	1,657	—
Other	994	—	994	—
Total investments by fair value level	<u>\$ 1,959,986</u>	<u>\$ 1,908,753</u>	<u>\$ 51,159</u>	<u>\$ 74</u>

The fair value of gold bullion is at the last settlement price at the end of each day on the board of trade or exchange upon which they are traded and are categorized in Level 1. Mutual funds typically are valued at the net asset value (NAV) each business day and are categorized as Level 1. Equity securities that are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded and to the extent these securities are actively traded are categorized in Level 1. Equity securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2. Equity securities classified in Level 3 are valued using unobservable inputs, including situations where there is little market activity, if any. The fair value of corporate bonds and other fixed income securities, categorized as Level 2, are obtained from an independent pricing service and is estimated using various techniques. In instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3. U.S. government and agency securities categorized in Level 2 are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, quoted market prices, and reference data. Level 3 investments may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Valuations may also be based upon current market prices of securities that are comparable in coupon, rating, maturity and industry. The derived value of a Level 3 investment may not represent the value which is received upon disposition and this could impact the results of operations.

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.

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1. Arizona State Retirement System

The ASRS is permitted by A.R.S. § 38-718(G) to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with borrowers to loan securities and have the same securities redelivered at a later date. Securities eligible for loan include U.S. interest rate sensitive securities, U.S. equities, and international equities. The ASRS currently receives as collateral at least 102% of the fair value of the loaned securities and maintains collateral at no less than 100% for the duration of the loan. At year-end, the ASRS had limited counter party risk to borrowers because the collateral held by the ASRS for each loan exceeded the fair value owed to the ASRS. Securities loaned are initially fully collateralized by cash (USD), U.S. Government or agency securities, sovereign debt, corporate bonds and/or equities. Cash collateral may be reinvested (under certain constraints) in: a) U.S. Treasury debt instruments, b) U.S. agency debt instruments, c) corporate obligations, d) bank obligations, e) repurchase agreements, and f) Dreyfus Institutional Preferred Plus Government SL Fund. The ASRS records the reinvested cash collateral as an asset, and the cash collateral received as an obligation for securities on loan on the Statement of Fiduciary Net Position. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. The obligation for securities on loan is recorded as a liability because the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2022, the fair value of securities on loan was \$1.2 billion, of which \$83.5 million were cash collateralized loans. Cash of \$90.4 million received as collateral for securities loaned was reinvested and had a net asset value of \$90.4 million, as of June 30, 2022. The securities lending payable at June 30, 2022 was \$90.4 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. There are no statutory restrictions on the dollar amount of security loans that may be made by the ASRS. The ASRS is indemnified against gross negligence and borrower default by the lending agents, but is not indemnified against cash collateral reinvestment risk.

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

The PSPRS, the EORP, and the CORP are permitted by A.R.S. Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a custodial bank. The custodial bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized by cash and securities. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102% of the fair value of the loaned U.S. securities and 105% of the fair value of the loaned international securities, plus any applicable accrued interest in the case of debt securities. Securities on loan are carried at fair value. As of June 30, 2022, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$457.9 million, \$12.0 million, and \$116.7 million, respectively. At June 30, 2022, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$437.7 million, \$11.5 million, and \$111.5 million, respectively. At June 30, 2022, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$38.6 million, \$1.0 million, and \$9.8 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the associated value of the collateral held exceed the value of the securities loaned.

3. State Treasurer

The State Treasurer is permitted under A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash (U.S. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the fair value of the securities loaned at the close of trading on the preceding business day. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer's investment policy, except for equity investments made for certain equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer's investment policy. Cash collateral investments include: a) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase agreements collateralized at no less than 102% by securities, 100% by cash, and 102% by mortgage-backed securities and b) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as an obligation under security loan agreements. As of June 30, 2022, the cost and fair value of securities on loan were \$191.0 million and \$171.0 million, respectively. The associated fair value of the invested collateral was \$175.0 million, of which \$122.0 million was invested cash collateral. All securities loans can

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be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was one day. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default. The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year.

At June 30, 2022, the State Treasurer had \$122.0 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer's name (expressed in thousands):

U.S. Treasury securities	\$	12,088
Equities		27,096
Corporate notes		12,476
Total Fair Value	\$	<u>51,660</u>

I. DERIVATIVES

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

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

1. Arizona State Retirement System

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2022, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2022 financial statements were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value (1)		Fair Value at June 30, 2022		
	Classification	Amount	Classification	Amount	Notional
Foreign currency forwards	Net (decrease) in fair value of investments	\$ (2,431)	Futures receivable	\$ (394)	\$ —
Index futures long	Net (decrease) in fair value of investments	(97,011)	Equity securities	(339)	173,109
Total		<u>\$ (99,442)</u>		<u>\$ (733)</u>	<u>\$ 173,109</u>

(1) Excludes futures margin payments.

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

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

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 JUNE 30, 2022

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

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

As of June 30, 2022, investing activity in derivative instruments consisted of exchange-traded futures contracts. The ASRS did not have any over-the-counter investment derivative instruments as of June 30, 2022. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2022.

The ASRS has exposure to interest rate risk due to the investment in interest rate sensitive and credit. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The ASRS did not have any derivative instruments highly sensitive to interest rate changes as of June 30, 2022.

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and future contracts. See the Foreign Currency Risk schedule in Note 2.F. for additional information on currency risk exposure. As of June 30, 2022, the ASRS did not hold any derivative instruments that were subject to foreign currency risk.

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

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

Changes in fair value for the year and outstanding futures contracts as of June 30, 2022 were as follows (expressed in thousands):

Investment Derivatives	Investment Derivatives by Type				
	Changes in Fair Value		Fair Value at June 30, 2022		
	Classification	Amount	Classification	Amount	Notional
U.S. & Non U.S. equity index futures	Net (decrease) in fair value of investments	\$ (55,743)	Equity index futures	\$ (11,699)	\$ 359,958
Total		\$ (55,743)		\$ (11,699)	\$ 359,958

3. Arizona State University

Refer to Note 6.A.2.a.i. for information on debt derivatives utilized by the ASU.

J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 3. RECEIVABLES/UNAVAILABLE REVENUE/UNEARNED REVENUE

A. TAXES RECEIVABLE

At June 30, 2022, taxes receivable were as follows (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Other Governmental Funds	Unemployment Compensation	Total Government-wide
Sales	\$ 862,192	\$ —	\$ 100,094	\$ —	\$ 962,286
Income – individual and corporate	491,977	—	—	—	491,977
Property tax	368	—	—	—	368
Motor vehicle and fuel	—	72,500	—	—	72,500
Luxury	8,388	—	22,575	—	30,963
Unemployment	—	—	—	67,953	67,953
Other	—	—	5,927	—	5,927
Gross taxes receivable	1,362,925	72,500	128,596	67,953	1,631,974
Allowance for uncollectible taxes	(310,857)	—	—	—	(310,857)
Net Taxes Receivable	\$ 1,052,068	\$ 72,500	\$ 128,596	\$ 67,953	\$ 1,321,117

B. LEASES RECEIVABLE

1. Governmental Activities

At June 30, 2022, leases receivable for Governmental Activities were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Activities
Leases Receivable	\$ 687	\$ 21,758	\$ 759,401	\$ 391,206	\$ 1,173,052

The Department of Public Safety is the lessor of an unmanned commercial wireless communication facility which is available to another party. The agreement is for a period of five years and automatically renews every five years for a total of twenty years. This activity is reported in the General Fund.

The ADOT is the lessor of cell tower site leases that convey control of the right to use the land on which the tower is placed or the connection point to which the antenna is affixed. A Master Lease agreement for limited access right of way for cell towers is entered into by the parties pursuant to A.R.S. § 28-7382.B and is approved by the State Transportation Board. Most agreements are for a five year term and automatically renew every five years for a total of twenty years. This activity is reported in the Transportation & Aviation Planning, Highway Maintenance & Safety Fund.

The Land Department is the lessor for a variety of leases primarily relating to rights of way, grazing, and commercial leases. The agreements range from ten years to ninety-nine years. Due to revenue distributions to beneficiaries, the lease receivables and associated lease revenues are allocated between the Land Endowments Fund and Other Governmental Funds.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

2. Business-Type Activities

At June 30, 2022, leases receivable for Business-Type Activities were as follows (expressed in thousands):

	Universities	Other Enterprise Funds	Total Business-Type Activities
Leases Receivable	\$ 205,632	\$ 587	\$ 206,219

The Universities lease equipment, grounds and building space to third parties under the provisions of various lease agreements for uses including offices, commercial space, clinical space, and mixed-use space. During the fiscal year June 30, 2022, the Universities recorded 1) \$63.6 million, \$32.2 million, and \$109.8 million in lease receivables, and 2) \$3.7 million, \$1.0 million, and \$12.8 million in lease-related revenues, for the ASU, NAU, and U of A, respectively.

The Parks Board leases a building to a third party to provide for a gift shop and cafe for visitors at the Kartchner Caverns State Park. During the fiscal year June 30, 2022, the Parks Board recorded \$0.6 million in lease receivables and \$0.2 million in lease-related revenues. This activity is reported in the Other Enterprise Funds.

C. UNAVAILABLE REVENUE

At June 30, 2022, the components of unavailable revenue for governmental funds were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Funds
Unavailable Revenue for Governmental Funds:					
Delinquent sales tax	\$ 250,226	\$ —	\$ —	\$ —	\$ 250,226
Delinquent income tax	233,234	—	—	—	233,234
Tobacco settlement	51,000	—	—	—	51,000
Child support administrative reimbursements	3,685	—	—	—	3,685
Grants	440,209	32,234	—	—	472,443
Drug rebates	50,253	—	—	—	50,253
Land sales receivable	—	—	760,681	—	760,681
Land leases receivable	—	—	1,796	—	1,796
Opioid settlement	—	—	—	450,845	450,845
Other	1,547	—	—	392	1,939
Total Unavailable Revenue for Governmental Funds	\$ 1,030,154	\$ 32,234	\$ 762,477	\$ 451,237	\$ 2,276,102

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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D. UNEARNED REVENUE

At June 30, 2022, the components of unearned revenue were as follows (expressed in thousands):

Unearned Revenue for Governmental Funds:	Current	Noncurrent	Total Unearned Revenue
General Fund:			
Advance insurance premium taxes	\$ 59,770	\$ —	\$ 59,770
Advance county acute and long term care payments	33,286	—	33,286
American Rescue Plan Act – Housing Assistance	171,304	—	171,304
Coronavirus Relief Fund	21,170	—	21,170
Coronavirus State and Local Fiscal Recovery Fund	2,395,079	—	2,395,079
Other	10	—	10
Transportation & Aviation Planning, Highway			
Maintenance & Safety Fund:			
Magazine subscriptions	1,550	—	1,550
Land Endowments Fund:			
Advance land lease payments	23,161	59,253	82,414
Other Governmental Funds:			
Advance payments for Hawaii/Arizona PMMIS Alliance	1,207	—	1,207
Advance renewal of contractors' license assessment	703	—	703
Other	842	—	842
Total Unearned Revenue for Governmental Funds	<u>\$ 2,708,082</u>	<u>\$ 59,253</u>	<u>\$ 2,767,335</u>
Unearned Revenue for Proprietary Funds:	Current		
Universities:			
Unexpended cash advances received	\$ 250,543		
Auxiliary sales and services	55,051		
Student tuition and fees	116,523		
Deposits	2,198		
Other	5,901		
Unemployment Compensation:			
CARES Act	32,271		
Other Enterprise Funds:			
Other	156		
Total Unearned Revenue for Proprietary Funds	<u>\$ 462,643</u>		

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 4. CAPITAL ASSETS

A. GOVERNMENTAL ACTIVITIES

Capital asset and intangible right-to-use lease asset activity for Governmental Activities for the fiscal year ended June 30, 2022 were as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable Capital Assets:					
Land (1)	\$ 3,700,395	\$ 122,805	\$ (11,497)	\$ 150	\$ 3,811,853
Construction in progress (1,2)	3,778,586	422,108	—	(226,070)	3,974,624
Development in progress	6,358	3,406	—	—	9,764
Infrastructure	16,677,598	—	—	179,144	16,856,742
Total Non-depreciable Capital Assets	24,162,937	548,319	(11,497)	(46,776)	24,652,983
Depreciable Capital Assets:					
Buildings (1)	2,519,963	3,825	(2,279)	40,479	2,561,988
Improvements other than buildings (1)	212,923	5,611	—	973	219,507
Equipment (1)	1,002,057	86,816	(62,555)	(17,354)	1,008,964
Software and other intangibles	605,050	339	—	70	605,459
Infrastructure (1)	17,755	2,080	—	5,828	25,663
Total Depreciable Capital Assets	4,357,748	98,671	(64,834)	29,996	4,421,581
Less accumulated depreciation for:					
Buildings (1)	(1,226,015)	(62,545)	1,557	2,147	(1,284,856)
Improvements other than buildings (1)	(154,101)	(5,200)	—	(1,463)	(160,764)
Equipment (1)	(689,718)	(73,209)	31,601	24,738	(706,588)
Software and other intangibles	(334,210)	(40,275)	—	—	(374,485)
Infrastructure (1)	(10,884)	(1,748)	—	1,302	(11,330)
Total Accumulated Depreciation	(2,414,928)	(182,977)	33,158	26,724	(2,538,023)
Total Depreciable Capital Assets, Net	1,942,820	(84,306)	(31,676)	56,720	1,883,558
Total Capital Assets, Net	\$ 26,105,757	\$ 464,013	\$ (43,173)	\$ 9,944	\$ 26,536,541

- (1) Due to a reclassification of a previously reported governmental fund to an enterprise fund, there was a restatement of beginning capital assets and associated accumulated depreciation at July 1, 2021. The impact of the restatement was a net decrease of \$9.2 million to beginning balance for the Total Capital Assets, Net.
- (2) The Department of Veteran Services did not properly accrue fixed assets in fiscal year 2021 which caused a restatement of beginning capital assets at July 1, 2021. The impact of the restatement was a decrease of \$20.5 million to beginning balance for Construction in Progress.

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Right-to-use Lease Assets:					
Land (1)	\$ 2,167	\$ —	\$ —	\$ —	\$ 2,167
Buildings (1)	323,557	45,622	(1,596)	—	367,583
Total Right-to-use Lease Assets	325,724	45,622	(1,596)	—	369,750
Less accumulated amortization for:					
Land	—	(77)	—	—	(77)
Buildings	—	(44,990)	1,596	—	(43,394)
Total Accumulated Amortization	—	(45,067)	1,596	—	(43,471)
Total Right-to-use Lease Assets, Net	\$ 325,724	\$ 555	\$ —	\$ —	\$ 326,279

- (1) As a result of the implementation of GASB 87, there was a restatement of beginning right-to-use lease assets at July 1, 2021. The impact of the restatement was a net increase of \$325.7 million to beginning balance for the Right-to-use Lease Assets, Net.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

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

	<u>Capital Assets</u>	<u>Right-to-use Lease Assets</u>
General government	\$ 32,491	\$ 1,665
Health and welfare	38,227	39,069
Inspection and regulation	892	405
Education	2,063	935
Protection and safety	75,242	2,993
Transportation	23,363	—
Natural resources	10,699	—
Total Governmental Activities	<u>\$ 182,977</u>	<u>\$ 45,067</u>

Transfer of operations

In the Fifty-fifth Legislature – First Regular Session (2021), the State Legislature passed into law Senate Bill 1829, Chapter 413 that transferred operations of the State’s motor vehicle fleet and its related assets from the ADOA to the ADOT. The transfer is shown in the Internal Service Funds - Combining Statement of Revenues, Expenses and Changes in Fund Net Position, as a Special Item from the Motor Pool fund to the Transportation Vehicle and Equipment fund. As a result of the transfer of assets, the Transportation Vehicle and Equipment fund recognized the following assets and net position as of July 1, 2022 (expressed in thousands):

	<u>Carrying Values</u>
Transferred Assets (Net):	
Buildings	\$ 831
Vehicles	8,183
Equipment	<u>35</u>
Total Capital Assets	<u>\$ 9,049</u>
Net Position of Transferred Operation:	
Net Investment in Capital Assets	<u>\$ 9,049</u>

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

B. BUSINESS-TYPE ACTIVITIES

Capital asset and intangible right-to-use lease asset activity for Business-type Activities for the fiscal year ended June 30, 2022 were as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable Capital Assets:					
Land (1,2)	\$ 300,404	\$ 1,574	\$ (46)	\$ —	\$ 301,932
Construction in progress (3)	637,250	373,705	(399,667)	(184,880)	426,408
Development in progress	77,100	8,608	—	—	85,708
Collections	28,155	65	(57)	—	28,163
Total Non-depreciable Capital Assets	1,042,909	383,952	(399,770)	(184,880)	842,211
Depreciable capital assets:					
Buildings (1,2)	8,010,815	443,496	(17,815)	182,956	8,619,452
Improvements other than buildings (2)	25,802	209	—	1	26,012
Equipment (1,2)	1,861,895	135,337	(57,880)	(130)	1,939,222
Software and other intangibles	163,075	—	—	—	163,075
Infrastructure (2)	738,439	26,882	(11)	1,673	766,983
Total Depreciable Capital Assets	10,800,026	605,924	(75,706)	184,500	11,514,744
Less accumulated depreciation for:					
Buildings (1,2)	(3,409,052)	(243,233)	8,871	—	(3,643,414)
Improvements other than buildings (2)	(19,778)	(348)	59	—	(20,067)
Equipment (1,2)	(1,384,502)	(101,530)	53,762	(1)	(1,432,271)
Software and other intangibles	(145,547)	(5,007)	—	—	(150,554)
Infrastructure (2)	(334,837)	(22,123)	6	—	(356,954)
Total Accumulated Depreciation	(5,293,716)	(372,241)	62,698	(1)	(5,603,260)
Total Depreciable Capital Assets, Net	5,506,310	233,683	(13,008)	184,499	5,911,484
Total Capital Assets, Net	\$ 6,549,219	\$ 617,635	\$ (412,778)	\$ (381)	\$ 6,753,695

- (1) As a result of the inclusion of the ASUBIOS as a blended component unit of the ASU and the implementation of GASB 87, there was a restatement of associated beginning capital assets and accumulated depreciation at July 1, 2021. The impact of the restatement was a net decrease of \$12.0 million to beginning balance for the Total Capital Assets, Net.
- (2) Due to a reclassification of a previously reported governmental fund to an enterprise fund, there was a restatement of beginning capital assets and associated accumulated depreciation at July 1, 2021. The impact of the restatement was a net increase of \$9.2 million to beginning balance for the Total Capital Assets, Net.
- (3) The Department of Veteran Services did not properly accrue fixed assets in fiscal year 2021 which caused a restatement of beginning capital assets at July 1, 2021. The impact of the restatement was an increase of \$17.0 million to beginning balance for Construction in Progress.

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Right-to-use Lease Assets:					
Buildings (1)	\$ 599,313	\$ 58,044	\$ —	\$ 943	\$ 658,300
Equipment (1)	3,763	880	—	—	4,643
Total Right-to-use Lease Assets	603,076	58,924	—	943	662,943
Less accumulated amortization for:					
Buildings (1)	(5,540)	(62,280)	—	1	(67,819)
Equipment	—	(1,209)	—	—	(1,209)
Total Accumulated Amortization	(5,540)	(63,489)	—	1	(69,028)
Total Right-to-use Lease Assets, Net	\$ 597,536	\$ (4,565)	\$ —	\$ 944	\$ 593,915

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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- (1) As a result of the implementation of GASB 87, there was a restatement of beginning right-to-use lease assets and associated accumulated amortization at July 1, 2021. The impact of the restatement was a net increase of \$597.5 million to beginning balance for the Right-to-use Lease Assets, Net, which included a \$5.5 million restatement to beginning balance for Accumulated Amortization – Buildings due to a reclassification from a capital lease to a GASB 87 lease.

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

	<u>Capital Assets</u>	<u>Right-to-use Lease Assets</u>
Universities	\$ 364,300	\$ 63,079
Other	7,941	410
Total Business-Type Activities	<u>\$ 372,241</u>	<u>\$ 63,489</u>

NOTE 5. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

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

Changes in the State's net pension liability and total OPEB (asset)/liability during the fiscal year ended June 30, 2022, were as follows (expressed in thousands):

	<u>Pension</u>		<u>OPEB</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning balance	\$ 4,566,864	\$ 1,696,019	\$ 903,385	\$ 645,092
Increases	873,379	234,399	330,810	108,718
Decreases	(2,696,268)	(668,895)	(637,657)	(315,887)
Ending Balance	<u>\$ 2,743,975</u>	<u>\$ 1,261,523</u>	<u>\$ 596,538</u>	<u>\$ 437,923</u>

For the year ended June 30, 2022, the State recognized pension expense for all plans to which it contributes of \$502.6 million, \$1.1 million of grant expense for EORP, and \$90.1 million of OPEB expense. Also, the State reported \$1.5 billion of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$3.6 million of grant expenditures related

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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to EORP, and \$19.5 million of OPEB contributions as expenditures in the governmental funds related to all OPEB plans to which it contributes.

A. ARIZONA STATE RETIREMENT SYSTEM

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

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

* With actuarially reduced benefits.

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

Contributions – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute for retirement at the actuarially determined rate of 12.22 percent of the members’ annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 12.01 percent of the active members’ annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 10.13 percent of annual covered payroll of retired members who worked during fiscal year 2022 for the State in positions that an employee who contributes to the ASRS would typically fill. The State’s contributions to the pension plan for the year ended June 30, 2022, were \$300.8 million.

During fiscal year 2022, the State paid for ASRS pension contributions from governmental funds as follows: 71.95 percent from the General Fund, 13.47 percent from major funds, and 14.58 percent from other funds.

Pension Liability – At June 30, 2022, the State reported a liability of \$2.8 billion for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total pension liability as of June 30, 2021, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7 - 7.2 percent to 2.9 - 8.4 percent.

The State’s proportion of the net pension liability was based on the State’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2021. The State’s proportion measured as of June 30, 2021, was 21.38 percent, which was an increase of 0.01 from its proportion measured as of June 30, 2020.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the State recognized pension expense for ASRS of \$232.9 million. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,828	\$ —
Changes of assumptions or other inputs	365,675	—
Net difference between projected and actual earnings on pension plan investments	—	890,140
Changes in proportion and differences between State contributions and proportionate share of contributions	54,137	71,218
State contributions subsequent to the measurement date	300,755	—
Total	<u>\$ 763,395</u>	<u>\$ 961,358</u>

The \$300.8 million reported as deferred outflows of resources related to ASRS pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	
2023	\$ (6,379)
2024	10,678
2025	(196,230)
2026	(306,787)
2027	—
Thereafter	—

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

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

STATE OF ARIZONA
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The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income – credit	20%	5.20%
Fixed income – interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the State’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate (expressed in thousands):

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
State’s proportionate share of the net pension liability	\$ 4,419,065	\$ 2,809,472	\$ 1,467,518

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

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B. PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND CORRECTIONS OFFICER RETIREMENT PLAN

Benefits Provided – PSPRS and CORP retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
PSPRS Retirement and Disability	Tier 1	Tier 2	Tier 3
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent:			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor Benefit			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

* With actuarially reduced benefits.

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	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018
CORP		
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent:		
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary disability retirement	2.5% per year of credited service	
Survivor Benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS – DPS	CORP – DCRR
Retirees or beneficiaries currently receiving benefits	1,457	3,883
Inactive employees entitled to but not yet receiving benefits	161	1,422
Active employees	1,016	5,350
Total	<u>2,634</u>	<u>10,655</u>

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

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Contributions – State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members’ annual covered payroll. As part of the 2022 Fifty-fifth Legislature, House Bill 2862, the State appropriated \$895.2 million to reduce the unfunded accrued liability for the PSPRS – DPS plan affecting Tiers 1 and 2 (which received \$420.6 million) and the CORP – DCRR plan (which received \$474.6 million) which is also reflected in the tables below.

	<u>Active Member – Pension</u>	<u>State – Pension</u>	<u>State – Pension with Appropriation</u>
PSPRS – DPS Tiers 1 & 2	7.65% - 11.65%	101.95%	618.09%
PSPRS – DPS Tier 3	10.43%	98.12%	N/A
CORP – DCRR	8.41%	30.88%	187.94%

In addition, statute required the State to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked during fiscal year 2022 for the State in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	<u>Pension</u>
PSPRS – DPS	88.67%
CORP – DCRR	25.73%

The State's contributions to the pension plan for the year ended June 30, 2022, were (expressed in thousands):

	<u>Pension</u>	<u>Pension Appropriation</u>	<u>Total Pension Contributions</u>
PSPRS – DPS Tiers 1 & 2	\$ 83,070	\$ 420,560	\$ 503,630
PSPRS – DPS Tier 3	12,599	—	12,599
CORP – DCRR	93,322	474,635	567,957

During fiscal year 2022, the State paid for PSPRS and CORP pension contributions as follows: 93.95 percent from the General Fund and 6.05 percent from other funds.

Pension Liability – At June 30, 2022, the State reported the following net pension liabilities (expressed in thousands):

	<u>Net Pension Liability</u>
PSPRS – DPS	\$ 344,585
CORP – DCRR	365,452

The net pension liabilities were measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

<u>PSPRS and CORP – Pension</u>	
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 Tables

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Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
PSPRS – DPS			
Balances at June 30, 2021	\$ 1,322,128	\$ 388,476	\$ 933,652
Changes for the year:			
Service cost	17,270	—	17,270
Interest on the total pension liability	94,730	—	94,730
Differences between expected and actual experience in the measurement of the pension liability	(2,112)	—	(2,112)
Contributions – employer	—	580,872	(580,872)
Contributions – employee	—	7,618	(7,618)
Net investment income	—	111,018	(111,018)
Benefit payments, including refunds of employee contributions	(83,462)	(83,462)	—
Administrative expense	—	(528)	528
Other changes	—	(25)	25
Net changes	26,426	615,493	(589,067)
Balances at June 30, 2022	\$ 1,348,554	\$ 1,003,969	\$ 344,585

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
CORP – DCRR			
Balances at June 30, 2021	\$ 2,129,133	\$ 1,019,756	\$ 1,109,377
Changes for the year:			
Service cost	39,018	—	39,018
Interest on the total pension liability	154,253	—	154,253
Differences between expected and actual experience in the measurement of the pension liability	(31,751)	—	(31,751)
Contributions – employer	—	599,307	(599,307)
Contributions – employee	—	21,271	(21,271)
Net investment income	—	286,349	(286,349)
Benefit payments, including refunds of employee contributions	(110,183)	(110,183)	—
Administrative expense	—	(1,318)	1,318
Other changes	—	(164)	164
Net changes	51,337	795,262	(743,925)
Balances at June 30, 2022	\$ 2,180,470	\$ 1,815,018	\$ 365,452

Sensitivity of the State’s Net Pension Liability to Changes in the Discount Rate – The following table presents the State’s net pension liabilities calculated using the discount rate of 7.3 percent, as well as what the State’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate (expressed in thousands):

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS – DPS net pension liability	\$ 506,924	\$ 344,585	\$ 210,343
CORP – DCRR net pension liability	\$ 666,691	\$ 365,452	\$ 120,113

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

Pension Expense – For the year ended June 30, 2022, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS – DPS	\$ 68,549
CORP – DCRR	70,803

Deferred Outflows/Inflows of Resources – At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSPRS – DPS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,088	\$ 3,016
Changes of assumptions or other inputs	8,527	—
Net difference between projected and actual earnings on pension plan investments	—	34,324
State contributions subsequent to the measurement date	516,229	—
Total	\$ 551,844	\$ 37,340

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CORP – DCRR	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,564	\$ 44,706
Changes of assumptions or other inputs	27,563	—
Net difference between projected and actual earnings on pension plan investments	—	120,383
State contributions subsequent to the measurement date	567,957	—
Total	\$ 674,084	\$ 165,089

The amounts reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ending June 30	PSPRS – DPS	CORP – DCRR
2023	\$ 5,582	\$ (8,722)
2024	6,551	(3,318)
2025	(587)	(1,907)
2026	(13,271)	(45,015)
2027	—	—
Thereafter	—	—

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C. ELECTED OFFICIALS' RETIREMENT PLAN

Benefits Provided – Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

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

* With reduced benefits of .25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects of the plan.

Contributions – State statutes establish active member and employer contribution requirements. A.R.S. § 38-810 also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2022, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the State to contribute at the actuarially determined rate of 61.43 percent of active EORP members' annual covered payroll. Also, statute required the State to contribute 49.21 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the State's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the State to contribute 41.59 percent of annual covered payroll of retired members who worked during fiscal year 2022 for the State in positions that an employee who contributes to the EORP would typically fill. The State's contributions to the pension plan for the year ended June 30, 2022, were \$16.5 million, including \$3.6 million related to State support, as a nonemployer contributing entity.

During fiscal year 2022, the State paid for EORP pension contributions as follows: 98.14 percent from the General Fund and 1.86 percent from other funds. In addition, during fiscal year 2022, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

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Pension Liability – At June 30, 2022, the amount the State recognized as its proportionate share of the net pension liability, the related State support, as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the State were as follows (expressed in thousands):

State's proportionate share of the EORP net pension liability	\$ 164,660
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	40,544
Total	<u>\$ 205,204</u>

The net pension liabilities were measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The State's proportion of the net pension liability was based on the State's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2021. The State's proportion measured as of June 30, 2021, was 27.06 percent, which was an increase of 4.71 from its proportion measured as of June 30, 2020. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2021, was 6.66 percent, which was a decrease of 0.08 from its proportion measured as of June 30, 2020.

Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the State recognized a pension expense for EORP of \$43.3 million and revenue of \$2.6 million for the designated court fees. In addition, the State recognized a grant expense of \$1.1 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2022, the State and the State, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>The State</u>		<u>The State, as a nonemployer contributing entity</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ 2,191	\$ —	\$ 540
Net difference between projected and actual earnings on pension plan investments	—	8,389	—	2,066
Changes in proportion and differences between State contributions and proportionate share of contributions	13,547	—	1,098	—
State contributions subsequent to the measurement date	12,878	—	3,592	—
Total	<u>\$ 26,425</u>	<u>\$ 10,580</u>	<u>\$ 4,690</u>	<u>\$ 2,606</u>

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The amounts reported as deferred outflows of resources related to EORP pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	<u>The State</u>	<u>The State, as a nonemployer contributing entity</u>
2023	\$ 9,634	\$ 134
2024	(1,747)	(430)
2025	(2,063)	(508)
2026	(2,857)	(704)
2027	—	—
Thereafter	—	—

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 Tables

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	<u>100%</u>	

Discount Rate – At June 30, 2021, the discount rate used to measure the EORP total pension liability was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and non-employer contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
State’s proportionate share of the net pension liability	\$ 189,207	\$ 164,660	\$ 143,593
State’s proportionate share of the net pension liability, as a nonemployer contributing entity	46,588	40,544	35,357

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

D. ARIZONA DEPARTMENT OF ADMINISTRATION DEFINED BENEFIT HEALTHCARE PLAN

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

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

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

Contributions – The State's contribution to the ADOA OPEB plan for the year ended June 30, 2022, was \$24.6 million.

Employees Covered by Benefit Terms – For the plan’s fiscal year end of June 30, 2021, the following employees were covered by the ADOA OPEB plan’s benefit terms:

Retirees or beneficiaries currently receiving benefits	5,276
Active employees	53,872
Total	<u>59,148</u>

OPEB Liability – At June 30, 2022, the State reported a liability of \$1.2 billion for the ADOA total OPEB liability. The total OPEB liability measured as of June 30, 2021 was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Salary increases	0.0% to 5.5%, not including wage inflation of 2.9%
Discount rate	1.92%
Healthcare cost trend rates	
Medical (pre-65)	7.0% graded to 4.2% over 13 years
Medical (post-65)	5.3% graded to 4.2% over 13 years
Administrative costs	No explicit assumption
Contribution trend rates	7.0% graded to 4.2% over 13 years
Mortality rates	
Healthy employees	Pub-2010 General Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2017.
Healthy retirees and spouses	2017 State Retirees of Arizona (SRA) mortality table. Generational mortality improvements in accordance with the Ultimate MP scales (through 2020) and projected from the year 2017.
Disabled retirees	Pub-2010 Disabled Retiree Mortality. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2017.

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

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

Changes in the Total OPEB Liability

(expressed in thousands):

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2021	\$ 1,577,121
Changes for the year:	
Service cost	123,719
Interest on the total OPEB liability	41,284
Differences between expected and actual experience in the measurement of the OPEB liability	(485,617)
Changes of assumptions or other inputs	(27,051)
Benefit payments	(31,551)
Net changes	(379,216)
Balance at June 30, 2022	\$ 1,197,905

The total OPEB liability as of June 30, 2021 reflects a decrease in the discount rate due to changes in the bond index.

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Sensitivity of the State’s Total OPEB Liability to Changes in the Discount Rate – The following table presents the State’s total OPEB liabilities calculated using the discount rate of 1.92 percent, as well as what the State’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate (expressed in thousands):

	<u>1% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
Total OPEB liability	\$ 1,441,804	\$ 1,197,905	\$ 1,008,947

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 974,917	\$ 1,197,905	\$ 1,496,179

OPEB Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the State recognized OPEB expense of \$111.6 million. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,361	\$ 434,525
Changes of assumptions or other inputs	293,879	134,930
State benefit payments subsequent to the measurement date	24,575	—
Total	<u>\$ 342,815</u>	<u>\$ 569,455</u>

The \$24.6 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

<u>Year Ending June 30</u>	
2023	\$ (47,967)
2024	(47,967)
2025	(28,933)
2026	(6,910)
2027	(26,734)
Thereafter	(92,704)

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

1. Governmental Activities

a. Department of Administration

The State has pledged portions of its gross revenues towards the payment of debt service on the Lottery Refunding Bonds (Series 2019). These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are secured solely by pledged revenues consisting of all Lottery revenues deposited to the Lottery Fund net of operating expenses. In August 2021, the Series 2019 was defeased, per Senate Bill 1823, thus eliminating the underlying pledged revenues of the Lottery. The outstanding principal at the time of defeasance was \$223.1 million. The State placed \$266.7 million in an escrow account to be used to purchase securities that will provide resources for all future debt service payments on the debt. The escrow agent will pay the debt service requirements of the defeased bonds on each scheduled payment date through July 1, 2029. The defeased bonds are not subject to optional redemption prior to maturity. Accordingly, the escrow account assets and liabilities for these defeased bonds are not included in the accompanying financial statements.

b. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.1 billion.

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

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$988.1 million in outstanding Highway Revenue Bonds issued since 2011. Proceeds from the bonds finance portions of the ADOT's Five-Year Transportation Facilities Construction Program, and to refund certain maturities of outstanding Highway Revenue bond issues. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$1.3 billion. Principal and interest paid for the current year and total pledged revenues were \$137.5 million and \$820.2 million, respectively. The annual principal and interest payments on the bonds required 16.8% of the pledged revenues. The pledged revenues of \$820.2 million also apply to the ADOT's direct placement Highway Revenue Bonds discussed within Note 6.D.1.b.

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$511.1 million.

The ADOT has pledged future transportation excise taxes to repay \$377.5 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2009. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County and to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$415.1 million. Principal and interest paid for the current year and total pledged revenues were \$129.7 million and \$443.5 million, respectively. The annual principal and interest payments on the bonds required 29.2% of the pledged revenues. The pledged revenues of \$443.5 million also apply to the ADOT's direct placement Transportation Excise Tax Revenue Bonds discussed within Note 6.D.1.b.

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2. Business-Type Activities

a. Universities

i. Arizona State University

As of June 30, 2022, the ASU had issued fixed and variable rate bonds, of which \$2.0 billion is outstanding. The ASU's long-term obligations generally are structured with semi-annual interest and call options at a prescribed date. Certain revenue bonds of the ASU have been defeased through advance refundings by depositing sufficient cash and/or U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of defeased bonds outstanding at June 30, 2022 totaled \$187.7 million.

The ASU has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2022. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and technology and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2022, pledged revenues totaled \$2.2 billion, of which 6.4% (\$137.7 million, net of Federal direct payments) was required to cover current year debt service.

In April 2022, the ASU issued \$172.2 million of system revenue bonds, Series 2022A, B and C, with an average maturity of 16.9 years and an average interest rate of 3.69%. The bonds were issued to fund the construction and improvements to the Bateman Physical Sciences Center, Durham Hall Language and Literature Building, Infrastructure and Deferred Maintenance, and the Multipurpose Arena. In addition to using pledged revenues to pay the debt service, the ASU will pay half the debt service of the 2022A bonds from the Capital Infrastructure Fund (CIF) established by the State pursuant to A.R.S. § 15-1671. Pursuant to the CIF Law, State General Fund monies will be appropriated and deposited into the ASU's CIF for fiscal year 2019 through fiscal year 2043. The annual deposit will be adjusted annually by a growth rate of 2.0% or the change in the U.S. Gross Domestic Product Price Deflator between the two prior fiscal years, whichever is less, but not less than the prior fiscal year's appropriated amount. CIF funds are available exclusively for either paying the costs of, or paying up to one-half of the debt service on debt financing for, capital projects of the ASU. While funding for the payment of debt service will be made as described, pledged revenues secure all of the 2022 Bonds.

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

The ASU has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling \$69.0 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2022 was 0.90% for the Series 2008A bonds and 0.89% for the Series 2008B bonds. The ASU's variable rate demand bonds have remarketing features which allow bondholders to put debt back to the ASU. In accordance with GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities*, the total outstanding principal balance for variable rate demand bonds is required to be classified as a current liability. As of May 4, 2016, the ASU executed a self-liquidity facility agreement to provide liquidity if the bonds are put by bondholders. It is the ASU's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the official statement; however, in the absence of a "take out agreement" the ASU has classified the total outstanding principal balance of the 2008 bonds as a current liability.

Future pledged revenues required to pay all remaining debt service for the ASU's senior and subordinate revenue bonds through final maturity of July 1, 2053 total \$3.1 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the ASU has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds.

The Taxable Series 2010A System Revenue Bonds were issued as Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the ASU is eligible to receive Federal Direct Payments from the U.S. Treasury equal to 35% of the interest owed on each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the

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Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2022, the ASU recorded Federal Direct Payments totaling \$2.8 million, net of \$0.2 million or 5.7% reduction due to the Federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue. Fiscal year 2022 is the last year the Federal subsidy will be received for the 2010A SPEED revenue bonds that were refunded by the 2021 SPEED refunding bonds.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2022 totaled \$110.7 million.

Effective January 1, 2007, the ASU entered into a \$103.0 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding \$68.6 million notional amount at June 30, 2022 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2022 was 0.91%.

At June 30, 2022, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(0.91)
Net interest rate swap payments		3.00
Variable-rate bond coupon payments	Spread to SIFMA	0.91
Synthetic fixed interest rate on bonds		3.91

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

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

As of June 30, 2022, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch, A+ by S&P, and Aa2 by Moody's as of June 30, 2022. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

As of June 30, 2022, the swap had a fair value of \$(5.8) million, which represents the cost to the ASU to terminate the swap. The June 30, 2021 fair value was \$(15.0) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, as amended by GASB 63, the fair value of the ASU's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources (interest rate swap) and a liability (derivative instrument – interest rate swap).

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ii. University of Arizona

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

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

In fiscal year 2020, the U of A refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2013A. At June 30, 2022, the total outstanding principal balance of the refunded bonds was \$11.5 million, which will be paid by investments held in an irrevocable trust with a fair value of \$11.7 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

In fiscal year 2020, the U of A refunded, in advance of maturity, a portion of outstanding SPEED Revenue Bonds Series 2013. At June 30, 2022, the total outstanding principal balance of the refunded bonds was \$17.4 million, which will be paid by investments held in an irrevocable trust with a fair value of \$18.2 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2022. 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, 2022, pledged revenues totaled \$1.4 billion of which 7.0% (\$100.4 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 5.2% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$2.0 billion.

iii. Northern Arizona University

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

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

In prior years, the NAU refunded, in advance of maturity, a portion of the outstanding System Revenue Bonds Series 2014 by placing the bond proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of June 30, 2022, the outstanding principal balance of the refunded 2014 Bonds was \$15.1 million, which will be paid by investments held in the trust with a fair value of \$15.7 million. The term bonds have a call date of June 1, 2024. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the accompanying financial statements.

In prior years, the NAU refunded, in advance of maturity, a portion of the outstanding SPEED Revenue Bonds Series 2013 by issuing SPEED Revenue Bonds Series 2020A and placing the bond proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of June 30, 2022, the outstanding principal balance of the refunded bonds was \$32.2 million, which will be paid by investments held in the trust with a fair value of \$33.8 million. The serial and term bonds with an optional

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redemption date of August 1, 2023 will be called on that date. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the accompanying financial statements.

The NAU utilizes Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. LRBs are generally callable, with interest payable semiannually and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the accompanying financial statements and the control of the assets would return to the trustee. The LRBs were used by the NAU to purchase the Student and Academic Services building.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2022. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged \$311.8 million for the prior five years. For fiscal year 2022, pledged revenues totaled \$292.4 million of which 10% (\$29.2 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.8% of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044, is \$569.0 million.

3. Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2022 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2022
Governmental Activities:				
Department of Transportation	2014 - 2020	2023 - 2038	1.80 - 5.00%	\$ 1,365,585
Business-type Activities:				
University Revenue Bonds	2008 - 2022	2023 - 2054	0.52 - 5.99%	3,676,945

Principal and interest payments on revenue bonds outstanding at June 30, 2022 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service						
	Governmental Activities			Business-type Activities			
	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2023	\$ 169,050	\$ 56,605	\$ 225,655	\$ 124,835	\$ 160,260	\$ 1,944	\$ 287,039
2024	232,975	48,790	281,765	143,095	154,776	1,821	299,692
2025	217,605	39,465	257,070	154,770	148,326	1,693	304,789
2026	88,690	30,581	119,271	160,865	141,634	1,559	304,058
2027	83,485	27,657	111,142	170,310	134,335	1,417	306,062
2028 - 2032	390,580	87,534	478,114	850,875	557,195	4,706	1,412,776
2033 - 2037	164,640	19,022	183,662	798,530	372,561	616	1,171,707
2038 - 2042	18,560	588	19,148	752,280	190,814	—	943,094
2043 - 2047	—	—	—	436,870	48,496	—	485,366
2048 - 2052	—	—	—	71,775	6,732	—	78,507
2053 - 2054	—	—	—	12,740	252	—	12,992
Total	\$ 1,365,585	\$ 310,242	\$ 1,675,827	\$ 3,676,945	\$ 1,915,381	\$ 13,756	\$ 5,606,082

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B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of GANs issued in prior years and outstanding at the start of the fiscal year was \$184.5 million.

The ADOT has pledged federal revenues to repay \$163.7 million in outstanding GANs. Proceeds from the GANs pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and to refund certain maturities of various outstanding GANs. The GANs are payable solely from federal revenues and are payable through 2034. The total principal and interest remaining to be paid on the GANs is \$204.6 million. Principal and interest paid for the current year and total pledged revenues were \$30.0 million and \$843.9 million, respectively. The annual principal and interest payments on the GANs required 3.6% of the pledged revenues.

GANs currently outstanding are as follows (expressed in thousands):

<u>Grant Anticipation Notes Outstanding</u>	<u>Dates Issued</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance at June 30, 2022</u>
Governmental Activities:				
Department of Transportation	2016 - 2019	2023 - 2034	5.00%	\$ 163,705

Principal and interest payments on GANs outstanding at June 30, 2022 are as follows (expressed in thousands):

<u>Fiscal Year</u>	<u>Annual Debt Service</u>		
	<u>Governmental Activities</u>		
	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2023	\$ 21,800	\$ 8,185	\$ 29,985
2024	22,875	7,095	29,970
2025	24,020	5,952	29,972
2026	25,220	4,751	29,971
2027	8,610	3,490	12,100
2028 - 2032	49,990	10,539	60,529
2033 - 2034	11,190	846	12,036
Total	<u>\$ 163,705</u>	<u>\$ 40,858</u>	<u>\$ 204,563</u>

C. CERTIFICATES OF PARTICIPATION

1. Governmental Activities

a. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets and to refund prior outstanding COPs. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the Legislature and annual allocations of such appropriations being made by the Department of Administration (ADOA) for such purpose. The ADOA agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The certificates are collateralized by several office complexes, parking structures, and a laboratory. In the event of default, the properties would revert to the trustee, and the underlying asset value would be removed from the accompanying financial statements. The State's obligation to make lease payments does not constitute a debt or liability of the State

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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.

In August 2021, the State defeased COP Series 2016 (Series 2016) and Refunding COP Series 2019A (Series 2019A) per Senate Bill 1823. The outstanding principal at the time of the defeasances was \$60.0 million (Series 2016) and \$389.2 million (Series 2019A). The State placed \$65.6 million (Series 2016) and \$467.0 million (Series 2019A) in escrow accounts to be used to purchase securities that will provide resources for all future debt service payments on the debt. The trustee will pay the debt service requirements according to the debt service schedule through September 30, 2024 (Series 2016) and September 15, 2029 (Series 2019A). The defeased COPs are not subject to optional redemption prior to maturity. Accordingly, the trustee accounts assets and liabilities for these defeased COPs are not included in the accompanying financial statements.

See Note 14 for the subsequent partial defeasance of the COP Series 2015 in August 2022.

b. Department of Administration - School Facilities Board

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

In August 2021, the State defeased SFB Refunding COP Series 2015A per Senate Bill 1823. The outstanding principal at the time of defeasance was \$161.5 million. The State placed \$171.4 million in an escrow account to be used to purchase securities that will provide resources for all future debt service payments on the debt. The trustee will pay the debt service requirements according to the debt service schedule through August 21, 2023. The defeased COP is not subject to optional prepayment prior to maturity date of September 1, 2023. Accordingly, the trust account assets and liabilities for these defeased bonds are not included in the accompanying financial statements.

c. Game and Fish Department

In November 2006, the Game and Fish Department (GFA) issued Beneficial Interest Certificates (Series 2006) in a lease purchase agreement for \$20.4 million primarily to finance the construction of the GFA headquarters building and facilities and to fund related site improvements. As of June 30, 2022, the Series 2006 COPs include term certificates with interest rates ranging from 4.35% to 5.00% and maturity dates of July 1, 2026 and July 1, 2032. The COPs are subject to extraordinary optional redemption prior to maturity pursuant to the debt documents. The certificates are collateralized by GFA's headquarters building and facilities. In the event of default, the properties would revert to the trustee, and the underlying asset value would be removed from the accompanying financial statements.

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2. Business-Type Activities

a. Universities

i. Arizona State University

As of June 30, 2022, the ASU has issued fixed rate COPs, of which \$46.8 million is outstanding. The ASU's long-term obligations generally are structured with semi-annual interest and call options at a prescribed date. Securities and cash restricted for COP debt service held by the trustee at June 30, 2022 totaled \$4.4 million.

ii. University of Arizona

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

iii. Northern Arizona University

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

3. Summary of COPs

A summary of the COPs issued as of June 30, 2022 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
2013 A/B Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	\$ 62,630	\$ 15,895	4.00 - 5.00%
2015 Refund 2005 Gov Office Lease Rev Capitol Mall, 2008A	2016	2028	163,995	108,655	3.00 - 5.00%
Department of Administration - School Facilities Board:					
2010 Qualified School Construction	2011	2028	91,325	81,820	6.00%
Game and Fish Department:					
2006 Headquarters	2006	2032	20,410	11,040	4.35 - 5.00%
Total Governmental Activities			\$ 338,360	\$ 217,410	

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Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2006 COPs	2006	2031	\$ 15,810	\$ 7,650	4.53%
2011A Mercado Refunding COPs	2011	2025	8,465	2,330	4.27%
2013 A/B Refunding COPs	2013	2027	64,780	36,845	3.09%
University of Arizona:					
2006 Arizona Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	9,100	4.35 - 4.50%
2012B Refund COPs 2002B	2012	2023	20,600	2,725	5.00%
2015A Refund COPs 2005A-2005C, 2005F, 2006A & 2006B	2015	2025	89,470	19,295	5.00%
2015B Refund COPs 2007A	2015	2025	13,810	8,070	2.89 - 3.09%
2018B Refund COPs 2007D	2018	2031	32,430	22,895	5.00%
2021A Refund COPs 2012B, 2012C, 2015A, 2015B & 2018A	2021	2031	18,770	18,770	5.00%
2021B Refund COPs 2012C	2021	2031	82,740	81,245	0.49 - 2.28%
Northern Arizona University:					
2013 Refunding COPs	2013	2031	36,005	23,010	4.80%
2015 Refunding COPs	2015	2031	18,825	13,210	4.90%
Total Business-type Activities			\$ 419,945	\$ 245,145	

Principal and interest debt service requirements on COPs outstanding at June 30, 2022 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
2023	\$ 24,770	\$ 10,999	\$ 35,769	\$ 39,485	\$ 8,689	\$ 48,174
2024	20,140	9,892	30,032	43,675	7,159	50,834
2025	21,235	8,875	30,110	37,495	5,407	42,902
2026	22,380	7,805	30,185	27,415	4,202	31,617
2027	23,595	6,664	30,259	22,450	3,160	25,610
2028 - 2032	105,290	3,734	109,024	74,625	6,295	80,920
Total	\$ 217,410	\$ 47,969	\$ 265,379	\$ 245,145	\$ 34,912	\$ 280,057

D. DIRECT PLACEMENTS

1. Governmental Activities

a. Department of Administration

The State issued a direct placement COP Series 2017 during fiscal year 2018 to refund the remaining portion of a COP. The direct placement is collateralized by a prison and forensic lab. In the event of default, the facilities would revert to the trustee, any accrued and unpaid obligations for which monies are lawfully available would be paid, and the underlying asset value would be removed from the accompanying financial statements.

See Note 14 for subsequent defeasance of the COP Series 2017 in August 2022.

b. Department of Transportation

The ADOT negotiated two direct placement bonds to refund, in advance of maturity, certain outstanding Highway Revenue Bonds and Transportation Excise Tax Revenue Bonds.

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On November 10, 2021, the ADOT issued \$56.4 million of Taxable Highway Revenue Refunding Bonds Series 2021 (Series 2021 bonds), with an interest rate of 0.60% and serial maturities ranging from 2022 to 2023. Net proceeds totaled \$56.1 million, after payment of \$0.3 million of issuance costs and underwriter's discount. The net proceeds were used to refund, in advance of maturity, portions of the outstanding Series 2013A Highway Revenue Bonds. The advance-refunding resulted in a debt service savings of \$1.8 million, and a net present value economic gain of \$1.8 million (difference between the present values of the old and new debt service payments). The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$11.1 million. This gain was recognized in fiscal year 2022 as the 2013A bonds were called on July 1, 2022.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$54.7 million in outstanding direct placement bonds issued in fiscal year 2022. Proceeds from the bonds finance portions of the ADOT's Five-Year Transportation Facilities Construction Program and to refund certain maturities of outstanding Highway Revenue bonds. The bonds are payable solely from motor vehicle and related fuel fees and taxes and is payable through 2023. The total principal and interest remaining to be paid on the bonds are \$55.1 million. Principal and interest paid for the current year and total pledged revenues were \$2.0 million and \$820.2 million, respectively. The annual principal and interest payments on the bonds required 0.2% of the pledged revenues. The pledged revenues of \$820.2 million also apply to the ADOT's Highway Revenue Bonds discussed within Note 6.A.1.b.

On July 8, 2021, the ADOT issued \$28.1 million of Transportation Excise Tax Revenue Refunding Bonds Series 2021 (Series 2021 bonds) with an interest rate of 0.78% and serial maturities ranging from 2022 to 2025. Net proceeds totaled \$27.9 million after payment of \$0.2 million of issuance costs and underwriter's discount. The net proceeds were used to refund, in advance of maturity, portions of the outstanding Series 2011 Regional Area Road Fund Bonds. The advance-refunding resulted in a debt service savings of \$1.3 million, and a net present value economic gain of \$1.3 million (difference between the present values of the old and new debt service payments). The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$0.5 million. This gain was recognized in fiscal year 2022 as the 2011 bonds were called on July 20, 2021.

The ADOT has pledged future transportation excise taxes to repay \$14.7 million in outstanding direct placement bonds issued in fiscal year 2022. Proceeds from the bonds pay the costs to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$14.9 million. Principal and interest paid for the current year and pledge revenues were \$13.7 million and total pledged revenues were \$443.5 million, respectively. The annual principal and interest payments on the bonds required 3.1% of the pledged revenues. The pledged revenues of \$443.5 million also apply to the ADOT's Transportation Excise Tax Revenue bonds discussed within Note 6.A.1.b.

2. Business-Type Activities

a. Universities

i. Arizona State University

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

ii. Northern Arizona University

The NAU utilizes direct placement Lease Revenue Bonds (LRBs) to acquire buildings, land, and infrastructure. The LRBs are generally callable, with interest payable semiannually and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the accompanying financial statements and the control of the assets would return to the trustee. The LRBs purchased Pine Ridge Village, McKay Village, High Country Conference Center, and the Student Athlete Health Performance Center (SAHPC). Construction on the SAHPC started during fiscal year 2020 and was completed in February 2022.

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3. Summary of Direct Placements

A summary of the direct placements issued as of June 30, 2022 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
2017 Refund remaining portion of 2008A COP	2018	2028	\$ 31,570	\$ 4,000	1.75%
Department of Transportation:					
2021 Refund portion of Highway Revenue Bonds Series 2013A	2022	2023	56,385	54,650	0.60%
2021 Refund portion of Regional Area Road Fund Bonds Series 2011	2022	2025	28,135	14,670	0.78%
Total Governmental Activities			\$ 116,090	\$ 73,320	

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2014 A/B Refunding COPs	2015	2031	\$ 84,525	\$ 59,390	3.04%
2017 Refunding COPs	2018	2027	44,815	17,740	1.87%
Northern Arizona University:					
2016 Lease Refunding North Campus	2016	2036	11,070	8,005	2.60%
2017 System Revenue Refunding	2017	2034	42,970	36,770	2.90%
2017 Lease Refunding Pine Ridge/Campus Heights	2017	2033	33,340	26,710	2.90%
2017A System Revenue	2018	2038	24,260	20,355	2.60%
2020 Lease Revenue Student Athlete High Performance Center	2020	2044	46,780	43,955	2.80%
2021AB System Revenue Refunding	2021	2031	21,355	21,355	1.90%
Total Business-type Activities			\$ 309,115	\$ 234,280	

Principal and interest debt service requirements on the direct placements at June 30, 2022 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
2023	\$ 54,655	\$ 512	\$ 55,167	\$ 12,665	\$ 6,280	\$ 18,945
2024	—	184	184	13,950	5,966	19,916
2025	14,670	185	14,855	14,320	5,625	19,945
2026	—	70	70	20,520	5,130	25,650
2027	—	70	70	21,095	4,590	25,685
2028 - 2032	3,995	35	4,030	103,240	13,608	116,848
2033 - 2037	—	—	—	29,985	4,577	34,562
2038 - 2042	—	—	—	13,315	1,774	15,089
2043 - 2044	—	—	—	5,190	219	5,409
Total	\$ 73,320	\$ 1,056	\$ 74,376	\$ 234,280	\$ 47,769	\$ 282,049

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E. FINANCED PURCHASES

The State has entered into financed purchase agreements for the acquisition of land, buildings (including State Prisons), and equipment. The associated assets and liabilities are recorded on the government-wide Statement of Net Position. Financed purchases are agreements that transfer ownership of the financed asset to the lessee by the end of the contract term, do not contain termination options, but may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised.

The future minimum payments for long-term financed purchases as of June 30, 2022 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2023	\$ 14,286	\$ 6,506
2024	12,396	6,673
2025	12,213	6,772
2026	8,173	6,809
2027	8,077	6,755
2028 - 2032	40,386	28,043
2033 - 2037	12,116	14,980
2038 - 2042	—	2,352
2043 - 2047	—	544
2048 - 2072	—	3,717
Total minimum payments	107,647	83,151
Less: amount representing interest	(8,187)	(14,520)
Present Value of net minimum financed purchase obligations payments	\$ 99,460	\$ 68,631

F. LEASES

1. Governmental Activities

The State has entered into leases with various entities for buildings, land and office space. The leases constitute significant right-to-use lease assets and corresponding lease liabilities for the State.

The following State agencies have entered into lease agreements for buildings: (1) the Attorney General, the Board of Regents, and the Early Childhood Development and Health Board leases were for administrative buildings located in Phoenix, Arizona; (2) the Arizona Health Care Cost Containment System lease was for the Arizona Long Term Care Services administrative building located in Tucson, Arizona; (3) the Department of Agriculture lease was for a laboratory located in Chandler, Arizona; (4) the Department of Child Safety leases were for administrative buildings, field service office buildings, storage facilities, and a 24-hour Emergency Transition Care Facility for Children located throughout Arizona; (5) the Department of Corrections, Rehabilitation & Reentry lease was for a parole office located in Phoenix, Arizona; (6) the Department of Economic Security leases were for buildings located throughout Arizona for administrative purposes and for providing critical services, including Employment and Rehabilitation, Benefits and Medical Eligibility, Developmental Disabilities, Child Support, Community Assistance and Development, Aging and Adult, and Child Care; (7) the Department of Health Services lease was for the Bureau of Radiation Control building located in Phoenix, Arizona; and (8) the Department of Public Safety leases were for Public Services Center building, the Northern Regional Crime Laboratory, Property and Evidence Storage, and Fleet Maintenance building, and the Arizona Counter Terrorism Information Center building located throughout Arizona.

The Department of Public Safety has also entered into a lease agreement for land at the Tucson International Airport located in Pima County.

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Additionally, the Department of Child Safety has committed to four new building office space leases at fiscal year-end that will commence in fiscal year 2023. Those new lease payment amounts, in total, equal approximately \$22.1 million.

All lease payments are fixed and not variable.

2. Business-type Activities

a. Universities

i. Arizona State University

The ASU has entered into leases with various entities for equipment, classroom, office, research and student housing and activity space. The following leases constitute significant right-to-use lease assets and corresponding lease liabilities for the ASU:

Brickyard – In July 2004, the ASU entered into a 25 year master lease of the Brickyard, owned by the ASUF Brickyard, LLC, an Arizona limited liability company, of which the sole member is the University Reality, LLC, an Arizona limited liability company, whose sole member is ASU Enterprise Partners. The majority of the facility is being used by the ASU for classrooms, offices and research areas, with the remaining portion being leased by the ASU to various firms for retail and restaurant operations. In June 2018, the ASU entered into an additional 5 year lease in the interest of executing a mixed-use project of existing improvements consisting of a parking garage and commercial building.

SkySong – In June 2006, the ASU entered into a 15 year lease, for approximately 80,000 square feet of office space within a development known as SkySong. The ASU's use of the leased space focuses on supporting entrepreneurial activities and interdisciplinary research programs in engineering-related fields and education technology. The ASU has since entered into multiple leases for additional space within SkySong development for an additional 72,212 square feet of space for similar uses.

Herald Examiner Building – In August 2018, the ASU entered into a 12 year lease for 85,118 square feet of office space known as Herald Examiner Building located in Downtown Los Angeles to create the ASU California Center. The century-old former newspaper headquarters provides educational, community engagement and other programming space for the Herberger Institute, the Walter Cronkite School of Journalism and Mass Communication and other ASU programs.

Phoenix Biomedical Building (Wexford) – In December 2018, the ASU entered into a 15 year lease for 113,615 square feet of the Wexford facility. Wexford is the first public-private development effort between the city of Phoenix, the ASU and Wexford Science and Technology and serves as a global center for interdisciplinary research, discovery and development. The ASU portion of the facility houses academic research and clinical space.

Ascentris-224 – In March 2019, the ASU entered into a 10 year lease with Ryan University Realty, LLC for 169,223 square feet of office and ground floor retail space located within the Novus Innovation Corridor. The ASU utilizes the property for general office, administrative and educational purposes including classrooms and collaborative spaces.

ASU Barrett and O'Connor Washington Center – In December 2014, the ASU entered into a 20 year lease for multi-use office building in Washington, D.C. Previously reported as a capital lease, the implementation of GASB Statement No. 87, *Leases*, required a restatement of net capital assets amounts between subcategories and restatement of lease liabilities.

ii. Northern Arizona University

The NAU has entered into leases with various entities for equipment, vehicles, classroom, office and student housing purposes.

Statewide Campus Operations – The NAU maintains classroom and office space throughout 20 plus statewide locations with various levels of operations. Many sites are located on community college campuses and other key locations that help meet the NAU goals of providing accessible educational opportunities statewide. Combined leased office and classroom space total approximately 94,400 square feet for significant sites. Lease terms are typically 5 years in duration, and future minimum lease payments for significant sites total approximately \$3.6 million.

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Honors College – Located in the center of the NAU’s main campus since 2019, the Honors College residence building houses over 700 students. The NAU operates the residence building under a 40-year sub lease with American Campus Communities, which constructed the building under a 40-year land lease with the NAU. Base lease payments increase 3% annually over the 40-year term and future minimum lease payments total approximately \$290.0 million through June 2057.

Arizona Access Technology Program (AzTAP) – Created in 1994, the AzTAP works to improve the availability of assistive technology to individuals with disabilities and their families. The NAU’s Institute for Human Development serves as the lead agency in the program, which operates in central Phoenix in leased space of approximately 5,700 square feet. Future minimum lease payments through January 2030 total approximately \$0.9 million.

Arizona K-12 Center (AZ K-12 Center) – The AZ K-12 Center improves teaching and learning through high-quality professional development. The NAU is a leader in the center’s operations, which occupies approximately 7,300 square feet of leased space in central Phoenix. Future minimum lease payments through June 2024 total approximately \$0.3 million.

iii. University of Arizona

The U of A has entered into certain leases that convey control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction. These are generally for real property.

3. Summary of Leases

Principal and interest payments for leases outstanding at June 30, 2022 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
2023	\$ 41,665	\$ 4,401	\$ 46,066	\$ 39,733	\$ 13,124	\$ 52,857
2024	40,897	3,851	44,748	40,090	12,596	52,686
2025	40,408	3,312	43,720	39,549	11,746	51,295
2026	38,076	2,784	40,860	39,313	10,645	49,958
2027	35,989	2,276	38,265	36,559	9,648	46,207
2028 - 2032	105,625	5,470	111,095	147,729	36,032	183,761
2033 - 2037	24,386	973	25,359	65,290	22,803	88,093
2038 - 2042	472	298	770	43,908	17,603	61,511
2043 - 2047	681	170	851	42,234	13,467	55,701
2048 - 2052	390	21	411	53,695	9,059	62,754
2053 - 2057	—	—	—	60,130	3,676	63,806
2058 - 2062	—	—	—	391	895	1,286
2063 - 2067	—	—	—	378	1,077	1,455
2068 - 2072	—	—	—	366	1,280	1,646
2073 - 2077	—	—	—	355	1,507	1,862
2078 - 2082	—	—	—	343	1,764	2,107
2083 - 2087	—	—	—	333	2,051	2,384
2088 - 2092	—	—	—	322	2,375	2,697
2093 - 2097	—	—	—	312	2,740	3,052
2098 - 2102	—	—	—	302	3,151	3,453
2103 - 2107	—	—	—	292	3,614	3,906
2108 - 2112	—	—	—	283	4,137	4,420
2113 - 2117	—	—	—	274	4,726	5,000
2118 - 2121	—	—	—	200	3,974	4,174
Total	\$ 328,589	\$ 23,556	\$ 352,145	\$ 612,381	\$ 193,690	\$ 806,071

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G. 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 2022, the State paid for compensated absences from governmental funds as follows: 78.08% from the General Fund, 15.64% from other funds, and 6.28% from other major funds.

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H. CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	\$ 1,872,630	\$ —	\$ (507,045)	\$ 1,365,585	\$ 169,050	\$ 1,196,535
Grant anticipation notes	184,460	—	(20,755)	163,705	21,800	141,905
Certificates of participation (2)	851,705	—	(634,295)	217,410	24,770	192,640
Direct placements	4,005	84,520	(15,205)	73,320	54,655	18,665
Financed purchases (1,2)	111,609	—	(12,149)	99,460	12,511	86,949
Premiums and discounts on debt	395,907	—	(137,216)	258,691	36,843	221,848
Total Long-term Debt	3,420,316	84,520	(1,326,665)	2,178,171	319,629	1,858,542
Other Long-term Liabilities:						
Leases (1)	325,724	45,622	(42,757)	328,589	41,665	286,924
Compensated absences	352,830	210,801	(201,362)	362,269	170,351	191,918
Pollution remediation obligations	63,884	8,682	—	72,566	4,809	67,757
Utility and railroad settlement accrual	10,899	786	(10,899)	786	—	786
Accrued relocation costs	4,588	34,182	(4,588)	34,182	4,783	29,399
Total Other Long-term Liabilities	757,925	300,073	(259,606)	798,392	221,608	576,784
Total Long-term Obligations	\$ 4,178,241	\$ 384,593	\$ (1,586,271)	\$ 2,976,563	\$ 541,237	\$ 2,435,326
Business-type Activities:						
Long-term Debt						
Revenue bonds	\$ 3,616,395	\$ 172,180	\$ (111,630)	\$ 3,676,945	\$ 189,955	\$ 3,486,990
Certificates of participation	289,610	—	(44,465)	245,145	39,485	205,660
Direct placements	247,785	—	(13,505)	234,280	12,665	221,615
Financed purchases (1,3)	72,965	330	(4,664)	68,631	4,571	64,060
Installment purchase contracts	21	—	(21)	—	—	—
Premiums and discounts on debt	460,199	17,724	(40,749)	437,174	37,993	399,181
Total Long-term Debt	4,686,975	190,234	(215,034)	4,662,175	284,669	4,377,506
Other Long-term Liabilities:						
Leases (1)	596,279	58,320	(42,218)	612,381	39,733	572,648
Compensated absences	154,024	138,723	(141,033)	151,714	19,241	132,473
U of A capital commitments	6,424	—	(6,424)	—	—	—
Total Other Long-term Liabilities	756,727	197,043	(189,675)	764,095	58,974	705,121
Total Long-term Obligations	\$ 5,443,702	\$ 387,277	\$ (404,709)	\$ 5,426,270	\$ 343,643	\$ 5,082,627

- (1) As a result of implementation of GASB 87, previously reported capital lease obligations are now reported as financed purchases. Leases are also being reported beginning in fiscal year 2022.
- (2) Beginning balances were restated due to reclassifying a previously reported capital lease obligations for the Department of Game and Fish to a COP. This resulted in an \$11.9 million increase to COP with a corresponding \$11.9 million decrease to financed purchases.
- (3) Beginning balances were restated as a result of implementation of GASB 87 for the Universities which resulted in a \$34.1 million decrease to financed purchases.

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, because \$198.6

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million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2022 were as follows (expressed in thousands):

Due From	Due To					
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Internal Service Funds	Total Due To
General Fund	\$ —	\$ 38,581	\$ 102	\$ 234,257	\$ 1,558	\$ 274,498
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	22,134	—	—	8,374	—	30,508
Land Endowments Fund	—	—	—	9,538	—	9,538
Non-Major Governmental Funds	37,241	—	—	227	287	37,755
Unemployment Compensation	12	—	—	1,662	—	1,674
Non-Major Enterprise Funds	76,397	—	—	—	—	76,397
Internal Service Funds	1	712	—	1	216	930
Total Due From	\$ 135,785	\$ 39,293	\$ 102	\$ 254,059	\$ 2,061	\$ 431,300

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, 2022 were 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	Unemployment Compensation	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$ —	\$ 57,618	\$ 2,852	\$ 482,815	\$ 937,861	\$ 62,000	\$ 10,870	\$ 5,725	\$ 1,559,741
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	—	—	—	312,423	—	—	—	—	312,423
Land Endowments Fund	4,176	—	—	1,450	—	—	—	—	5,626
Non-Major Governmental Funds	177,596	752	1	9,510	—	—	280	—	188,139
Unemployment Compensation	45	—	—	5,609	—	—	—	—	5,654
Non-Major Enterprise Funds	185,316	1,221	—	33,200	37,780	—	—	—	257,517
Internal Service Funds	12,249	31	—	1,048	—	—	—	3,213	16,541
Total Transfers In	\$ 379,382	\$ 59,622	\$ 2,853	\$ 846,055	\$ 975,641	\$ 62,000	\$ 11,150	\$ 8,938	\$ 2,345,641

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

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NOTE 8. ACCOUNTING CHANGES

The government-wide and fund statements have been restated as follows (expressed in thousands):

	<u>Net Position/ Fund Balance June 30, 2021, as previously reported</u>	<u>Change in Reporting Entity</u>	<u>Correction of Error</u>	<u>Change in Accounting Principle</u>	<u>Change in Accounting Estimate</u>	<u>Net Position/ Fund Balance July 1, 2021, as restated</u>
Government-wide Activities:						
Primary Government:						
Governmental Activities	\$ 34,355,203	\$ —	\$ (62,488)	\$ 2,819	\$ (12,291)	\$ 34,283,243
Business-Type Activities	<u>3,493,540</u>	<u>38,677</u>	<u>58,985</u>	<u>(4,031)</u>	<u>—</u>	<u>3,587,171</u>
Total Primary Government	<u>\$ 37,848,743</u>	<u>\$ 38,677</u>	<u>\$ (3,503)</u>	<u>\$ (1,212)</u>	<u>\$ (12,291)</u>	<u>\$ 37,870,414</u>
Fund Statements:						
Governmental Funds						
Major Governmental Funds:						
General Fund	\$ 2,801,407	\$ —	\$ (32,741)	\$ —	\$ —	\$ 2,768,666
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	1,534,053	—	—	—	—	1,534,053
Land Endowment Fund	7,670,439	—	—	—	—	7,670,439
Nonmajor Governmental Funds	<u>2,681,399</u>	<u>—</u>	<u>—</u>	<u>2,819</u>	<u>—</u>	<u>2,684,218</u>
Total Governmental Funds	<u>\$ 14,687,298</u>	<u>\$ —</u>	<u>\$ (32,741)</u>	<u>\$ 2,819</u>	<u>\$ —</u>	<u>\$ 14,657,376</u>
Proprietary Funds						
Business-Type Activities – Enterprise Funds						
Universities	\$ 2,965,389	\$ 38,677	\$ —	\$ (4,031)	\$ —	\$ 3,000,035
Unemployment Compensation	249,908	—	—	—	—	249,908
Other Nonmajor Enterprise	<u>228,107</u>	<u>—</u>	<u>58,985</u>	<u>—</u>	<u>—</u>	<u>287,092</u>
Total Enterprise Funds	<u>\$ 3,443,404</u>	<u>\$ 38,677</u>	<u>\$ 58,985</u>	<u>\$ (4,031)</u>	<u>\$ —</u>	<u>\$ 3,537,035</u>
Governmental Activities – Internal Service Funds	<u>\$ (389,122)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (389,122)</u>
Fiduciary Funds:						
Pension and Other Employee Benefit Trust Funds						
Private-Purpose Trust Funds	\$ 68,114,687	\$ (1,865,883)	\$ —	\$ —	\$ —	\$ 66,248,804
Custodial Funds	1,805,192	—	—	—	—	1,805,192
	<u>5,603,769</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,603,769</u>
Total Fiduciary Funds	<u>\$ 75,523,648</u>	<u>\$ (1,865,883)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 73,657,765</u>

Change in reporting entity

The ASU acquired the ASUBIOS in fiscal year 2022 which is recorded as a blended component unit in the Universities' financial statements. The ASUBIOS primarily exists to benefit the ASU by providing an Atlantic Ocean hub for research and instructional activities. The inclusion of the ASUBIOS resulted in a \$38.7 million increase to net position in the Universities' fund and a \$38.7 million increase to net position in the business-type activities of the primary government.

The Arizona Smart Save was an addition to the State's fiduciary component units in fiscal year 2021 as a result of implementing GASB Statement No. 84, *Fiduciary Activities*. However, in fiscal year 2022 the Arizona Smart Save was removed from the State's reporting entity. As part of the 2021 Fifty-fifth Legislature, Senate Bill 1348 repealed Title 38, Chapter 5, Article 5 and amended A.R.S. § 38-715 and A.R.S. § 38-781. As a result, the Arizona Smart Save no longer has a governing board and meets the exception in GASB 97, paragraph 4. Thus, financial accountability is no longer established and the Arizona Smart Save does not meet the criteria of a component unit. Additionally, it would not be misleading to exclude the Arizona Smart Save from the State's reporting entity. Elimination of the Arizona Smart Save resulted in a \$1.9 billion decrease to beginning net position in the fiduciary funds.

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Correction of error

The State Park's Revenue Fund was previously reported as a general fund and has been reclassified to an enterprise fund. The nature of the fund changed in prior years and remained classified as an incorrect fund type due to oversight. This has been corrected in the current fiscal year and resulted in a \$32.7 million decrease to beginning fund balance in the general fund, a \$41.9 million decrease to beginning net position in the governmental activities of the primary government, a \$41.9 million increase to beginning net position in the other non-major enterprise fund, and a \$41.9 million increase to beginning net position in the business-type activities of the primary government.

The Department of Veteran Services did not properly accrue construction in progress in the prior fiscal year due to oversight. This has been corrected in the current fiscal year and resulted in a \$20.5 million decrease to beginning net position in the governmental activities of the primary government, a \$17.1 million increase to beginning net position in the other non-major enterprise fund, and a \$17.1 million increase to beginning net position in the business-type activities of the primary government.

Change in accounting principle

In fiscal year 2007, the Game & Fish issued Beneficial Interest Certificates for \$20.4 million which was classified in long-term debt obligations as a capital lease. With the implementation of GASB 87, the capital lease was reclassified to certificates of participation. As a result of the change, the cash held with trustee was reported in the other non-major governmental fund. This resulted in a \$2.8 million increase to beginning fund balance in the other non-major governmental fund and a \$2.8 million increase to beginning net position in the governmental activities of the primary government.

The implementation of GASB 87 for the NAU resulted in a \$4.0 million decrease to beginning net position in the Universities' fund and a \$4.0 million decrease to beginning net position in the business-type activities of the primary government.

Change in accounting estimate

The ADOT changed the calculations on deferred gains/losses on refundings from amortizing bond premiums on a straight-line basis to the effective interest method which resulted in a \$12.3 million decrease to beginning net position in the governmental activities of the primary government.

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NOTE 9. GOVERNMENTAL FUND BALANCES

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet for the year ended June 30, 2022 were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	\$ 13,370	\$ 402	\$ —	\$ 707	\$ 14,479
Permanent fund principal	—	—	7,113,998	—	7,113,998
Restricted for:					
General government	7,549	—	—	32,091	39,640
Health and welfare	1,001,085	—	—	64,559	1,065,644
Inspection and regulation	6,008	—	—	9,104	15,112
Education	8,017	—	—	483,317	491,334
Protection and safety	15,225	—	—	490	15,715
Natural resources	6,182	—	—	13,843	20,025
Debt service	—	—	—	167,542	167,542
Capital projects	—	1,065,243	—	3,571	1,068,814
School facilities improvements	135,513	—	—	—	135,513
Committed to:					
General government	—	—	—	272,591	272,591
Health and welfare	19,303	—	—	263,426	282,729
Inspection and regulation	7,276	—	—	273,382	280,658
Education	60,956	—	—	—	60,956
Protection and safety	56,883	—	—	177,969	234,852
Transportation	—	820,785	—	—	820,785
Natural resources	47,186	—	—	276,209	323,395
School facilities improvements	131,767	—	—	—	131,767
Unassigned:	5,643,198	—	—	—	5,643,198
Total Fund Balances	\$ 7,159,518	\$ 1,886,430	\$ 7,113,998	\$ 2,038,801	\$ 18,198,747

NOTE 10. DEFICIT NET POSITION

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$314.0 million primarily due to the RMF receiving annual funding only for expected paid insurance losses (including loss adjustment expenditures) within the State's self-insured retention for the specific fiscal year. Accrued insurance losses of the RMF beyond the specific fiscal year are not considered when determining funding for each fiscal year.

The Retiree Accumulated Sick Leave Fund (RASL), an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The \$186.9 million deficit net position is primarily due to the above funding mechanism.

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The Health Insurance Trust Fund (HITF), an internal service fund, reported a deficit net position of \$77.6 million primarily due to a decrease of \$59.4 million in sales and charges for services as compared to fiscal year 2021. In addition, the actuary estimates of the incurred but not reported (IBNR) reserves increased 43% from fiscal year 2021 which caused cost of sales and benefits to increase by \$32.5 million as compared to fiscal year 2021.

NOTE 11. JOINT VENTURES

A. LARGE BINOCULAR TELESCOPE CORPORATION

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

The U of A has committed resources equivalent to 26.25% of the LBT's construction costs and annual operating costs. As of June 30, 2022, the U of A has made total cash contributions of \$19.2 million and contributions of services and materials of \$3.5 million, which is recorded as equity interest in joint venture on the Statement of Net Position. The U of A's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$1.9 million in calendar year 2022, as a reduction in its equity interest. At June 30, 2022, the equity interest totaled \$5.0 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2021, assets, liabilities, revenues, and expenses totaled \$104.6 million, \$7.6 million, \$12.0 million, and \$19.9 million, respectively.

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

B. GIANT MAGELLAN TELESCOPE ORGANIZATION

The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction, and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the U of A. The U of A comprises two of the fifteen members of the GMTO Board of Directors, and is one of thirteen founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the U of A does not have a defined equity interest, as a founder the U of A will receive viewing rights to the telescope in proportion to their voluntary contributions to the project. The U of A has recognized an intangible asset related to the costs incurred during the design, development, and construction/commissioning phases. The U of A has also signed agreements outlining capital commitments to the GMTO between June 2016 and June 2022. Capital commitments in the amount of \$6.4 million related to the GMT as of June 30, 2022 are reported in Note 6.H.

The U of A has contributed a total of \$85.6 million to the GMTO as of June 30, 2022. The U of A has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2022, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$87.0 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

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NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

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

The Health Insurance Trust Fund (HITF) provides self-funded health insurance benefit plans that are available to employees and retirees in accordance with A.R.S. § 38-654. The HITF receives funding from legislative appropriations, premiums collected from agencies and employees for the health insurance benefit plans, and investment earnings on premiums collected from employees. Premium rates are set using a prospective experience rating method.

To ensure that the HITF remains financially solvent, reserving is required. The reserving methods used by the HITF actuary are based on generally accepted actuarial principles and comply with A.R.S. § 20-516. The HITF’s reserves are estimates of the plan’s claim liabilities for the current plan year and future periods. Contract reserves are generally known as the IBNR liability – the estimated liability for an enrollee. The IBNR liability is estimated using the monthly pattern of incurred and paid claims. The calculation of the IBNR liability is based upon the claim lag pattern experienced through December 31, 2021, trended forward. The amount to hold for the IBNR liability is calculated by taking the distribution of the claim probabilities.

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

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

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2022. The total estimated loss reserve of \$214.6 million decreased by 4.83%, or \$10.9 million, from the prior year estimated loss reserve of \$225.5 million. The 4.83% decrease in estimated loss reserves was primarily the result of an increase in reported claims reserves for all reward categories. A confidence level of 80 percent was used in calculating medical and compensation related liabilities. A confidence level of 80 percent indicates a confidence that the estimated liability will be adequate to cover actual costs 80 out of 100 years. The reserves are discounted at an assumed rate of 0.90% for the compensation benefits and zero percent for the medical benefits. For medical benefits, it is assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund has filed proofs of claim with bankruptcy trustees for bankrupt self-insured employers. Additionally, the Special Fund has filed proofs of claim with ancillary receivers and liquidators regarding the recovery of statutory deposits and other monies for insurance carrier insolvencies that the Special Fund was responsible for prior to July 1, 2015. Effective July 1, 2015, the responsibility for insolvent carriers was transferred to the Department of Insurance and Financial Institutions Guaranty Funds. Since the actual amount

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that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier and bankrupt self-insured employer deposits as revenue at the time received rather than recording a receivable.

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

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three fiscal years. Effective September 24, 2022, the State began providing cyber coverage with the establishment of the Cyber Risk Insurance Fund which provides cyber coverage to protect the State's agencies, boards, and commissions.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2021 and June 30, 2022 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2021	\$ 433,483	\$ 61,803	\$ (54,378)	\$ 440,908
2022	440,908	57,333	(70,033)	428,208
Industrial Commission Special Fund:				
2021	233,330	7,559	(15,349)	225,540
2022	225,540	(4,946)	(6,032)	214,562
Health Insurance Trust Fund:				
2021	76,944	795,722	(796,501)	76,165
2022	76,165	799,684	(767,198)	108,651

B. LITIGATION

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

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted to an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit shall be paid either in a lump sum or in installments over a three-year period. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of \$195.4 million at June 30, 2022.

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D. UNCLAIMED PROPERTY

The State of Arizona’s Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed fund. A total of approximately \$2.0 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$39.4 million and mutual funds valued at \$38.9 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2022, \$24.5 million was deposited in the Department of Revenue Administrative Fund, \$2.5 million was deposited in the Housing Trust Fund, \$2.0 million was deposited in the Seriously Mentally Ill Housing Trust Fund, \$124.0 million was deposited in the General Fund, and \$1.0 million was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2022, \$513.8 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 \$3.2 billion at June 30, 2022 as presented in the following table (expressed in thousands):

	Remaining Commitments
Local government assistance	\$ 185,443
State highways	
Construction	1,756,916
Design	243,049
Right of way	582,510
Utilities	31,427
Planning and research	83,234
Other	366,773
Total	<u>\$ 3,249,352</u>

F. ARIZONA STATE LOTTERY

Winners are offered the option of cash or 30-year annuity for the PICK on-line game and a select number of Scratcher games. The annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody’s, Duff & Phelps, or Weiss. Purchases of annuities transfer liabilities for prizes to the insurance company. However, the Lottery may incur liabilities for prizes in the event of a default of an insurance company. Aggregate future payments to prize winners on existing annuities totaled \$50.7 million at June 30, 2022. Approximately \$46.5 million of the total aggregate future payments at June 30, 2022 relate to annuities purchased from five separate insurance companies, of which approximately \$16.9 million relates to a single insurance company.

G. AHCCCS PROVIDER BILLING

The AHCCCS’ Office of the Inspector General (OIG) and the Arizona Attorney General’s Office (AAGO) became aware of potential fraudulent billing practices including significant increases in outpatient behavioral health services. The AHCCCS connected the irregular billing with alleged criminal activity targeting tribal communities and other Arizonans. On May 16, 2023, the AHCCCS suspended payments to 102 providers and additional Credible Allegation of Fraud payment suspensions will be placed as the AHCCCS determines that there are additional fraudulent providers through their investigations. The payments relate to periods which includes fiscal year 2022 and prior years. Despite the scale of potential Behavioral Health services fraud, the AHCCCS has taken rapid steps to limit potential liability through holistic, system-wide strategies to find and eliminate fraudulent billing, including recommendations from the AAGO.

The AHCCCS’ OIG continues to investigate and identify areas of concern and implement necessary system improvements until it is determined that the integrity of the AHCCCS provider network is restored. A determination of any potential liability cannot be made because the investigations are in the early stages. Accordingly, the accompanying financial statements do not include any adjustments

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relating to amounts due to the Centers for Medicare and Medicaid Services for the improper billings or recovery of such funds from providers.

NOTE 13. SETTLEMENTS

1. 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 \$108.4 million in the fund statements and the government-wide statements in fiscal year 2022. 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, 2022.

2. Opioid Settlement

Beginning in fiscal year 2022, the State of Arizona signed settlement agreements with the pharmaceutical distributors who manufactured and marketed opioids where the State expects to receive settlement revenue over 18 years. The State recorded opioid settlement revenue of \$9.3 million and unavailable revenue of \$450.8 million in the fund statements in fiscal year 2022. In the government-wide statements, the State recorded opioid settlement revenue of \$450.8 million in fiscal year 2022.

NOTE 14. SUBSEQUENT EVENTS

On July 18, 2022, the U of A entered into a fifth amendment to the commitment agreement for the Giant Magellan Telescope. The original commitment agreement was dated December 5, 2014. The new amendment was for an additional funding round associated with the continued construction of the telescope. This included a capital commitment by the U of A for \$50.0 million to be paid on an annual schedule through July 2031 with average annual payments of approximately \$5.0 million per year.

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

On May 10, 2023, the ASU issued \$72.9 million in System Revenue Bonds, Series 2023A (Series 2023A Bonds), \$88.8 million in System Revenue Bonds, Series 2023B (Series 2023B Bonds), and \$27.7 million in System Revenue Bonds, Series 2023C (Series 2023C Bonds). The Series 2023A Bonds include serial and term bonds with an interest rate ranging from 5.00% to 5.50% and maturity dates ranging from 2024 to 2048. The Series 2023B Bonds include serial and term bonds with an interest rate ranging from 4.00% to 5.00% and maturity dates ranging from 2024 to 2053. The Series 2023C Bonds include serial bonds with interest rates ranging from 4.39% to 4.93% and maturity dates ranging from 2025 to 2037. The Series 2023A, Series 2023B, and Series 2023C Bonds were issued to provide funds for: (a) the construction of a parking structure project on Mill Avenue on the ASU's Tempe campus, (b) the construction and equipping of a new academic building on the ASU's Tempe campus, (c) the construction and equipping of an academic and office space project on the ASU's Tempe campus, (d) improvements to information technology infrastructure on the ASU's campuses, (e) renovations to research laboratories on the ASU's campuses, (f) renovations to classroom and academic facilities on the ASU's campuses, and (g) paying costs related to the issuance of the Series 2023 Bonds. Prior to their stated maturity date pursuant to the debt documents, the Series 2023A and Series 2023B Bonds are subject to optional and mandatory redemption whereas the Series 2023C Bonds are subject to optional redemption.

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On September 20, 2023, the ADOT issued \$351.4 million in Highway Revenue and Revenue Refunding Bonds, Series 2023 (Series 2023 Bonds). The Series 2023 Bonds include serial bonds with interest rate of 5.00% and maturity dates ranging from 2024 to 2033. The Series 2023 Bonds were issued for the purposes of: (1) financing portions of the State Transportation Board's Five-Year Capital Program, (2) repurchasing by means of a tender offer, certain outstanding Series 2020 Bonds of the State Transportation Board, and (3) paying costs of issuance. The Series 2023 Bonds are not subject to redemption prior to maturity.

NOTE 15. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

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

2. Net Assets

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

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

3. Investments

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

In addition, investments include Universities' endowment funds totaling \$628.0 million managed by the Foundations. These funds are primarily held in pooled endowment funds managed for the Universities under service contracts with the Foundations and invested in the Foundations' investment pools.

4. Income Taxes

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

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unrelated business income would be taxable. The ACFFC is exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

5. Contributions

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

6. Net Assets Released from Restriction

As the restrictions on donor-restricted net assets are met, the net assets are released from restriction and reclassified to net assets without donor restrictions. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

7. Deferred Outflows of Resources

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

8. Endowments

The management of the ASUEP and the U of A Foundation endowments is governed by laws in the State of Arizona created under the Arizona Management of Charitable Funds Act.

The ASUEP has interpreted State statute as requiring the preservation of the fair value of the original gifts at the gift date of the donor-restricted endowment funds. As a result of this interpretation, the ASUEP classifies as with donor restriction net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The ASUEP investment policies are reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve intergenerational equity by achieving growth of the investments at a rate that at least keeps pace with the general rate of inflation, net of spending.

The U of A Foundation endowment payout rate is a percentage (4.125% of the average fair value at the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the U of A Foundation's Board of Trustees. The U of A Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds: the net rate of return earned by each endowment account in each of the five most recent fiscal years; the net real rate of return (as measured by the Higher Education Price Index) earned by the endowment pool in each of the five most recent fiscal years (i.e., the duration and preservation of the endowment pool); payout rates established by other university endowments as published in the National Association of College and University Business Officers - Teachers, Insurance, and Annuity Study of Endowments; any unusual or extraordinary circumstances impacting the U of A flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.); the extent to which programs benefiting from the payout rate rely on these funds to achieve their goals and objectives; general economic conditions; the possible effect of inflation or deflation; and the expected total return from income and appreciation of investments per the most recent asset allocation study.

The U of A Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the payout and the endowment fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The U of A Foundation expects its endowment funds to provide an annual average rate of return of 6.5% with a standard deviation of 12.0% over a 20 year period.

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9. Use of Estimates

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

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

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

Per A.R.S. § 20-665 and § 20-687, the DIFIGF's board of directors shall submit to the director the fund's plan of operations. Investment policies adopted pursuant to the plans of operation authorize the DIFIGF to invest monies in obligations issued or guaranteed by the United States or any of its senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, and interest earning investments such as share, checking, savings accounts, or certificates of deposit.

b. Custodial Credit Risk - Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. Neither the AFA's WIFA nor the DIFIGF have a formal policy regarding custodial credit risk for deposits. At December 31, 2021, the DIFIGF had uncollateralized and uninsured deposits in the amount of \$1.1 million.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Neither the AFA's WIFA nor the DIFIGF have a formal policy regarding custodial credit risk for investments.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AFA's WIFA does not have a formal policy regarding interest rate risk. The DIFIGF's investment policy requires that the maximum final maturity on an individual investment shall not exceed three years, except for mortgage backed securities which target a three-year weighted average maturity. In addition, it also requires an average duration to not exceed one year for auto and other and two years for workers' compensation.

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The following table presents the interest rate risk utilizing the segmented time distribution method for the AFA's WIFA as of June 30, 2022 and for the DIFIGF as of December 31, 2021 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>
Certificates of deposit (negotiable)	\$ 4,499	\$ 4,499	\$ —	\$ —
Commercial mortgage backed securities	1,757	—	238	1,519
Corporate notes & bonds	2,827	1,375	1,452	—
Guaranteed investment contracts	8,145	—	—	8,145
Money market mutual funds	42,067	42,067	—	—
U.S. agency mortgage backed securities	1,804	—	1,205	599
U.S. Treasury securities	236,288	79,700	148,624	7,964
Total	<u>\$ 297,387</u>	<u>\$ 127,641</u>	<u>\$ 151,519</u>	<u>\$ 18,227</u>

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The AFA's WIFA does not have a formal policy regarding credit risk, but their investments are in accordance with the master bond indenture. The DIFIGF's investment policy requires that investments shall be limited to those securities or other investments with a rating no lower than BBB- from S & P. The following table presents the AFA's WIFA's and the DIFIGF's investments, both of which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2022 for the AFA's WIFA and as of December 31, 2021 for the DIFIGF (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A-1 Thru A-2</u>	<u>Not Rated</u>
Certificates of deposit (negotiable)	\$ 4,499	\$ —	\$ —	\$ —	\$ 4,499	\$ —
Commercial mortgage backed securities	1,757	1,757	—	—	—	—
Corporate notes & bonds	2,827	—	753	1,724	350	—
Guaranteed investment contracts	8,145	—	—	—	—	8,145
Money market mutual funds	42,067	247	—	—	—	41,820
U.S. agency mortgage backed securities	1,804	1,804	—	—	—	—
Total	<u>\$ 61,099</u>	<u>\$ 3,808</u>	<u>\$ 753</u>	<u>\$ 1,724</u>	<u>\$ 4,849</u>	<u>\$ 49,965</u>

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The AFA's WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2022, no investments in any one issuer exceeded more than 5% of the AFA's WIFA's total investments.

The DIFIGF's investment policies state that no more than 5% of its investment portfolio or \$5 million, whichever is less, shall be invested with any one issuer, with the exception of the U.S. government, its agencies, or instrumentalities. At December 31, 2021, no investments in any one issuer exceeded more than 5% of the DIFIGF's total investments.

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f. Fair Value Measurement

The AFA's WIFA's investments at June 30, 2022 and the DIFIGF's investments at December 31, 2021, categorized within the fair value hierarchy established by U.S. GAAP, were as follows (expressed in thousands):

Investment by Fair Value Level	June 30, 2022	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit (negotiable)	\$ 4,499	\$ —	\$ 4,499	\$ —
Commercial mortgage backed securities	1,757	—	1,757	—
Corporate notes & bonds	2,827	—	2,827	—
Money market mutual funds	247	247	—	—
U.S. agency mortgage backed securities	1,804	—	1,804	—
U.S. Treasury securities	236,288	236,288	—	—
Total investments by fair value level	\$ 247,422	\$ 236,535	\$ 10,887	\$ —
Guaranteed investment contracts	8,145			
Money market mutual funds	41,820			
Total investments	\$ 297,387			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using significant other observable inputs. In addition, the AFA's WIFA had \$8.1 million invested in guaranteed investment contracts as well as \$41.8 million in money market funds that were recorded at cost.

2. Universities-Affiliated Component Units

a. Investment Summary

The investments held by the ASUEP and the U of A Foundation at June 30, 2022, were as follows (expressed in thousands):

Investment Type	Fair Value
Money market funds and cash equivalents	\$ 10,746
Domestic/international equity securities and mutual funds	956,205
Domestic/international fixed income obligations and mutual funds	421,774
Absolute return limited partnerships and funds	245,738
Diversifying strategies	210,963
Real assets	188,847
Private capital limited partnerships	680,221
Other	249,018
Total	\$ 2,963,512

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b. Investments Classified in Fair Value Hierarchy

The investments held by the ASUEP and the U of A Foundation at June 30, 2022, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2022	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds and cash equivalents	\$ 10,746	\$ 10,723	\$ —	\$ 23
Domestic/international equity securities and mutual funds	785,721	677,610	—	108,111
Domestic/international fixed income obligations and mutual funds	253,826	204,730	5,883	43,213
Absolute return limited partnerships and funds	42,802	42,802	—	—
Diversifying strategies	46,372	3,390	3,000	39,982
Real assets	188,748	51,404	—	137,344
Private capital limited partnerships	436,171	818	—	435,353
Other	99,408	19,084	—	80,324
Total investments by fair value level	<u>1,863,794</u>	<u>\$ 1,010,561</u>	<u>\$ 8,883</u>	<u>\$ 844,350</u>
Investments Measured at the NAV				
ASUEP – Domestic/international equity securities and mutual funds	7,738			
ASUEP – Domestic/international fixed income obligations and mutual funds	65,769			
ASUEP – Diversifying strategies	164,591			
ASUEP – Real assets	99			
U of A Foundation – Multi-strategy hedge funds	100,510			
U of A Foundation – Equity long-only funds	81,062			
U of A Foundation – Equity long-only hedge funds	81,684			
U of A Foundation – Equity long/short hedge funds	61,711			
U of A Foundation – Fixed income hedge funds	1,101			
U of A Foundation – Natural resources limited partnerships	110,390			
U of A Foundation – Private capital limited partnerships	244,050			
U of A Foundation – Private real estate limited partnerships	39,220			
U of A Foundation – Private credit limited partnerships	39,614			
U of A Foundation – U.S. fixed income funds	102,179			
Total investments measured at the NAV	<u>1,099,718</u>			
Total investments measured at fair value	<u>\$ 2,963,512</u>			

Investments categorized as Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical assets or liabilities which provides the most reliable fair value measurement because it is directly observable to the market. Investments categorized as Level 2 of the fair value hierarchy are valued using other significant observable inputs such as quoted prices for similar securities, interest rates, or credit risk, which are either directly or indirectly observable as of the report date. Investments categorized as Level 3 of the fair value hierarchy are measured using management's best estimate of fair value, where the inputs included in the determination of fair value are not observable and require significant management judgment or estimation. The ASUEP also had liabilities at fair value totaling \$409,523, including \$3,290 in unrealized swap liability valued using level 2 valuation techniques, and \$406,233 in assets held for others valued using level 3 valuation techniques.

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c. Investments Measured at the NAV

The investments held by the ASUEP and the U of A Foundation at June 30, 2022, valued using the NAV per share, and were as follows (expressed in thousands):

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ASUEP – Domestic/international equity securities and mutual funds	\$ 7,738	\$ —	N/A	N/A
ASUEP – Domestic/international fixed income obligations and mutual funds	65,769	—	N/A	N/A
ASUEP – Diversifying strategies	164,591	—	N/A	N/A
ASUEP – Real assets	99	—	N/A	N/A
U of A Foundation – Multi-strategy hedge funds	100,510	8,484	Quarterly	60 - 90 days
U of A Foundation – Equity long-only funds	81,062	—	Daily to semi-annually	5 - 90 days
U of A Foundation – Equity long-only hedge funds	81,684	—	Monthly to quinquennially	60 - 90 days
U of A Foundation – Equity long/short hedge funds	61,711	—	Quarterly, biannually	90 - 120 days
U of A Foundation – Fixed income hedge funds	1,101	—	Quarterly	90 days
U of A Foundation – Natural resources limited partnerships	110,390	28,805	N/A	N/A
U of A Foundation – Private capital limited partnerships	244,050	129,594	N/A	N/A
U of A Foundation – Private real estate limited partnerships	39,220	24,348	N/A	N/A
U of A Foundation – Private credit limited partnerships	39,614	19,797	N/A	N/A
U of A Foundation – U.S. fixed income funds	102,179	—	Daily	5 days
Total	<u>\$ 1,099,718</u>	<u>\$ 211,028</u>		

C. ENDOWMENTS

1. ASUEP

The following shows the changes in the ASUEP net assets for the fiscal year ending June 30, 2022 (expressed in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 846,077	\$ 846,077
Contributions and other additions	—	62,190	62,190
Investment return:			
Investment income	—	25,157	25,157
Net depreciation	—	(46,534)	(46,534)
Changes in assets due to other entities	—	28,211	28,211
Total investment return	—	6,834	6,834
Appropriation for expenditure	—	(45,110)	(45,110)
Reclassification of donor intent	—	15,006	15,006
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 884,997</u>	<u>\$ 884,997</u>

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2. U of A Foundation

The following shows the changes in the U of A Foundation net assets for the fiscal year ending June 30, 2022 (expressed in thousands):

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,132	\$ 1,129,671	\$ 1,133,803
Investment return:			
Investment income	—	38,023	38,023
Less: endowment fee	—	(13,219)	(13,219)
Net depreciation	(672)	(96,538)	(97,210)
Total investment return	<u>(672)</u>	<u>(71,734)</u>	<u>(72,406)</u>
Contributions	—	85,144	85,144
Transfers	(3,460)	(4,600)	(8,060)
Appropriation for payout	—	(42,184)	(42,184)
Capitalization of payout	—	6,684	6,684
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 1,102,981</u>	<u>\$ 1,102,981</u>

D. RECEIVABLES

1. Component Units

a. Loans Receivables

The AFA's WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2022 were as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Clean Water Fund	\$ 278,656	\$ 7,398	\$ (41,297)	\$ 244,757
Drinking Water Fund	445,332	81,661	(62,187)	464,806
Total	<u>\$ 723,988</u>	<u>\$ 89,059</u>	<u>\$ (103,484)</u>	<u>\$ 709,563</u>

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

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the AFA's WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2022, the debt service reserves were \$4 thousand and \$1.7 million for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

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b. Other Receivables

The DIFIGF provides payment for settlement of covered claims and return of unearned premiums under certain property and casualty insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 6, and contractual obligations under certain life, annuity and disability insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 7.

To provide funding for the payments of claims, the DIFIGF may direct the payment of assessments by member insurers under A.R.S. § 20-666 and A.R.S. § 20-686. Assessments under A.R.S. § 20-666 may not exceed 1% of net direct written premiums by member insurers. Under A.R.S. § 20-686, there are two classes of assessments: Class A assessments that are paid by each member insurer to cover administrative costs and other general expenses; and Class B assessments levied by account and paid by member insurers licensed to write insurance covered by the account, that pay the costs related to an impaired insurer or insolvent insurer pursuant to A.R.S. § 20-685. The total assessments under A.R.S. § 20-686 on a member insurer for each account may not exceed 2% of that member insurer's average annual premium received in the State during the three calendar years preceding the year in which an insurer becomes impaired or insolvent.

Unbilled assessments are recorded in the financial statements as expected future billings to cover the best estimate of liability for insolvencies that have been recognized but all or a portion of the full assessment has not been billed. At December 31, 2021, other receivables were as follows (expressed in thousands):

<u>Other Receivables</u>	<u>DIFIGF</u>
Other receivables – current	
Member assessments	\$ 4,853
Other receivables – noncurrent	
Unbilled assessments	124,484
Other receivables – total	<u>\$ 129,337</u>

See Note 15.K. for claims liabilities.

2. Universities-Affiliated Component Units

a. Pledges Receivable

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. The ASUEP's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 0.60% to 6.00%. An allowance for uncollectible pledges is estimated based on the ASUEP's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges.

Pledges receivable, as of June 30, 2022, include the following (expressed in thousands):

	<u>ASU Enterprise Partners</u>
Gross pledges receivable	\$ 216,827
Present value discount	(13,293)
Allowance for uncollectible pledges	(47,712)
Net pledges receivable	<u>\$ 155,822</u>

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E. DIRECT FINANCING LEASE AGREEMENTS

1. ASUEP

The ASUEP leases a portion of the Fulton Center building (the ASUEP’s headquarters) to the ASU under a direct financing lease. At the end of lease, the ASUEP and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASUEP’s net investment in this direct financing lease at June 30, 2022 is \$17.0 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on December 1, 2017 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009B and 2017 Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009B and 2017 Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. The ACFFC's net investment in the Nanotechnology facility direct financing lease is \$22.3 million at June 30, 2022.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective July 1, 2016 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2016 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2016 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2016 Bonds maturity schedules. The ACFFC's net investment in the McAllister (HAV) direct financing lease is \$9.5 million at June 30, 2022.

F. CAPITAL ASSETS

1. Component Units

Capital assets for Rio Nuevo for the fiscal year ended June 30, 2022 include the following (expressed in thousands):

	<u>Rio Nuevo</u>
Land and other non-depreciable	\$ 33,387
Buildings and improvements	152,002
Equipment	<u>1,910</u>
Total cost	187,299
Less: accumulated depreciation	<u>(34,524)</u>
Total capital assets, net	<u>\$ 152,775</u>

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2. Universities-Affiliated Component Units

Capital assets for the ACFFC for the fiscal year ended June 30, 2022 include the following (expressed in thousands):

	<u>ACFFC</u>
Buildings and improvements	\$ 196,723
Furniture, fixtures, and equipment	79,165
Total cost or donated value	<u>275,888</u>
Less: accumulated depreciation	<u>(171,281)</u>
Total property and equipment, net	<u>\$ 104,607</u>

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Summary of Revenue Bonds

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

In December 2014, AFA's WIFA issued \$342.6 million of Water Quality Revenue Refunding Bond Series 2014A for the purpose of advance refunding a portion of the 2006 Water Quality Revenue Bonds, 2008 Water Quality Revenue Bonds, 2009 Water Quality Revenue Bonds, 2010 Water Quality Revenue Bonds, and the 2012 Water Quality Refunding Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bond issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. As of June 30, 2022, there were no defeased bonds still outstanding.

In January 2018, AFA's WIFA defeased \$46.1 million of Water Quality Revenue Bonds, Series 2010A, 2010R, 2012A, and 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The amount of the defeased bonds still outstanding as of June 30, 2022, was \$23.0 million.

In May 2018, AFA's WIFA defeased \$81.6 million of Water Quality Revenue Bonds, Series 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The amount of the defeased bonds still outstanding as of June 30, 2022, was \$81.6 million.

In December 2020, AFA's WIFA defeased \$46.6 million of Water Quality Revenue Bonds, Series 2012A using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The amount of the defeased bonds still outstanding as of June 30, 2022, was \$46.6 million.

The security for the bonds includes a pledge of monies and investments in the accounts held by the Trustee and the Financial Assistance accounts held for AFA's WIFA by the State Treasurer and all pledged loans.

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The following schedule summarizes AFA's WIFA revenue bonds outstanding at June 30, 2022 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2022
Revenue Bonds Outstanding	2012 - 2015	2023 - 2028	2.00 - 5.00%	\$ 218,510

Principal and interest debt service payments on AFA's WIFA revenue bonds outstanding at June 30, 2022 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
2023	\$ 44,250	\$ 9,584	\$ 53,834
2024	27,910	7,805	35,715
2025	31,480	6,321	37,801
2026	30,270	4,777	35,047
2027	44,280	2,913	47,193
2028	40,320	903	41,223
Total	\$ 218,510	\$ 32,303	\$ 250,813

b. Summary of Direct Placements

In August 2019, the Rio Nuevo issued \$120.3 million in Series 2019A and 2019B private placement tax exempt loans to refund \$47.6 million of outstanding 2016A and 2016B Series bonds and to finance certain new capital projects related to the Tucson Convention Center. The 2016 Series bonds were a refunding of prior bonds. The difference between the reacquisition price and the net carrying amount of the prior refunded debt is recorded as a deferred outflow of resources and is being amortized to interest expense on a straight-line basis through fiscal year 2025, the remaining life of the original amortization period. Principal and interest on the Series 2019A and 2019B loans are payable semiannually on July 15 and January 15 each year through July 15, 2035 with an interest rate of 2.69%. The Rio Nuevo has pledged to the trustee future sales tax revenues to repay the loans. The loans require the Rio Nuevo to be in compliance with a debt service coverage ratio of 1.10 times. In the event the Rio Nuevo's ratio falls below that threshold, the Rio Nuevo is required to set aside sales tax revenues in a Revenue Stabilization Fund until the ratio has met the threshold.

The following schedule summarizes Rio Nuevo's direct placements outstanding at June 30, 2022 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2022
Direct Placements Outstanding	2020	2023 - 2035	2.69%	\$ 102,461

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Principal and interest debt service payments on Rio Nuevo’s direct placements outstanding at June 30, 2022 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
2023	\$ 6,166	\$ 2,756	\$ 8,922
2024	6,332	2,590	8,922
2025	6,502	2,420	8,922
2026	6,677	2,245	8,922
2027	6,857	2,065	8,922
2028 - 2032	37,152	7,461	44,613
2033 - 2035	32,775	1,990	34,765
Total	\$ 102,461	\$ 21,527	\$ 123,988

c. Changes in Long-Term Obligations

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year	Due Thereafter
Long-term Debt:						
Revenue bonds	\$ 263,200	\$ —	\$ (43,310)	\$ 219,890	\$ 44,460	\$ 175,430
Revenue bond premium	43,318	—	(7,577)	35,741	—	35,741
Direct placements	108,465	—	(6,004)	102,461	6,166	96,295
Notes payable	81,000	—	—	81,000	1,000	80,000
Total Long-term Debt	495,983	—	(56,891)	439,092	51,626	387,466
Other Long-term Liabilities:						
Compensated absences	85	71	(87)	69	69	—
Prepaid lease liability	—	4,450	—	4,450	—	4,450
Total Other Long-term Liabilities	85	4,521	(87)	4,519	69	4,450
Total Long-term Obligations	\$ 496,068	\$ 4,521	\$ (56,978)	\$ 443,611	\$ 51,695	\$ 391,916

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2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2022 include the following (expressed in thousands):

	<u>Final Maturity</u>	<u>Amount</u>
ASU Enterprise Partners:		
Series 2014A Tax-Exempt Lease Revenue Bonds	2035	\$ 27,910
Series 2014A Revenue Refunding Bonds	2034	30,425
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	295
Unamortized Bond Discount		(979)
ACFFC:		
Series 2018 Tax-Exempt Revenue Bonds	2038	20,960
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2034	22,825
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2028	8,005
Series 2016 Tax-Exempt Revenue Refunding Bonds	2039	113,355
Series 2009 Revenue Bonds	2024	11,190
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	23,260
Unamortized Loan Costs		(1,656)
Deferred Cost of Refunding		(12,980)
Unamortized Bond Premium		11,324

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

<u>Fiscal Year</u>	<u>ASU Enterprise</u>	
	<u>Partners</u>	<u>ACFFC</u>
2023	\$ 4,600	\$ 12,035
2024	4,800	12,720
2025	5,010	13,420
2026	5,225	10,110
2027	5,470	10,715
Thereafter	54,966	137,283
Total	<u>\$ 80,071</u>	<u>\$ 196,283</u>

H. TAX ABATEMENTS

The Rio Nuevo receives tax increment financing from state sales tax revenue that can be used to enter into tax rebate agreements with local developers for the purpose of attracting or retaining businesses and new development within the Rio Nuevo District. These tax rebate agreements meet the GASB definition of tax abatements. Rebates reduce the Rio Nuevo recorded state sales tax revenue. As of June 30, 2022, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

<u>Project</u>	<u>Tax rebates generated by project during Fiscal Year 2022</u>	<u>Cumulative tax rebates generated by project as of June 30, 2022</u>	<u>Project Rebate Cap</u>
AC Marriott and adjacent retail properties	\$ 244	\$ 1,929	\$ 7,750
Congress Street Block (98 – 130 E. Congress)	1	31	10,600
Hilton Hotel at Cathedral Square	121	448	6,850
Total	<u>\$ 366</u>	<u>\$ 2,408</u>	<u>\$ 25,200</u>

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I. CONDUIT DEBT

The purpose of the AFA's AIDA is to provide a cost-effective mechanism through which private borrowers can seek financing from private sources through either a private placement or public offering of taxable or tax-exempt bonds issued by the AFA's AIDA. The primary use of funds has been for affordable housing, charter school projects, and health-related facilities.

Although bonds are issued in the name of the AFA's AIDA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. The AFA's AIDA bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. At June 30, 2022, the outstanding face value of all bonds of the AFA's AIDA was \$8.7 billion.

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

The purpose of the AFA's GADA is to provide cost-effective capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Principal and interest are payable semi-annually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the AFA's GADA from its fund, which is held by the State Treasurer. Some borrowers also have separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of State-shared revenues for political subdivisions enhances the security of the bonds.

In previous years, the State appropriated a total of \$20.0 million to the AFA's GADA for the express purpose of securing bonds. Although issued in the name of the AFA's GADA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to A.R.S. § 41-2259, the bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net position of \$12.0 million in the Pledged Collateral Reserve Fund. At June 30, 2022, the total outstanding face value of all bonds issued by the AFA's GADA was \$7.1 million.

J. NONEXCHANGE FINANCIAL GUARANTEES

In accordance with the A.R.S. Title 41, Chapter 56, Article 11, the APSCE has guaranteed outstanding bond obligations of achievement district schools within the State in the amount of \$343.4 million at June 30, 2022. The program leverage ratio will not exceed a ratio of 3.5:1 as a result of the approval of the guaranteed financing being considered. The guarantees extend through the maturity dates of the bonds with the last maturity dates ranging from 2047 to 2056.

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

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payable to the school. Additionally, on request of the ASPCE, the Attorney General shall take any actions necessary to enforce repayment of fund monies by a school.

K. INSURANCE LOSSES

The DIFIGF records claims liability when the reported loss is probable and reasonably estimated based on reserves established by either experienced claims adjusters of the DIFIGF, by a third party administrator handling claim files, or by actuaries. The claims liability includes an estimate for IBNR claims.

The following table presents the changes in claims liabilities balances (short and long-term combined) during the years ended December 31, 2020 and December 31, 2021 (expressed in thousands):

Calendar Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Department of Insurance and Financial Institutions Guaranty Funds:				
2020	\$ 263,228	\$ 11,203	\$ (22,298)	\$ 252,133
2021	\$ 252,133	\$ (2,343)	\$ (18,561)	\$ 231,229

See Note 15.D.1.b. for additional background information on claims liabilities and the related receivables.

L. ACCOUNTING CHANGES

Net Assets has been restated for the Universities – Affiliated Component Units as follows (expressed in thousands):

	Universities – Affiliated Component Units
Net Assets, as previously reported June 30, 2021	\$ 2,884,790
Net change in reporting entity	60,145
Net Assets, as restated July 1, 2021	\$ 2,944,935

Change in reporting entity

The U of A Alumni Association, previously reported as a discrete component unit of the State affiliated with the Universities, was removed from the reporting entity. During the fiscal year 2022, all of the net assets of the U of A Alumni Association were transferred to the U of A Foundation to create a University and Alumni Development Program. Elimination of the U of A Alumni Association resulted in a \$9.9 million decrease to beginning net assets.

In fiscal year 2021, the U of A entered into an affiliation agreement with the U of A Global Campus (UAGC). In January 2022, the U of A announced its intent to acquire the UAGC and integrate its operations into the U of A. The two organizations have commenced a formal planning process and are working with applicable accreditation agencies to plan for the transition. After the affiliation agreement between the U of A and the UAGC was amended and the U of A joined the UAGC’s Temporary Provisional Program Participation Agreement with the U.S. Department of Education, both of which occurred in January 2022, it was determined that the UAGC met the criteria for inclusion as a discrete component unit of the State affiliated with the Universities resulting in a \$70.0 million increase to beginning net assets.

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REQUIRED SUPPLEMENTARY INFORMATION

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
1645 JEFFERSON, CENTRAL PLANT CONVERSION	\$ 2,800,000	\$ 2,800,000	\$ 141,294
ADMIN ADJUSTMENT AFIS COLLECTIONS	—	77,528	77,528
ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE	—	8,311	8,311
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	850,123	850,123
ADMIN ADJUSTMENT UTILITIES	—	511,191	511,191
AFIS COLLECTIONS	9,549,100	9,423,800	8,476,829
ARIZONA FINANCIAL INFORMATION SYSTEM - 2A	2,000,000	2,000,000	—
ARIZONA INDUSTRIAL COMMISSION IT SYSTEM MODERNIZATION AND REPLACEMENT	1,067,700	1,067,700	766,000
BUILDING RENEWAL CAPITAL OUTLAY STABILIZATION FUND	31,002,857	31,002,857	15,262,025
BUILDING RENEWAL GENERAL FUND	6,200,000	6,200,000	2,312,102
BUILDING RENEWAL GRANTS DEPOSIT	—	93,117,000	—
BUSINESS ONE STOP PORTAL DEVELOPMENT	15,517,800	15,517,800	4,297,071
CAPITOL MALL AIR HANDLER UNITS	3,500,000	3,500,000	207,301
CASH DEFEASANCE OF COP LOTTERY BONDS	6,273,786	6,273,786	—
CHARTER SCHOOL BOARD ONLINE PLATFORM REPLACEMENT	614,100	614,100	86,300
CHILD CARE MANAGEMENT SYSTEM UPDATE	9,000,000	9,000,000	26,616
DARK SKY DISCOVERY CENTER	2,500,000	2,500,000	2,500,000
E-LICENSING SOLUTION FOR TRIBAL GAMING CERTIFICATION	850,000	850,000	850,000
ENDURING FREEDOM MEMORIAL REPAIR	21,500	21,500	6,903
GOVERNMENT TRANSFORMATION OFFICE	2,076,800	2,016,900	1,663,681
HOTELING PILOT PROGRAM	375,900	375,900	157,272
K-12 SCHOOL FINANCIAL TRANSPARENCY PORTAL	6,000,000	6,000,000	1,150,200
K-12 TRANSPORTATION GRANTS	10,000,000	10,000,000	10,000,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES	500,000	500,000	500,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES < 900K POPULATION	7,150,650	7,150,650	7,150,650
MODIFY E-LICENSING SYSTEM AT THE STATE BOARD OF PSYCHOLOGIST	20,000	20,000	—
OPERATING LUMP SUM APPROPRIATION	24,313,100	23,570,500	21,865,392
REENTRY PLANNIN SERVICES	10,000,000	10,000,000	10,000,000
RELIEF	—	37,527	37,527
REPLACE SCHOOL FINANCE DATA SYS AZ DEPT EDUCATION	7,200,000	7,200,000	2,130,725
RETIREMENT OR DEFEASANCE OF THE FINANCING AGREEMENTS	—	93,500,000	88,430,507
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	25,000
SUPPLEMENT UNFUNDED LIABILITY PURSUANT TO SECTION 38-810	3,000,000	3,000,000	3,000,000
SWEEPS	5,000,000	5,000,000	5,000,000
TAYLOR RODEO ARENA (TRANSFER TO TOWN OF TAYLOR)	1,000,000	1,000,000	1,000,000
TRAFFIC INTERCHANGES INTERSTATE 40 KINGMAN	20,000,000	20,000,000	—
TRANSWESTERN PIPELINE LITIGATION	17,043,300	17,043,300	16,165,136
TUCSON DATA CENTER RELOCATION	4,000,000	4,000,000	592,640
UPDATE CONCEALED WEAPONS TRACKING SYS AZ DEPT PUBLIC SAFETY	550,000	550,000	—
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	667,800	667,800	667,800
UTILITIES	7,649,900	7,649,900	5,004,050
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	—
ADMINISTRATION - SCHOOL FACILITIES BOARD, ARIZONA			
DEPARTMENT OF			
ADMIN ADJUSTMENT BUILDING RENEWAL GRANT	38,759,000	38,759,000	38,759,000
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	239,122	239,122
BUILDING RENEWAL GRANT	107,500,000	107,500,000	107,500,000
KIRKLAND ELEMENTARY REPLACEMENT SCHOOL	3,000,000	3,000,000	3,000,000
NEW SCHOOL CONSTRUCTION	140,407,900	140,407,900	140,407,900
NEW SCHOOL FACILITIES DEBT SERVICE	67,176,800	9,938,100	9,938,100

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	1,771,100	1,717,400	1,671,407
YUMA UNION HIGH SCHOOL	16,515,200	16,515,200	16,515,200
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	921,500	891,800	891,799
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	17,405	17,405
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	32,997	32,997
AG CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	124,878
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
ANIMAL DAMAGE CONTROL	65,000	65,000	47,321
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	280,512	280,512
OPERATING LUMP SUM APPROPRIATION	16,486,400	16,675,700	13,464,671
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ACA ADULT EXPANSION	1,441,892,900	1,316,892,900	1,110,832,395
ACA ADULT EXPANSION ARPA	—	8,870,000	4,237,530
ADMIN ADJUSTMENT ACA ADULT EXPANSION	—	3,019,533	3,019,533
ADMIN ADJUSTMENT ADOA DATA CENTER	—	1,783,772	1,783,772
ADMIN ADJUSTMENT ALTCS SERVICES	—	416,483	416,483
ADMIN ADJUSTMENT CHIP SERVICES	—	3,417,074	3,417,074
ADMIN ADJUSTMENT CRISIS SERVICES	—	85,000	85,000
ADMIN ADJUSTMENT DES ELIGIBILITY	—	8,932,604	8,932,604
ADMIN ADJUSTMENT DISPROPORTIONATE SHARE PAYMENTS	—	308,284	308,284
ADMIN ADJUSTMENT DSH - VOLUNTARY	—	5,046,257	5,046,257
ADMIN ADJUSTMENT NON-MEDICAID SERIOUSLY MENTALLY ILL SERVICES	—	1,923,931	1,923,931
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	6,363,940	6,363,940
ADMIN ADJUSTMENT PROPOSITION 204 AHCCCS ADMINISTRATION	—	1,528,711	1,528,711
ADMIN ADJUSTMENT PROPOSITION 204 DES ELIGIBILITY	—	1,152,660	1,152,660
ADMIN ADJUSTMENT PROPOSITION 204 AHCCCS ADMINISTRATION	—	562,058	562,058
ADMIN ADJUSTMENT PROPOSITION 204 DES ELIGIBILITY	—	830,430	830,430
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	—	15,181	15,181
ADMIN ADJUSTMENT TARGETED INVESTMENTS PROGRAM	—	61,228,979	61,228,979
ADMIN ADJUSTMENT TRADITIONAL MEDICAID SERVICES	—	33,519,787	33,519,787
ADOA DATA CENTER	19,325,800	19,495,800	15,587,745
ALTCS SERVICES	1,989,888,100	1,954,933,699	1,878,201,849
BEHAVIORAL HEALTH SERVICES IN SCHOOLS	10,003,300	10,003,300	10,003,300
CHIP SERVICES	141,691,200	171,812,300	169,173,912
CMDP ARPA	—	33,578,700	17,981
CRISIS SERVICES	14,141,100	14,141,100	14,055,750
DES ELIGIBILITY	88,874,500	92,874,500	81,800,865
DISPROPORTIONATE SHARE PAYMENTS	5,087,100	5,087,100	4,742,816
DSH - VOLUNTARY	48,666,500	48,666,500	35,870,086
EPD ARPA	—	203,766,700	92,482,723
GRADUATE MEDICAL EDUCATION	438,146,122	495,855,522	377,423,655
MEDICAID BEHAVIORAL HEALTH CMDP	227,089,300	243,543,800	225,882,180
NON-MEDICAID SERIOUSLY MENTALLY ILL SERVICES	77,646,900	77,646,900	73,298,798
ONETIME SUBSTANCE USE DISORDER SERVICES FUND DEPOSIT	6,000,000	6,000,000	6,000,000
OPERATING LUMP SUM APPROPRIATION	111,940,600	100,916,600	92,633,437
OPERATING LUMPSUM ARPA FEDERAL ADMINISTRATION	—	1,662,500	117,688
PROPOSITION 204 AHCCCS ADMINISTRATION	60,900	60,900	—
PROPOSITION 204 AHCCCS ADMINISTRATION	13,903,400	23,305,300	20,104,374

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
PROPOSITION 204 ARPA	—	86,043,300	42,462,429
PROPOSITION 204 DES ELIGIBILITY	44,358,700	43,358,700	39,001,405
PROPOSITION 204 SERVICES	6,005,684,601	6,369,455,500	6,223,093,165
RURAL HOSPITAL REIMBURSEMENT	28,612,400	44,649,700	36,068,937
SUICIDE PREVENTION COORDINATOR	100,000	100,000	100,000
SUPPORTED HOUSING	65,324,800	65,324,800	4,562,906
TARGETED INVESTMENTS PROGRAM	50,000,000	50,000,000	8,381,149
TRADITIONAL ARPA	—	212,378,800	63,494,982
TRADITIONAL MEDICAID SERVICES	6,789,333,601	6,992,764,100	6,670,086,568
ARIZONA FINANCE AUTHORITY			
SMALL DRINKING WATER SYSTEM FUND DEPOSIT	1,000,000	1,000,000	290,023
WATER PROJECTS ASSISTANCE GRANTS	5,000,000	5,000,000	5,000,000
WATER SUPPLY DEVELOPMENT REVOLVING FUND DEPOSIT	6,000,000	6,000,000	—
ARIZONA STATE UNIVERSITY			
27TH PAY PERIOD	—	9,115,000	9,115,000
ARIZONA FINANCIAL AID TRUST	5,985,800	5,985,800	5,985,800
BIOMEDICAL INFORMATICS	3,732,500	3,723,500	3,723,500
DOWNTOWN PHOENIX CAMPUS	50,685,600	50,494,700	50,494,700
EASTERN EUROPE CULTURAL COLLABORATIVE	250,000	250,000	250,000
OPERATING LUMP SUM APPROPRIATION - MAIN	293,348,500	292,808,300	292,808,300
POLITICAL HISTORY AND LEADERSHIP PROGRAM	250,000	250,000	250,000
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	20	12,534,920	12,534,863
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT - POLYTECHNIC	—	917,000	917,000
SCHOOL OF CIVIC AND ECONOMIC THOUGHT AND LEADERSHIP	5,774,700	5,764,200	5,764,200
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMIN ADJUSTMENT CAPITAL POSTCONVICTION PROSECUTION	—	25,132	25,132
ADMIN ADJUSTMENT INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	—	238,571	238,571
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	699,242	699,242
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	—	151,800	151,800
ADMIN ADJUSTMENT STATE GRAND JURY	—	10,990	10,990
ADMIN ADJUSTMENT TOBACCO ENFORCEMENT	—	2,881	2,881
CAPITAL POSTCONVICTION PROSECUTION	824,800	802,200	677,263
CHILD AND FAMILY ADVOCACY CENTERS	100,000	100,000	100,000
INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	3,424,205	3,424,205	1,002,861
MILITARY INSTALLATION - PLANNING	10,613	95,613	85,156
OPERATING LUMP SUM APPROPRIATION	39,502,800	38,398,700	36,185,671
SOUTHERN ARIZONA DRUG ENFORCEMENT	1,252,300	1,212,500	1,182,960
STATE GRAND JURY	185,200	180,500	171,944
TOBACCO ENFORCEMENT	88,300	85,800	83,026
AUDITOR GENERAL			
CAREER TECHNICAL EDUCATION DISTRICT STUDY	136,728	136,728	22,349
OPERATING LUMP SUM APPROPRIATION	24,365,814	23,682,814	20,222,269
CHARTER SCHOOLS, STATE BOARD FOR			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	2,359	2,359
OPERATING LUMP SUM APPROPRIATION	2,152,100	2,103,000	1,988,911
REPLACE CHARTER SCHOOL BOARD ONLINE PLATFORM	614,100	614,100	82,830
CHILD SAFETY, DEPARTMENT OF			
ADMIN ADJUSTMENT CONGREGATE GROUP CARE	—	10,626,962	10,626,962
ADMIN ADJUSTMENT DCS - CASEWORKERS	—	2,365,402	2,365,402
ADMIN ADJUSTMENT DCS - NEW CASE AIDES	—	314,331	314,331

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

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STATE OF ARIZONA
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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT DCS - PREVENTIVE SERVICES	—	1,859,858	1,859,858
ADMIN ADJUSTMENT DCS - ADOPTION SERVICES	—	24,043,747	24,043,747
ADMIN ADJUSTMENT DCS - ATTORNEY GENERAL LEGAL SERVICES	—	352,024	352,024
ADMIN ADJUSTMENT DCS - CHILD CARE SUBSIDY	—	5,293,563	5,293,563
ADMIN ADJUSTMENT DCS - EXTENDED FOSTER CARE	—	1,738,373	1,738,373
ADMIN ADJUSTMENT DCS - FOSTER CARE PLACEMENT	—	2,232,765	2,232,765
ADMIN ADJUSTMENT DCS - FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	—	4,434,288	4,434,288
ADMIN ADJUSTMENT DCS - GENERAL COUNSEL	—	5,000	5,000
ADMIN ADJUSTMENT DCS - IN-HOME MITIGATION	—	11,096,220	11,096,220
ADMIN ADJUSTMENT DCS - INSPECTIONS BUREAU	—	555,109	555,109
ADMIN ADJUSTMENT DCS - OFFICE OF CHILD WELFARE INVESTIGATIONS	—	26,006	26,006
ADMIN ADJUSTMENT DCS - OPERATING LUMP SUM	—	2,672,810	2,672,810
ADMIN ADJUSTMENT DCS - OUT-OF-HOME SUPPORT SERVICES	—	5,836,816	5,836,816
ADMIN ADJUSTMENT DCS - OVERTIME	—	88,908	88,908
ADMIN ADJUSTMENT DCS - PERMANENT GUARDIAN SUBSIDY	—	1,296,529	1,296,529
ADMIN ADJUSTMENT DCS - PHYSICAL AND BEHAVIORAL HEALTH SERVICES	—	43,785,000	43,785,000
ADMIN ADJUSTMENT DCS - RECORDS RETENTION STAFF	—	317,289	317,289
ADMIN ADJUSTMENT KINSHIP CARE	—	712,755	712,755
COMPREHENSIVE HEALTH PLAN ADMINISTRATION	29,862,500	29,517,200	26,057,213
COMPREHENSIVE HEALTH PLAN PREMIUM TAX	4,405,100	4,750,400	4,628,704
COMPREHENSIVE HEALTH PLAN SERVICES	197,055,400	197,055,400	196,227,093
CONGREGATE GROUP CARE	114,927,100	114,927,100	92,620,821
DCS - CASEWORKERS	113,732,000	111,692,600	109,435,926
DCS - NEW CASE AIDES	3,305,900	3,232,200	2,976,891
DCS - PREVENTIVE SERVICES	15,148,300	15,148,300	5,000,230
DCS - ADOPTION SERVICES	278,258,500	278,258,500	252,346,772
DCS - ATTORNEY GENERAL LEGAL SERVICES	25,522,800	25,522,800	25,522,800
DCS - CHILD CARE SUBSIDY	61,675,400	61,675,400	40,057,909
DCS - CHILD CARE SUBSIDY – NON-LAPSING	90,400,000	90,400,000	—
DCS - EXTENDED FOSTER CARE	14,437,200	15,749,500	13,771,334
DCS - FOSTER CARE PLACEMENT	51,929,500	50,317,200	41,283,115
DCS - FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	32,753,600	32,753,600	21,630,137
DCS - GENERAL COUNSEL	161,700	157,000	129,915
DCS - IN-HOME MITIGATION	27,528,800	27,528,800	17,459,471
DCS - INSPECTIONS BUREAU	2,548,300	2,514,800	1,978,615
DCS - OFFICE OF CHILD WELFARE INVESTIGATIONS	9,964,800	9,699,400	8,902,705
DCS - OPERATING LUMP SUM	112,230,300	125,430,700	121,716,592
DCS - OUT-OF-HOME SUPPORT SERVICES	116,164,000	116,126,800	88,047,033
DCS - PERMANENT GUARDIAN SUBSIDY	12,516,900	12,516,900	11,111,415
DCS - RECORDS RETENTION STAFF	600,000	589,900	412,894
DCS - TRAINING RESOURCES	9,150,000	9,150,000	6,495,900
KINSHIP CARE	5,000,000	5,300,000	4,285,490
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	1,932,786	1,932,786	1,932,786
COMMISSION OF AFRICAN AMERICAN AFFAIRS			
OPERATING LUMP SUM	133,200	128,800	126,618
CORPORATION COMMISSION			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	15,840	15,840
OPERATING LUMP SUM APPROPRIATION	699,700	674,300	674,300
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF			
ADMIN ADJUSTMENT CAPITAL OUTLAY APPROPRIATION	—	98,479	98,479

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	—	173,913	173,913
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	—	6,972,443	6,972,443
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	8,219,500	8,219,500
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	—	14,043,434	14,043,434
CAPITAL OUTLAY APPROPRIATION	30,851,778	30,851,778	13,079,629
COMMUNITY CORRECTIONS	24,124,100	23,448,500	4,376,129
FIRE AND LIFE SAFETY UPGRADES	10,000,000	10,000,000	—
INMATE HEALTH CARE CONTRACTED SERVICES	191,673,100	191,673,100	182,237,361
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	11,000,000	11,000,000	3,855,146
MEDICAL STAFFING AUGMENTATION	15,000,000	15,000,000	3,772,120
OPERATING LUMP SUM APPROPRIATION	908,892,800	896,168,800	232,726,047
PRIVATE PRISON PER DIEM	185,638,100	160,774,800	123,028,452
RELIEF	—	7,071	7,071
SUBSTANCE ABUSE TREATMENT	5,000,600	380,600	—
COURT OF APPEALS DIVISION I			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - DIVISION I	—	68,151	68,151
OPERATING LUMP SUM APPROPRIATION - DIVISION I	11,895,500	11,622,300	11,493,044
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM - DIVISION II	5,284,100	5,168,500	5,151,412
CRIMINAL JUSTICE COMMISSION, ARIZONA			
REENTRY PLANNING DATABASE	1,000,000	1,000,000	—
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMIN ADJUSTMENT ADMIN - STATEWIDE	—	1,112	1,112
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	—	51,470	51,470
ADMIN ADJUSTMENT PRESCHOOL - OUTREACH PROGRAMS	—	18,400	18,400
ADMIN ADJUSTMENT TUCSON CAMPUS	—	172,106	172,106
ADMIN - STATEWIDE	7,946,600	7,706,000	7,539,112
COOPERATIVE SERVICES	17,914,500	18,108,600	14,409,283
PHOENIX DAY SCHOOL FOR THE DEAF	4,772,153	4,116,000	4,042,479
PRESCHOOL - OUTREACH PROGRAMS	3,122,247	3,575,000	3,472,544
SCHOOL BUS REPLACEMENT	369,000	369,000	365,888
TUCSON CAMPUS	7,655,500	7,489,700	7,323,325
ECONOMIC OPPORTUNITY, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	493,494	478,294	467,208
ECONOMIC SECURITY, DEPARTMENT OF			
ACHIEVING A BETTER LIFE EXPERIENCE ACT PROGRAM	1,343	1,343	1,343
ADMIN ADJUSTMENT ADULT SERVICES	—	2,090,720	2,090,720
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	—	116,798	116,798
ADMIN ADJUSTMENT CASE MANAGEMENT - STATE ONLY	—	112,315	112,315
ADMIN ADJUSTMENT CASE MANAGEMENT - TITLE XIX	—	1,269,433	1,269,433
ADMIN ADJUSTMENT CHILD CARE SUBSIDY	—	25,628,859	25,628,859
ADMIN ADJUSTMENT COMMUNITY AND EMERGENCY SERVICES	—	465,766	465,766
ADMIN ADJUSTMENT COORDINATED HOMELESS PROGRAM	—	283,305	283,305
ADMIN ADJUSTMENT COUNTY PARTICIPATION	—	915,317	915,317
ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM	—	3,824,881	3,824,881
ADMIN ADJUSTMENT DDD OPERATING LUMP SUM	—	2,350,748	2,350,748
ADMIN ADJUSTMENT DDD PREMIUM TAX PAYMENT	—	550,000	550,000
ADMIN ADJUSTMENT DDD TARGETED CASE MANAGEMENT-MEDICAID	—	191,248	191,248
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	—	10,875,659	10,875,659
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	—	527,014	527,014
ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY	—	4,925,598	4,925,598

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

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STATE OF ARIZONA
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT HOME AND COMMUNITY BASED SERVICE - TITLE XIX	—	128,372,515	128,372,515
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SERVICES	—	113,246	113,246
ADMIN ADJUSTMENT INSTITUTIONAL SERVICES - TITLE XIX	—	7,972,501	7,972,501
ADMIN ADJUSTMENT JOBS	—	1,220,591	1,220,591
ADMIN ADJUSTMENT PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	—	36,048,766	36,048,766
ADMIN ADJUSTMENT REHABILITATION SERVICES	—	2,133,744	2,133,744
ADMIN ADJUSTMENT STATE FUNDED LONG-TERM CARE SERVICES	—	6,777,948	6,777,948
ADMIN ADJUSTMENT SWEEPS	—	115,934,343	115,934,343
ADMIN ADJUSTMENT UNEMPLOYMENT COMPENSATION SUPPLEMENTAL	—	62,000,000	62,000,000
ADMIN ADJUSTMENT WORKFORCE INVESTMENT ACT SERVICES	—	10,655,690	10,655,690
ADULT SERVICES	11,205,900	11,205,900	7,899,331
AFTER SCHOOL AND SUMMER YOUTH PROGRAM	500,000	500,000	256,567
ATTORNEY GENERAL LEGAL SERVICES	11,441,900	11,127,800	9,234,492
CASE MANAGEMENT - STATE ONLY	6,311,900	6,211,400	5,492,325
CASE MANAGEMENT - TITLE XIX	111,740,900	108,805,200	90,770,741
CHILD CARE SUBSIDY	187,080,200	187,080,200	131,407,869
CHILD CARE SUBSIDY - NON-LAPSING	1,086,612,800	1,086,612,800	176,905,982
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	1,685,823
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,068,847
COORDINATED HUNGER	1,754,600	1,754,600	1,647,855
COUNTY PARTICIPATION	8,539,700	8,539,700	3,367,779
DDD ARIZONA EARLY INTERVENTION PROGRAM	6,319,000	6,319,000	6,299,002
DDD ARPA	—	362,700,000	149,549,333
DDD OPERATING LUMP SUM	151,601,800	150,566,500	72,179,033
DDD PREMIUM TAX PAYMENT	63,579,100	63,579,100	61,396,010
DDD TARGETED CASE MANAGEMENT - MEDICAID	16,756,100	16,395,700	11,645,100
DES OPERATING LUMP SUM	160,223,000	161,715,100	144,649,658
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,523,557
HOME AND COMMUNITY SERVICES - STATE ONLY	13,589,000	13,589,000	8,115,022
HOME AND COMMUNITY BASED SERVICE - TITLE XIX	2,314,892,800	2,314,374,199	1,892,166,939
INDEPENDENT LIVING REHABILITATION SERVICE	166,000	166,000	9,102
INSTITUTIONAL SERVICES - TITLE XIX	44,306,100	43,368,000	31,382,269
JOBS	9,894,700	9,894,700	6,748,313
LOAN FOR REIMBURSEMENT GRANTS	—	25,000,000	—
LONG-TERM CARE OMBUDSMAN	1,000,000	1,000,000	743,538
MEDICAL CLAWBACK	4,661,200	4,661,200	4,661,200
PANDEMIC EMERGENCY ASSISTANCE	14,546,500	14,546,500	14,470,801
PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	556,956,100	556,754,200	523,981,637
REHABILITATION SERVICES	6,594,400	6,594,400	5,332,000
RETURN TO WORK GRANTS	7,500,000	7,500,000	—
SEXUAL VIOLENCE SERVICES	8,000,000	8,000,000	544,572
SNAP ARIZONA FARMERS MARKET	1,621	1,621	—
STATE FUNDED LONG-TERM CARE SERVICES	41,579,100	41,574,900	36,652,915
TANF CASH BENEFITS	22,736,400	22,736,400	17,377,444
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
UPDATE CHILD CARE MANAGEMENT SYSTEM	9,000,000	9,000,000	1,281,036
WORKFORCE INVESTMENT ACT SERVICES	53,654,600	88,553,300	62,217,678
EDUCATION, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	2,622	2,622
ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS	150,000	150,000	150,000

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS - ADMIN SUPPORT	26,352	26,352	—
OPERATING LUMP SUM	2,212,800	2,190,000	1,830,377
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	14,428,100	14,423,300	14,423,300
ADDITIONAL FUNDING	—	75,000,000	75,000,000
ADDITIONAL STATE AID TO SCHOOLS	460,630,300	460,630,300	343,499,130
ADMIN ADJUSTMENT CTED COMPLETION GRANTS	—	1,000,000	1,000,000
ADMIN ADJUSTMENT ED LEARNING AND ACCOUNTABILITY SYSTEM	—	46,558	46,558
ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS	—	126,011	126,011
ADMIN ADJUSTMENT REPLACE SCHOOL FINANCE DATA SYSTEMS AZ DEPT EDUCATION	—	88,490	88,490
ADMIN ADJUSTMENT TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	—	3,890	3,890
ADULT EDUCATION	4,873,600	4,867,800	4,867,800
ALTERNATIVE TEACHER DEVELOPMENT PROGRAM	500,000	500,000	500,000
AMERICAN CIVICS EDUCATION PILOT PROGRAM	482,412	482,412	205,993
ARIZONA INDUSTRY CREDENTIALS INCENTIVE FUND - APPROPRIATION LOAD	—	5,000,000	5,000,000
ARIZONA STRUCTURED ENGLISH IMMERSION	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	—	930,727,700	930,727,700
BASIC STATE AID ENTITLEMENT	4,190,234,300	4,220,234,299	4,010,431,777
COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM	7,472,100	7,472,100	7,472,100
COLLEGE PLACEMENT EXAM FEE WAIVER	1,265,800	1,265,800	687,652
COMPUTER SCIENCE PILOT PROGRAM	1,000,000	1,000,000	1,000,000
CTED COMPLETION GRANTS	1,000,000	1,000,000	—
CTED SOFT CAPITAL AND EQUIPMENT	1,000,000	1,000,000	1,000,000
EARLY LITERACY	12,000,000	12,000,000	12,000,000
ED LEARNING AND ACCOUNTABILITY SYSTEM	5,351,900	5,315,400	5,315,400
EMPOWERMENT SCHOLARSHIP ACCOUNT ACCOUNTING STAFF	18,352	18,352	—
EMPOWERMENT SCHOLARSHIP ACCOUNT ADMINISTRATION	2,233,400	2,176,400	2,176,400
EMPOWERMENT SCHOLARSHIP ACCOUNT CALL CENTER	13,561	13,561	—
EMPOWERMENT SCHOLARSHIP ACCOUNT CASE MANAGERS	130,515	130,515	—
EMPOWERMENT SCHOLARSHIP ACCOUNT TRAININGS AND OUTREACH	25,938	25,938	—
ENGLISH LEARNER ADMINISTRATION	6,541,600	6,516,900	6,516,900
EXTRAORDINARY SPECIAL EDUCATION NEEDS FUND DEPOSIT	5,000,000	5,000,000	5,000,000
GEOGRAPHIC LITERACY	100,000	100,000	100,000
GIFTED ASSESSMENTS	850,000	850,000	340,655
HIGH QUALITY TEACHER PROFESSIONAL DEVELOPMENT PILOT PROGRAM	894,241	1,294,241	57,397
JOBS FOR ARIZONA GRADUATES PROGRAM	100,000	100,000	100,000
OPERATING LUMP SUM APPROPRIATION - ADMIN	8,605,200	8,495,700	8,495,700
OTHER STATE AID TO DISTRICTS	983,900	983,900	—
REPLACE SCHOOL FINANCE DATA SYSTEMS AZ DEPT EDUCATION	7,200,000	7,200,000	1,779,311
RESULTS BASED FUNDING	68,600,000	68,600,000	68,600,000
SCHOOL SAFETY PROGRAM	37,002,797	36,977,097	18,977,843
SPECIAL EDUCATION FUND	36,029,200	36,029,200	36,029,200
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,651,800	11,593,400	11,593,400
STUDENT LEVEL DATA ACCESS	350,000	350,000	221,154
SWEEPS	4,448,900	4,448,900	4,448,900
TEACHER CERTIFICATION	184,200	179,500	179,500
TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	325,000	325,000	120,656
UNIFICATION ASSISTANCE	50,000	50,000	—

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
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADEM MATCHING FUND	1,590,300	1,544,900	1,445,524
ADMIN ADJUSTMENT ADEM MATCHING FUND	—	4,368	4,368
ADMIN ADJUSTMENT ADMINISTRATION	—	10,700	10,700
ADMIN ADJUSTMENT BORDER SECURITY FUND DEPOSIT	—	55,000,000	55,000,000
ADMIN ADJUSTMENT EMERGENCY MANAGEMENT	—	11	11
ADMIN ADJUSTMENT MILITARY AFFAIRS	—	4,224	4,224
ADMIN ADJUSTMENT NATIONAL GUARD TUITION REIMBURSEMENT	—	18,797	18,797
ADMIN ADJUSTMENT NUCLEAR EMERGENCY MANAGEMENT FUND - DIV OP BUDGET	—	691	691
ADMINISTRATION	1,858,100	1,866,400	1,354,575
DISASTER DECLARATION	—	4,000,000	4,000,000
EMERGENCY MANAGEMENT	754,200	758,700	758,106
FIRE SUPPRESSION AND ROOF REPLACEMENT	927,100	927,100	—
HAZARD MATERIAL CONTINGENCY	1,897	1,897	—
MILITARY AFFAIRS	2,083,300	2,106,000	1,204,022
MILITARY AFFAIRS COMMISSION	126	90,126	70,296
MILITARY INSTALLATION PRESERVATION & ENHANCEMENT PROJECTS	5,000,000	5,000,000	—
NATIONAL GUARD CYBER RESPONSE REVOLVING FUND	300,000	300,000	300,000
NATIONAL GUARD MATCHING FUNDS	3,226,199	3,214,499	1,849,611
NATIONAL GUARD TUITION REIMBURSEMENT	1,000,000	1,000,000	257,579
NUCLEAR EMERGENCY MANAGEMENT FUND - BUCKEYE - GF TRF	—	72,100	72,100
NUCLEAR EMERGENCY MANAGEMENT FUND - MARICOPA - GF TF	—	690,925	690,925
NUCLEAR EMERGENCY MANAGEMENT FUND - DIV OP BUDGET	—	1,167,392	1,062,468
RELIEF	—	694	694
SOUTHEAST ARIZONA READINESS CENTER	3,668,813	3,668,813	94,028
WEST VALLEY READINESS CENTER	3,875,000	3,875,000	—
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	73,455	73,455
OPERATING LUMP SUM APPROPRIATION	14,158,300	14,832,800	14,109,568
EQUALIZATION, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	3,600	3,600
OPERATING LUMP SUM APPROPRIATION	673,200	663,900	659,410
RELIEF	—	6,800	6,800
EXECUTIVE CLEMENCY, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	20,967	20,967
OPERATING LUMP SUM APPROPRIATION	1,184,500	1,153,300	1,152,119
RELIEF	—	313	313
EXPOSITION AND STATE FAIR BOARD, ARIZONA			
AZ VETS MEMORIAL COLISEUM FIRE ALARM SYSTEM REPLACEMENT	1,000,000	1,000,000	810,000
FAIRGROUNDS CAPITAL IMPROVEMENT	1,000,000	1,000,000	575,699
FORESTRY AND FIRE MANAGEMENT, DEPARTMENT OF			
ADMIN ADJUSTMENT HAZARDOUS VEGETATION REMOVAL	—	419,987	419,987
ADMIN ADJUSTMENT INMATE FIRE CREWS	—	21,512	21,512
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,494	1,494
ADMIN ADJUSTMENT POSTRELEASE FIREFIGHTING CREWS	—	69,311	69,311
ADMIN ADJUSTMENT STATE FIRE MARSHAL	—	27,668	27,668
ADMIN ADJUSTMENT STATE FIRE SCHOOL	—	568	568
ENVIRONMENTAL COUNTY GRANTS	250,000	250,000	250,000
FIRE SUPPRESSION SLI	200,000	200,000	200,000
GENERAL FUND TRANSFER TO FIRE SUPPRESSION	—	3,000,000	3,000,000

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GENERAL FUND TRANSFER TO NONNATIVE VEGETATION SPECIES ERADICATION	—	1,000,000	1,000,000
HAZARDOUS VEGETATION REMOVAL	5,466,579	5,466,579	789,368
INMATE FIRE CREWS	727,500	784,400	781,438
OPERATING LUMP SUM APPROPRIATION	3,205,800	3,393,800	2,816,371
POSTRELEASE FIREFIGHTING CREWS	1,063,400	1,151,000	777,177
RURAL FIRE DISTRICT REIMBURSEMENT	2,500,000	2,500,000	30,500
STATE FIRE MARSHAL	1,120,600	1,168,700	1,035,743
STATE FIRE SCHOOL	275,300	279,700	275,743
SUPPLEMENTAL FIRE SUPPRESSION COSTS	2,170,100	2,170,100	2,170,100
WILDFIRE EMERGENCY RESPONSE	70,492,663	70,492,663	26,813,573
WILDFIRE MITIGATION	24,541,800	24,541,800	8,893,168
GAMING, DEPARTMENT OF			
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	5,759,500	5,759,500	5,759,500
DEVELOP E-LICENSING FOR TRIBAL GAMING	850,000	850,000	572,651
RACETRACK PURSE & MAINTENANCE & OPERATIONS FUNDING	5,000,000	5,396,900	5,000,000
RACING PURSE ENHANCEMENT	5,000,000	5,000,000	5,000,000
GENERAL ACCOUNTING OFFICE			
ADDITIONAL GILA WORKFORCE DEVELOPMENT AID	200,000	200,000	200,000
DINE COLLEGE REMEDIAL EDUCATION	1,000,000	1,000,000	1,000,000
EQUALIZATION AID - COCHISE	7,925,300	7,925,300	7,925,300
EQUALIZATION AID - GRAHAM	18,193,200	18,193,200	18,193,200
EQUALIZATION AID - NAVAJO	9,171,000	9,171,000	9,171,000
EQUALIZATION AID - YUMA/LA PAZ	616,700	616,700	616,700
GENERAL FUND TRANSFERS	—	45,466,635	45,466,635
OPERATING STATE AID - COCHISE	4,373,500	4,373,500	4,373,500
OPERATING STATE AID - COCONINO	1,626,500	1,626,500	1,626,500
OPERATING STATE AID - GILA	271,500	271,500	271,500
OPERATING STATE AID - GRAHAM	1,936,100	1,936,100	1,936,100
OPERATING STATE AID - MOHAVE	1,205,500	1,205,500	1,205,500
OPERATING STATE AID - NAVAJO	1,512,300	1,512,300	1,512,300
OPERATING STATE AID - PINAL	1,356,500	1,356,500	1,356,500
OPERATING STATE AID - SANTA CRUZ	17,100	17,100	17,100
OPERATING STATE AID - YAVAPAI	590,500	590,500	590,500
OPERATING STATE AID - YUMA LA PAZ	2,391,900	2,391,900	2,391,900
RURAL AID - COCHISE	6,251,000	6,251,000	6,251,000
RURAL AID - COCONINO	1,907,300	1,907,300	1,907,300
RURAL AID - GILA	652,300	652,300	652,300
RURAL AID - GRAHAM	2,483,700	2,483,700	2,483,700
RURAL AID - MOHAVE	2,388,900	2,388,900	2,388,900
RURAL AID - NAVAJO	1,640,200	1,640,200	1,640,200
RURAL AID - PINAL	3,666,000	3,666,000	3,666,000
RURAL AID - SANTA CRUZ	153,000	153,000	153,000
RURAL AID - YAVAPAI	3,586,900	3,586,900	3,586,900
RURAL AID - YUMA/LA PAZ	5,270,700	5,270,700	5,270,700
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,773,800	1,773,800	1,773,800
STEM & WORKFORCE PROGRAM STATE AID - COCHISE	928,400	928,400	928,400
STEM & WORKFORCE PROGRAM STATE AID - COCONINO	371,800	371,800	371,800
STEM & WORKFORCE PROGRAM STATE AID - GILA	127,200	127,200	127,200
STEM & WORKFORCE PROGRAM STATE AID - GRAHAM	484,200	484,200	484,200
STEM & WORKFORCE PROGRAM STATE AID - MARICOPA	—	1,600,000	1,600,000

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

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STATE OF ARIZONA
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
STEM & WORKFORCE PROGRAM STATE AID - MOHAVE	465,700	465,700	465,700
STEM & WORKFORCE PROGRAM STATE AID - NAVAJO	319,700	319,700	319,700
STEM & WORKFORCE PROGRAM STATE AID - PIMA	—	400,000	400,000
STEM & WORKFORCE PROGRAM STATE AID - PINAL	96,500	96,500	96,500
STEM & WORKFORCE PROGRAM STATE AID - YAVAPAI	699,200	699,200	699,200
STEM & WORKFORCE PROGRAM STATE AID - SANTA CRUZ	29,800	29,800	29,800
STEM & WORKFORCE PROGRAM STATE AID - YUMA/LA PAZ	1,027,400	1,027,400	1,027,400
SWEEPS	3,614,100	3,614,100	3,614,100
URBAN AID - MARICOPA	10,400,000	10,400,000	10,400,000
URBAN AID - PIMA	2,600,000	2,600,000	2,600,000
WOOLSEY FLOOD DISTRICT	—	134,763	134,763
GOVERNOR, OFFICE OF THE			
ARIZONA CIVICS CORPS	1,000,000	1,000,000	—
FOSTER YOUTH EDUCATION SUCCESS	1,500,000	1,500,000	1,500,000
OPERATING LUMP SUM APPROPRIATION	10,935,516	10,824,316	7,859,021
OPERATING LUMP SUM APPROPRIATION - OSPB	4,207,144	4,130,744	2,650,844
HEALTH SERVICES, DEPARTMENT OF			
ADMIN ADJUSTMENT ADULT CYSTIC FIBROSIS	—	26,300	26,300
ADMIN ADJUSTMENT AEA NUCLEAR EMERGENCY MANAGEMENT FUND	—	12,138	12,138
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	—	606,758	606,758
ADMIN ADJUSTMENT AIDS REPORTING AND SURVEILLANCE	—	7,826	7,826
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	—	743,872	743,872
ADMIN ADJUSTMENT ASH - SEXUALLY VIOLENT PERSONS	—	73,798	73,798
ADMIN ADJUSTMENT ASH - RESTORATION TO COMPETENCY	—	201,067	201,067
ADMIN ADJUSTMENT BREAST AND CERVICAL CANCER SCREENING	—	289,139	289,139
ADMIN ADJUSTMENT COUNTY TUBERCULOSIS PROVIDER CARE - CTL	—	88,590	88,590
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	—	120,792	120,792
ADMIN ADJUSTMENT NON-RENAL DISEASE MANAGEMENT	—	61,980	61,980
ADMIN ADJUSTMENT POISON CONTROL CENTER FUNDING	—	333,173	333,173
ADMIN ADJUSTMENT RENAL TRANSPLANT DRUGS	—	45,750	45,750
ADMIN ADJUSTMENT STUDENT LOAN REPAYMENT	—	96,610	96,610
ADULT CYSTIC FIBROSIS	105,200	105,200	78,900
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	32,602,300	32,410,200	28,263,972
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	924,495
ALZHEIMER DISEASE RESEARCH	3,625,000	3,625,000	3,625,000
ARIZONA STATE HOSPITAL - OPERATING	65,212,900	63,538,000	60,694,544
ARIZONA STATE HOSPITAL BUILDING DEMOLITION	1,000,000	1,000,000	1,000,000
ARIZONA STATE HOSPITAL FUND REVERSION TO GENERAL FUND	—	783,172	783,172
ARIZONA STATE HOSPITAL - SEXUALLY VIOLENT PERSONS	10,010,700	9,736,100	9,323,411
ARIZONA STATE HOSPITAL - RESTORATION TO COMPETENCY	900,000	900,000	900,000
BIOMEDICAL RESEARCH SUPPORT	2,000,000	2,000,000	1,500,625
BREAST AND CERVICAL CANCER SCREENING	1,369,400	1,369,400	582,467
CORONAVIRUS DISEASE 2019	22,362,352	22,362,352	(1,734,863)
COUNTY TUBERCULOSIS PROVIDER CARE - CTL	590,700	590,700	392,406
FAMILY HEALTH PILOT PROGRAM	1,500,000	1,500,000	197,123
HIGH RISK PERINATAL SERVICES	2,343,400	2,343,400	1,664,366
MEDICAL STUDENT LOAN FUND DEPOSIT	2,000,000	2,000,000	2,000,000
NON-RENAL DISEASE MANAGEMENT	198,000	198,000	—
POISON CONTROL CENTER FUNDING	990,000	990,000	485,483
RENAL TRANSPLANT DRUGS	183,000	183,000	137,250
STUDENT LOAN REPAYMENT	—	500,000	423,564

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
SWEEPS	1,339,000	1,339,000	1,339,000
VULNERABLE CAREGIVER WORKSHOPS	1,000	1,000	—
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	5,174	5,174
OPERATING LUMP SUM APPROPRIATION	917,700	900,600	848,725
HISTORICAL SOCIETY, ARIZONA			
FIELD SERVICES AND GRANTS	65,800	62,500	59,682
OPERATING LUMP SUM APPROPRIATION	2,571,500	2,334,600	2,333,064
PAPAGO PARK MUSEUM	558,300	508,900	441,059
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION	29,151,012	28,750,312	17,474,994
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING LUMP SUM APPROPRIATION	7,900,000	7,900,000	5,918,411
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,719	1,719
OPERATING LUMP SUM APPROPRIATION	64,700	63,500	58,251
INDUSTRIAL COMMISSION OF ARIZONA			
MODERNIZE AND REPLACE IT SYSTEMS	1,067,700	1,067,700	457,077
MUNICIPAL FIREFIGHTER REIMBURSEMENT ADMINISTRATION	95,000	95,000	95,000
INSURANCE, DEPARTMENT OF			
INSURANCE FRAUD UNIT	1,848,000	1,800,500	1,460,177
MENTAL HEALTH PARITY	177,850	177,850	135,252
OPERATING LUMP SUM APPROPRIATION	5,992,700	5,862,900	5,757,298
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION	7,506,910	7,414,110	2,599,580
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	135,625	135,625
OPERATING LUMP SUM APPROPRIATION	42,726,900	41,041,200	38,526,811
LAND DEPARTMENT, STATE			
ADMIN ADJUSTMENT DUE DILIGENCE FUND	—	13,251	13,251
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	21,702	21,702
ADMIN ADJUSTMENT STREAMBED NAVIGABILITY LITIGATION	—	200	200
CAP USER FEES	1,700,000	1,700,000	1,603,800
DUE DILIGENCE PROGRAM	5,000,000	5,000,000	4,040
DUE DILIGENCE FUND	1,500,000	1,500,000	1,181,185
NATURAL RESOURCE CONSERVATION DISTRICTS	389,400	389,400	389,400
OPERATING LUMP SUM APPROPRIATION	10,158,100	9,505,700	9,262,556
STREAMBED NAVIGABILITY LITIGATION	220,000	220,000	—
LEGISLATIVE COUNCIL			
OMBUDSMAN - CITIZENS AID OFFICE	1,202,169	1,176,269	1,001,920
OPERATING LUMP SUM APPROPRIATION	24,614,912	24,468,112	6,563,969
REPAIR RESTORE & RENOVATE HISTORIC CAPITOL BUILDING	11,500,000	11,500,000	1,065,008
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	4,610	4,610
OPERATING LUMP SUM APPROPRIATION	4,523,200	4,456,300	4,254,706
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	194,700	194,700	191,251
ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT	—	473	473
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	2,053	2,053
AGGREGATE MINED LAND RECLAMATION	68,900	68,900	—
OPERATING LUMP SUM APPROPRIATION	1,287,500	1,294,600	989,493

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	212	212
OPERATING LUMP SUM APPROPRIATION	133,000	129,300	120,424
NORTHERN ARIZONA UNIVERSITY			
27TH PAY PERIOD	—	2,939,500	2,939,500
ARIZONA FINANCIAL AID TRUST	1,326,000	1,326,000	1,326,000
BIOMEDICAL RESEARCH FUNDING	3,000,000	3,000,000	3,000,000
ECONOMIC POLICY INSTITUTE	750,300	750,300	750,300
NAU - YUMA	3,076,600	3,075,600	3,075,600
OPERATING LUMP SUM APPROPRIATION	115,237,500	115,217,400	115,217,400
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	—	5,039,800	5,039,800
TEACHER TRAINING	2,293,000	2,292,700	2,292,700
PARKS BOARD, ARIZONA STATE			
ARIZONA STATE PARKS HERITAGE FUND DEPOSIT	5,000,000	5,000,000	5,000,000
STATE LAKE IMPROVEMENT FUND DEPOSIT	4,000,000	4,000,000	4,000,000
POSTSECONDARY EDUCATION, COMMISSION FOR			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	785	785
ARIZONA TEACHER STUDENT LOAN PROGRAM	426,000	426,000	426,000
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,220,800	1,220,800	1,220,800
OPERATING LUMP SUM APPROPRIATION	34,100	34,100	34,023
PSYCHOLOGIST EXAMINERS, STATE BOARD OF			
MODIFY E-LICENSING SYSTEM AT PSYCHOLOGIST EXAMINERS	20,000	20,000	—
PUBLIC SAFETY, DEPARTMENT OF			
ACTIC	1,450,000	1,450,000	1,266,384
ADMIN ADJUSTMENT ACTIC	—	5,086	5,086
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE LOCAL SUPPORT	—	50,437	50,437
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING	—	132,521	132,521
ADMIN ADJUSTMENT GIITEM	—	440,770	440,770
ADMIN ADJUSTMENT GIITEM PERSONNEL	—	12,498	12,498
ADMIN ADJUSTMENT GIITEM SUBACCOUNT	—	116,139	116,139
BORDER STRIKE TASK FORCE LOCAL SUPPORT	761,700	761,700	544,794
BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS	500,000	500,000	500,000
BORDER STRIKE TASK FORCE ONGOING	9,102,100	9,028,800	8,472,119
CIVIL AIR PATROL	150,000	150,000	150,000
DPS - RAPID DNA TESTING EQUIPMENT	600,000	600,000	600,000
GIITEM	13,108,500	12,882,500	12,245,554
GIITEM FUND APPROPRIATION	2,386,749	2,386,749	1,547,486
GIITEM PERSONNEL	15,029,400	15,029,400	13,958,885
GIITEM SUBACCOUNT	2,411,600	2,396,400	1,997,902
MOTOR VEHICLE FUEL	4,384,200	4,384,200	4,384,200
OPERATING LUMP SUM APPROPRIATION	249,830,600	248,085,100	248,085,100
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	129,800	129,700	129,018
UPDATE CONCEALED WEAPONS TRACKING SYSTEMS AZ DEPT PUBLIC SAFETY	550,000	550,000	—
REAL ESTATE DEPARTMENT, STATE			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	16,862	16,862
OPERATING LUMP SUM APPROPRIATION	2,997,600	2,922,100	2,372,700
REGENTS, ARIZONA BOARD OF			
ADAPTIVE ATHLETICS	160,000	160,000	160,000
ADMIN ADJUSTMENT ARIZONA TEACHER ACADEMY	—	507,769	507,769
ARIZONA PROMISE PROGRAM	7,500,000	7,500,000	7,306,456
ARIZONA TEACHER ACADEMY	15,000,000	15,000,000	15,000,000

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
OPERATING LUMP SUM APPROPRIATION	2,485,300	2,421,300	2,421,300
WASHINGTON, D.C. INTERNSHIPS	300,000	300,000	213,833
WESTERN INTERSTATE COMMISSION OFFICE	153,000	159,000	159,000
WICHE STUDENT SUBSIDIES	4,078,000	4,072,000	4,072,000
REVENUE, DEPARTMENT OF			
ADMIN ADJUSTMENT BRITS OPERATIONAL SUPPORT	—	34,019	34,019
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	703,863	703,863
ADMIN ADJUSTMENT UNCLAIMED PROPERTY ADMINISTRATION - AUDIT	—	89,135	89,135
BRITS OPERATIONAL SUPPORT	7,723,700	7,567,500	7,399,350
E-COMMERCE COMPLIANCE AND OUTREACH	854,900	854,900	563,539
INCOME TAX FRAUD PREVENTION	3,150,000	3,150,000	3,042,904
INCOME TAX INFORMATION TECHNOLOGY	466,300	466,300	37,337
OPERATING LUMP SUM APPROPRIATION	66,825,500	65,528,500	35,398,232
TPT SIMPLIFICATION	1,020,000	984,100	952,399
UNCLAIMED PROPERTY ADMINISTRATION - AUDIT	1,467,800	1,917,800	1,520,466
VETERANS' INCOME TAX SETTLEMENT - ADMINISTRATION	—	83,870	690
SECRETARY OF STATE			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	910,582	910,582
ARIZONA VOTER INFORMATION DATABASE	192,500	192,500	192,500
BUILDING RENOVATION AND CODE COMPLIANCE	102,797	102,797	—
ELECTION SYSTEMS IMPROVEMENT FOR COUNTIES	2,322,914	2,322,914	1,429,640
ELECTION SYSTEMS IMPROVEMENT FOR SECRETARY OF STATE	1,176,635	1,176,635	651,353
LIBRARY GRANTS-IN-AID	937,186	937,186	641,862
OPERATING LUMP SUM APPROPRIATION	13,703,000	13,347,100	13,001,901
OTHER HELP AMERICA VOTE ACT PROJECTS	600,639	600,639	568,428
STATEWIDE RADIO READING SERVICES FOR BLIND	97,000	97,000	97,000
UNIFORM STATE LAWS COMMISSION	99,000	99,000	73,780
SENATE			
OPERATING LUMP SUM APPROPRIATION	24,030,773	23,745,973	13,612,305
SUPREME COURT			
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	—	17,021	17,021
ADMIN ADJUSTMENT COUNTY REIMBURSEMENTS	—	4,879	4,879
ADMIN ADJUSTMENT DOMESTIC RELATIONS	—	34	34
ADMIN ADJUSTMENT FOSTER CARE REVIEW BOARD	—	517	517
ADMIN ADJUSTMENT JUDICIAL NOMINATION - PERFORMANCE REVIEW	—	275	275
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	47,561	47,561
ADULT INTENSIVE PROBATION	11,356,900	11,356,900	11,356,900
ADULT STANDARD PROBATION	18,050,100	18,050,100	18,050,100
AUTOMATION	8,172,600	8,041,200	5,644,266
CENTRALIZED SERVICE PAYMENTS	3,226,300	3,685,100	3,630,115
COMMISSION ON JUDICIAL CONDUCT	537,700	524,400	506,663
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT ORDERED REMOVAL	315,000	315,000	315,000
DOMESTIC RELATIONS	661,600	646,500	645,843
DRUG COURT	1,080,000	1,080,000	1,080,000
FOSTER CARE REVIEW BOARD	3,343,800	3,283,000	3,279,422
GENERAL ADJUDICATION PERSONNEL & SUPPORT FUND	2,000,000	2,000,000	1,618,629
INTERSTATE COMPACT	410,500	410,500	410,500
JUDGES COMPENSATION	23,970,700	23,826,500	23,430,539
JUDICIAL NOMINATION - PERFORMANCE REVIEW	553,000	543,900	537,203

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
JUVENILE DIVERSION CONSEQUENCES	8,918,600	8,918,600	8,918,600
JUVENILE FAMILY COUNSELING	500,000	500,000	500,000
JUVENILE INTENSIVE PROBATION	5,969,300	5,969,300	5,969,300
JUVENILE STANDARD PROBATION	3,555,600	3,555,600	3,555,600
JUVENILE TREATMENT SERVICES	20,697,900	20,697,900	20,697,900
MODEL COURT	659,700	659,700	659,700
OPERATING LUMP SUM	4,464,600	4,604,800	4,597,277
OPERATING LUMP SUM APPROPRIATION	12,853,000	12,581,600	12,403,676
PROBATION INCENTIVE	1,000,000	1,000,000	1,000,000
PROBATION OFFICER VEHICLES	187,500	187,500	—
SPECIAL WATER MASTER	502,100	497,200	497,197
TAX APPEALS, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	325	325
OPERATING LUMP SUM APPROPRIATION	292,200	283,300	274,597
TOURISM, OFFICE OF			
ARIZONA PROMOTION	1,000,000	1,000,000	1,000,000
SOUTHER ARIZONA STUDY COMMITTEE	250,000	250,000	250,000
TOURISM FUND DEPOSIT	7,235,100	7,131,500	7,131,500
WINE PROMOTION	100,000	100,000	100,000
TRANSPORTATION, DEPARTMENT OF			
CONSTRUCT A BRIDGE & EXTEND OCOTILLO ROAD IN GILBERT - 14	7,900,000	7,900,000	7,900,000
CONSTRUCT AN OVERPASS AT RIGGS ROAD & SR 347- 5	25,000,000	25,000,000	—
GENERAL FUND I-10 WIDENING	50,000,000	50,000,000	—
GENERAL FUND PAVEMENT REHABILITATION	90,000,000	90,000,000	949,307
GENERAL FUND TO VLT FUND DISTRIBUTION	3,300,000	3,300,000	3,300,000
IMPROVE CENTER AVENUE IN JEROME - 17	560,000	560,000	560,000
IMPROVE DRAINAGE ON 67TH AVENUE IN PEORIA - 9	8,500,000	8,500,000	8,500,000
IMPROVE HILL STREET CORRIDOR IN GLOBE - 22	1,169,400	1,169,400	1,169,400
IMPROVE SR 87 - LOCAL MATCH - 20	750,000	750,000	750,000
IMPROVE SR 90 NEAR FORT HUACHUCA - 19	10,600,000	10,600,000	67,978
IMPROVE TANGERINE ROAD NEAR INTERSTATE 10 IN MARANA - 13	5,000,000	5,000,000	5,000,000
IMPROVE US RT 95 NEAR YUMA PROVING GR - 2	10,000,000	10,000,000	—
INTERSTATE 10 PROJECTS	907,686	907,686	—
INTERSTATE 10 WIDENING STUDY	9,122,975	9,122,975	462,661
OVERPASS DGN PLAN AT RIGGS, SR 347 - 7	7,500,000	7,500,000	—
REHABILITATE PAVEMENT ALONG SR 77 NEAR ORO VALLEY - 18	13,600,000	13,600,000	3,765,727
REPAIR AND MAINTAIN 20TH AVENUE IN SAFFORD - 12	1,032,100	1,032,100	1,032,100
REPAIR SR 186 & STATE BUSINESS ROUTE 10 IN WILCOX - 15	3,500,000	3,500,000	38,282
REPAVE SR 69 IN PRESCOTT VALLEY - 1	4,700,000	4,700,000	58,833
REPAVE SR 95 IN MOHAVE CTY - 3	46,700,000	46,700,000	217,237
REPLACE BUTTE AVENUE BRIDGE IN FLORENCE - 16	1,000,000	1,000,000	1,000,000
STUDY AN OVERPASS AT RIGGS ROAD & SR 347 - 6	2,500,000	2,500,000	6,952
STUDY AND DESIGN CONCEPT REPORT FOR THE REPAIR OF SR 88 - 11	700,000	700,000	1,989
STUDY GUARDRAIL - SHOULDER OF SR 377 FROM HOLBROOK TO HEBER	140,000	140,000	—
STUDY RAMPS AT GRAND & SR 303 - 4	150,000	150,000	102,816
STUDY THE NORTH/SOUTH CORRIDOR IN PINAL COUNTY - 8	4,000,000	4,000,000	2,883
US ROUTE 95 EXPANSION	26,336,832	26,336,832	14,703,725
WIDEN CAMELBACK RD BETWEEN SR 303 & LITCHFIELD RD IN GOODYEAR	8,000,000	8,000,000	8,000,000
TREASURER, STATE			
ADMIN ADJUSTMENT JUSTICE OF THE PEACE SALARIES	—	258,345	258,345
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	60,592	60,592

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

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COMMUNITY COLLEGE REIMBURSEMENT ARS 15-1469-01	—	4,337,300	4,337,300
CORPORATE INCOME TAX TRANSFER	—	15,000,000	15,000,000
JUSTICE OF THE PEACE SALARIES	1,205,100	1,205,100	860,614
OPERATING LUMP SUM APPROPRIATION	4,024,900	3,888,800	3,618,343
RURAL COUNTY INTEROPERABILITY COMMUNICATION SYSTEM	1,500,000	1,500,000	1,500,000
SCHOOL SAFETY PROGRAM AND SCHOOL SAFETY INTEROPERABILITY FUND	—	2,500,000	2,500,000
SPECIAL SPORTING EVENT PROMOTION	—	1,500,000	1,500,000
SWEEPS	2,751,100	2,751,100	2,751,100
UNIVERSITY OF ARIZONA			
AGRICULTURE	35,811,905	35,655,105	35,655,105
ARIZONA COOPERATIVE EXTENSION	12,428,795	12,329,395	12,329,395
ARIZONA FINANCIAL AID TRUST	2,729,400	2,729,400	2,729,400
ARIZONA GEOLOGICAL SURVEY	1,148,500	1,148,500	1,148,500
CLINICAL RURAL ROTATION	353,600	353,600	353,600
CLINICAL TEACHING SUPPORT	8,587,000	8,587,000	8,587,000
FREEDOM CENTER	3,806,800	3,763,700	3,763,700
KAZAKHSTAN STUDIES PROGRAM	250,000	250,000	250,000
LIVER RESEARCH INSTITUTE	440,400	440,400	440,400
MINING MINERAL AND NATURAL RESOURCES EDUCATIONAL MUSEUM	428,800	428,800	428,800
NATURAL RESOURCE USERS LAW AND POLICY CENTER	500,000	500,000	500,000
OPERATING LUMP SUM APPROPRIATION - HSC	44,813,600	44,813,600	44,813,600
OPERATING LUMP SUM APPROPRIATION - MAIN	160,089,500	158,401,100	158,401,100
PHOENIX MEDICAL CAMPUS	21,033,100	21,033,100	21,033,100
RESEARCH INFRASTRUCTURE FACILITIES	—	14,248,900	14,248,900
SCHOOL OF MINING	4,000,000	4,000,000	4,000,000
SIERRA VISTA CAMPUS	6,210,300	6,196,300	6,196,300
TELEMEDICINE NETWORK	1,670,000	1,670,000	1,670,000
UA - HEALTH SCIENCES - 27TH PAY PERIOD	—	2,456,800	2,456,800
UA - MAIN CAMPUS - 27TH PAY PERIOD	—	5,540,800	5,540,800
VETERANS' SERVICES, DEPARTMENT OF			
ADMIN ADJUSTMENT ARIZONA STATE VETERANS' CEMETERIES	—	4,413	4,413
ADMIN ADJUSTMENT AZ VETERANS' SUICIDE PREVENTION	—	287,447	287,447
ADMIN ADJUSTMENT AZ VETERANS' TRAUMA TREATMENT SERVICES	—	22,315	22,315
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	7,525	7,525
ADMIN ADJUSTMENT VETERANS' BENEFIT COUNSELING	—	3,865	3,865
ARIZONA STATE VETERANS' CEMETERIES	962,900	941,600	935,506
ARIZONA STATE VETERAN HOMES - NORTHWEST	25,000,000	25,000,000	—
ARIZONA STATE VETERAN HOMES - YUMA CONSTRUCTION	426,287	426,287	425,931
ARIZONA STATE VETERAN HOMES - FLAGSTAFF CONSTRUCTION	505,780	505,780	501,237
ARIZONA VETERANS' TRAUMA TREATMENT SERVICES	450,000	450,000	22,315
OPERATING LUMP SUM APPROPRIATION	2,407,900	2,364,000	2,281,190
VETERANS' BENEFIT COUNSELING	3,708,300	3,643,800	3,210,403
VETERANS' INCOME TAX SETTLEMENT	—	83,870	—
VETERANS' SUPPORT SERVICES	1,228,400	1,226,100	970,815
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,814,400	1,757,300	1,690,938
ADMIN ADJUSTMENT AUTOMATED GROUNDWATER MONITORING	—	62,806	62,806
WATER RESOURCES, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	65,446	65,446
ADMIN ADJUSTMENT RURAL WATER STUDIES	—	6,569	6,569
AGUA FRIA FLOOD INSURANCE STUDY	350,000	350,000	181,686

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

(Continued)

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ARIZONA WATER PROTECTION FUND DEPOSIT	1,250,000	1,250,000	1,250,000
ASSURED - ADEQUATE WATER SUPPLY ADMINISTRATION	1,798,000	1,738,300	1,727,122
AUTOMATED GROUNDWATER MONITORING	418,600	410,400	325,906
CONSERVATION AND DROUGHT PROGRAM	427,700	414,600	371,105
LOWER COLORADO RIVER LITIGATION EXPENSES	1,484,578	1,484,578	—
OPERATING LUMP SUM APPROPRIATION	11,604,100	11,334,500	11,146,276
RURAL WATER STUDIES	1,201,500	1,169,300	1,138,030
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	\$ 33,354,314,860	\$ 36,877,010,480	\$ 31,456,643,382
Less:			
Replacing the online platform for the Board for Charter Schools duplicate expenditure authorization	(614,100)	(614,100)	(82,830)
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	\$ 33,353,700,760	\$ 36,876,396,380	\$ 31,456,560,552

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, 2022
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMIN ADJUSTMENT DRIVER SAFETY & LIVESTOCK CONTROL	\$ —	\$ 58,786	\$ 58,786
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	5,361,505	5,361,505
ADMIN ADJUSTMENT PREVENTIVE SURFACE TREATMENTS	—	560,809	560,809
AIRPORT PLANNING AND DEVELOPMENT	69,639,301	69,639,301	10,688,513
ATTORNEY GENERAL LEGAL SERVICES	3,623,700	3,623,700	3,623,700
AUTHORIZED THIRD PARTY	2,162,300	2,104,400	2,088,738
BUILDING RENEWAL	25,965,108	25,965,108	14,119,355
DRIVER SAFETY & LIVESTOCK CONTROL	800,000	800,000	638,088
HIGHWAY DAMAGE RECOVERY ACCOUNT	8,000,000	8,000,000	7,672,080
HIGHWAY MAINTENANCE	174,106,069	171,823,769	146,968,260
INTERSTATE 10 PROJECTS	3,344,986	3,344,986	137,999
INTERSTATE 17 EXPANSION	130,000,000	130,000,000	—
OPERATING LUMP SUM APPROPRIATION	219,600,100	213,645,393	205,655,838
PREVENTIVE SURFACE TREATMENTS	36,142,000	36,142,000	30,030,049
RELIEF	—	29,886	23,107
STATEWIDE HIGHWAY CONSTRUCTION	852,117,736	852,117,736	139,328,409
SWEEPS	813,200	2,071,921	2,071,921
VEHICLE REPLACEMENT	15,300,000	15,426,707	13,603,369
ADMIN ADJUSTMENT BUILDING RENEWAL	—	798,691	798,691
ADMIN ADJUSTMENT AUTHORIZED THIRD PARTY	—	242,967	242,967
ADMIN ADJUSTMENT HIGHWAY DAMAGE RECOVERY ACCOUNT	—	1,814	1,814
FUELING FACILITIES - 3 LOCATIONS	1,800,000	1,800,000	—
LIQUID BRINE TANKS - 4 LOCATIONS	1,950,000	1,950,000	112,365
ANNUAL REVERSION PER ARS 28-4504	—	83,952	83,952
SELIGMAN AND WILLIAMS MAINTENANCE BUILDING	2,208,495	2,208,495	1,842,557
WICKENBURG MAINTENANCE BUILDING	7,300,149	7,300,149	89,009
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	\$ 1,554,873,144	\$ 1,555,102,075	\$ 585,801,881

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, 2022

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, 2021 that affect available appropriations during fiscal year 2022. The final budget represents any appropriation bills passed during fiscal year 2022 for fiscal year 2022 plus the original budget. Appropriation bills passed after the end of fiscal year 2022 for fiscal year 2022 would also be included in the final budget.

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

Uses/outflows of resources	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 31,456,561	\$ 585,802
Differences – budget to GAAP:		
Increase (decrease) in unpaid incurred expenditures from fiscal year end 2021 to fiscal year end 2022.	(63,408)	267,836
Increase in unpaid payroll expenditures from fiscal year end 2021 to fiscal year end 2022. For budgetary reporting, final June 2021 payroll expenditures were charged to fiscal year 2022 budget and final June 2022 payroll expenditures were charged to fiscal year 2023 budget.	10,124	—
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	2,316,800	—
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.	821,888	—
Lease contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	44,863	—
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2022.	8,088,126	2,775,806
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,559,741)	(312,423)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 41,115,213	\$ 3,317,021

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2022

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting (OSPB), unless an extension is granted for up to an additional 30 days by the OSPB Director. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are typically permitted to transfer funding between line items with Executive Branch approval but without further Legislative Branch review. Footnotes may require Joint Legislative Budget Committee review, however, prior to transfers between certain line items.

During the fiscal year, \$3.5 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$0.2 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next fiscal year for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature may provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2022

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), as amended, the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 9,415 center lane miles (22,383 travel lane miles) of roads and 4,927 bridges that the State is responsible to maintain.

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

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2022 and beyond was adopted by the Transportation Board on June 16, 2017.

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

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

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

Roads

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

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

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2022

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 2022, an overall rating of 3.51 was achieved, as shown in the following graph:

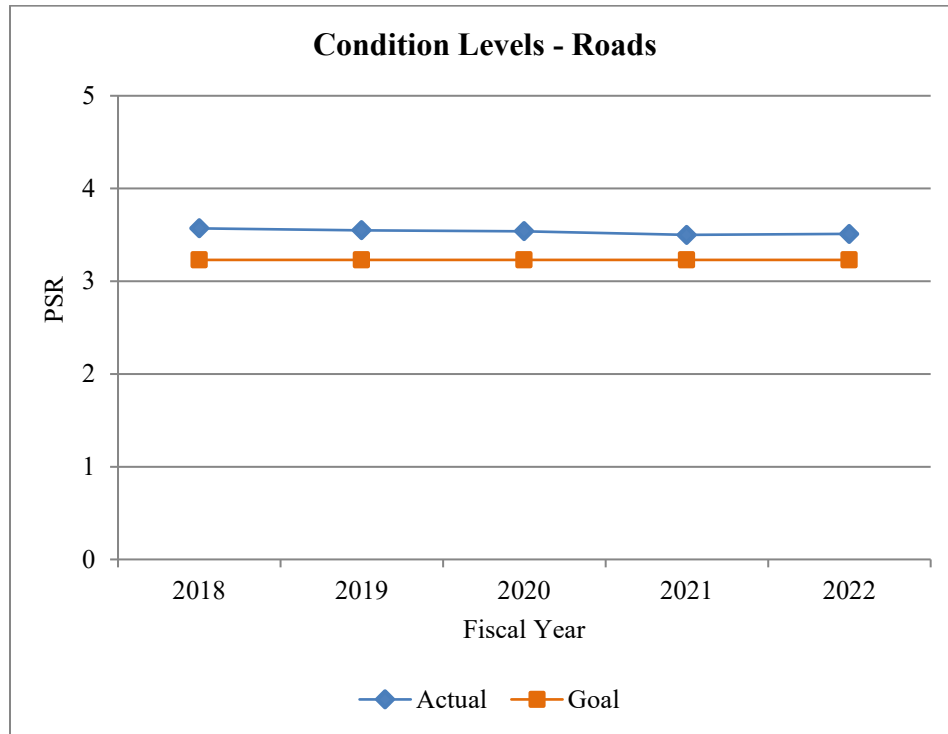


Figure 1

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2022

Preservation of the roads is accomplished through programs managed primarily by the ADOT's PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2018 through 2022 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2018	\$375.0	\$218.0
2019	\$364.6	\$231.0
2020	\$509.0	\$294.0
2021	\$371.2	\$209.4
2022	\$845.8	\$374.4

Bridges

The State’s bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2022, the State owned and maintained 4,927 bridges with an approximate total deck area of 46,298,832 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the AASHTO’s Bridge Management System (BMS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, BMS is used for reporting bridge inventory and condition, on an annual basis, to the Federal Highway Administration (FHWA).

Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn were based on standards established in the FHWA’s “Recording and Coding Guide for the Structural Inventory of the Nation’s Bridges.”

In 2015, the FHWA issued new rules which have had the effect of replacing the CRI as the summary statistic for bridge condition. Instead, the various states are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held against states that do not comply with this standard. Management of the bridge inventory is a major function of the State’s Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. In fiscal year 2022, 0.6% of bridges maintained by the State were classified as Poor.

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2022

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost-effective transportation system. Figure 2 indicates that approximately 72% of the bridges in the State were constructed in 1980 and prior while only 28% have been constructed after 1980.

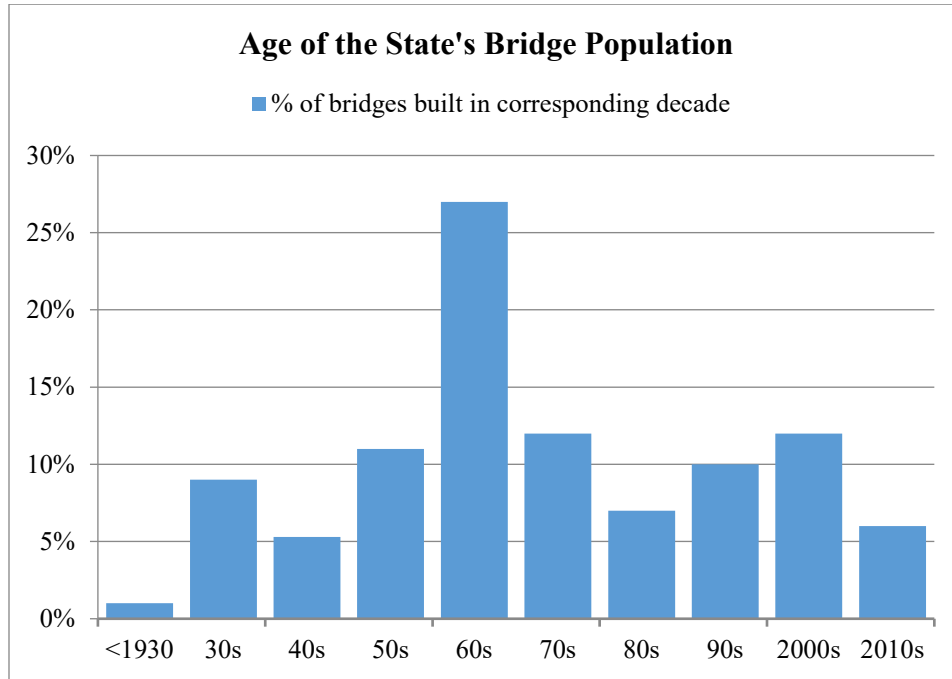


Figure 2

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2018 through 2022 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2018	\$26.4	\$15.3
2019	\$28.1	\$17.8
2020	\$20.1	\$11.6
2021	\$358.2	\$202.0
2022	\$228.3	\$101.1

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
 FOR THE LAST EIGHT FISCAL YEARS (1)
 JUNE 30, 2022
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
State's proportion of the net pension liability	21.38%	21.37%	21.75%	21.87%	21.89%
State's proportionate share of the net pension liability	\$ 2,809,472	\$ 3,702,187	\$ 3,165,539	\$ 3,050,477	\$ 3,410,699
State's covered payroll	\$ 2,410,709	\$ 2,334,153	\$ 2,294,739	\$ 2,175,916	\$ 2,087,717
State's proportionate share of the net pension liability as a percentage of its covered payroll	116.54%	158.61%	137.95%	140.19%	163.37%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

	2017 (2016)	2016 (2015)	2015 (2014)
	21.75%	21.67%	21.36%
\$	3,510,533	\$ 3,375,283	\$ 3,160,809
\$	2,039,238	\$ 1,999,691	\$ 1,939,038
	172.15%	168.79%	163.01%
	67.06%	68.35%	69.49%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIALS' RETIREMENT PLAN
 FOR THE LAST EIGHT FISCAL YEARS (1)
 JUNE 30, 2022
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
State's proportion of the net pension liability	27.06%	22.35%	17.50%	15.09%	18.61%
State's proportionate share of the net pension liability	\$ 164,660	\$ 152,263	\$ 114,603	\$ 130,335	\$ 226,750
State's covered payroll	\$ 17,727	\$ 15,849	\$ 12,445	\$ 12,256	\$ 10,895
State's proportionate share of the net pension liability as a percentage of its covered payroll	928.87%	960.71%	920.88%	1,063.44%	2,081.23%
Plan fiduciary net position as a percentage of the total pension liability	36.28%	29.80%	30.14%	30.36%	19.66%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,
AS A NONEMPLOYER CONTRIBUTING ENTITY
ELECTED OFFICIALS' RETIREMENT PLAN
 FOR THE LAST EIGHT FISCAL YEARS (1)
 JUNE 30, 2022
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
State's proportion of the net pension liability	6.66%	6.74%	7.09%	14.12%	13.99%
State's proportionate share of the net pension liability	\$ 40,544	\$ 45,490	\$ 47,006	\$ 78,268	\$ 170,466
Plan fiduciary net position as a percentage of the total pension liability	36.28%	29.80%	30.14%	30.36%	19.66%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

	2017 (2016)		2016 (2015)		2015 (2014)
	18.44%		18.67%		18.16%
\$	174,204	\$	145,898	\$	121,797
\$	12,794	\$	12,987	\$	12,604
	1,361.61%		1,123.42%		966.34%
	23.42%		28.32%		31.91%

**Reporting Fiscal Year
(measurement date)**

	2017 (2016)		2016 (2015)		2015 (2014)
	13.96%		19.33%		19.20%
\$	131,871	\$	151,048	\$	128,776
	23.42%		28.32%		31.91%

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
PSPRS DEPARTMENT OF PUBLIC SAFETY
FOR THE LAST EIGHT FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total pension liability					
Service cost	\$ 17,270	\$ 15,941	\$ 14,020	\$ 16,072	\$ 18,914
Interest on the total pension liability	94,730	89,951	87,353	86,027	79,711
Changes of benefit terms	—	—	—	—	10,719
Differences between expected and actual experience in the measurement of the pension liability	(2,112)	40,453	7,041	(13,749)	17,144
Changes of assumptions or other inputs	—	—	21,318	—	49,120
Benefit payments, including refunds of employee contributions	(83,462)	(80,973)	(78,790)	(74,045)	(74,906)
Net change in total pension liability	26,426	65,372	50,942	14,305	100,702
Total pension liability - beginning	1,322,128	1,256,756	1,205,814	1,191,509	1,090,807
Total pension liability - ending (a)	<u>\$ 1,348,554</u>	<u>\$ 1,322,128</u>	<u>\$ 1,256,756</u>	<u>\$ 1,205,814</u>	<u>\$ 1,191,509</u>
Plan fiduciary net position					
Contributions - employer	\$ 580,872	\$ 78,341	\$ 66,551	\$ 52,147	\$ 61,001
Contributions - employee	7,618	7,870	6,534	7,271	8,899
Net investment income	111,018	4,862	19,878	24,371	38,483
Benefit payments, including refunds of employee contributions	(83,462)	(80,973)	(78,790)	(74,045)	(74,906)
Administrative expense	(528)	(397)	(346)	(370)	(341)
Other changes	(25)	(5,733)	(70)	785	(103)
Net change in plan fiduciary net position	615,493	3,970	13,757	10,159	33,033
Plan fiduciary net position - beginning	388,476	384,506	370,749	360,590	327,557
Plan fiduciary net position - ending (b)	<u>\$ 1,003,969</u>	<u>\$ 388,476</u>	<u>\$ 384,506</u>	<u>\$ 370,749</u>	<u>\$ 360,590</u>
State's net pension liability - ending (a) - (b)	<u>\$ 344,585</u>	<u>\$ 933,652</u>	<u>\$ 872,250</u>	<u>\$ 835,065</u>	<u>\$ 830,919</u>
Plan fiduciary net position as a percentage of the total pension liability	74.45%	29.38%	30.60%	30.75%	30.26%
Covered payroll	\$ 78,697	\$ 79,538	\$ 72,826	\$ 73,183	\$ 78,246
State's net pension liability as a percentage of covered payroll	437.86%	1,173.84%	1,197.72%	1,141.06%	1,061.93%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

	2017 (2016)	2016 (2015)	2015 (2014)
\$	14,131	\$ 13,258	\$ 13,111
	78,000	77,421	66,664
	27,674	—	23,768
	(9,237)	(6,328)	(3,711)
	35,783	—	107,172
	(84,231)	(70,586)	(69,497)
	62,120	13,765	137,507
	1,028,687	1,014,922	877,415
\$	1,090,807	\$ 1,028,687	\$ 1,014,922

\$	52,115	\$ 36,889	\$ 31,458
	9,334	7,857	7,587
	1,963	12,867	46,223
	(84,231)	(70,586)	(69,497)
	(283)	(317)	(372)
	545	150	393
	(20,557)	(13,140)	15,792
	348,114	361,254	345,462
\$	327,557	\$ 348,114	\$ 361,254

\$	763,250	\$ 680,573	\$ 653,668
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	30.03%	33.84%	35.59%
\$	68,573	\$ 66,707	\$ 63,334
	1,113.05%	1,020.24%	1,032.1%

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
CORP DEPARTMENT OF CORRECTIONS, REHABILITATION & REENTRY
FOR THE LAST EIGHT FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total pension liability					
Service cost	\$ 39,018	\$ 43,918	\$ 49,392	\$ 51,918	\$ 51,631
Interest on the total pension liability	154,253	142,184	132,022	136,973	113,227
Changes of benefit terms	—	—	—	(102,231)	239,128
Differences between expected and actual experience in the measurement of the pension liability	(31,751)	92,179	46,513	(72,298)	(11,373)
Changes of assumptions or other inputs	—	—	47,333	—	46,154
Benefit payments, including refunds of employee contributions	(110,183)	(105,912)	(106,366)	(103,053)	(92,181)
Net change in total pension liability	51,337	172,369	168,894	(88,691)	346,586
Total pension liability - beginning	2,129,133	1,956,764	1,787,870	1,876,561	1,529,975
Total pension liability - ending (a)	<u>\$ 2,180,470</u>	<u>\$ 2,129,133</u>	<u>\$ 1,956,764</u>	<u>\$ 1,787,870</u>	<u>\$ 1,876,561</u>
Plan fiduciary net position					
Contributions - employer	\$ 599,307	\$ 85,686	\$ 86,153	\$ 66,030	\$ 62,909
Contributions - employee	21,271	23,530	24,672	27,055	28,539
Net investment income	286,349	27,261	52,159	63,503	94,033
Benefit payments, including refunds of employee contributions	(110,183)	(105,912)	(106,366)	(103,053)	(92,181)
Administrative expense	(1,318)	(1,055)	(932)	(961)	(823)
Other changes	(164)	(1,209)	(210)	232	(388)
Net change in plan fiduciary net position	795,262	28,301	55,476	52,806	92,089
Plan fiduciary net position - beginning	1,019,756	991,455	935,979	883,173	791,084
Plan fiduciary net position - ending (b)	<u>\$ 1,815,018</u>	<u>\$ 1,019,756</u>	<u>\$ 991,455</u>	<u>\$ 935,979</u>	<u>\$ 883,173</u>
State's net pension liability - ending (a) - (b)	<u>\$ 365,452</u>	<u>\$ 1,109,377</u>	<u>\$ 965,309</u>	<u>\$ 851,891</u>	<u>\$ 993,388</u>
Plan fiduciary net position as a percentage of the total pension liability	83.24%	47.90%	50.67%	52.35%	47.06%
Covered payroll	\$ 323,265	\$ 311,215	\$ 302,577	\$ 316,996	\$ 335,694
State's net pension liability as a percentage of covered payroll	113.05%	356.47%	319.03%	268.74%	295.92%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

**Reporting Fiscal Year
(measurement date)**

2017 (2016)	2016 (2015)	2015 (2014)
\$ 47,529	\$ 47,131	\$ 48,061
111,087	108,123	92,486
2,464	—	21,354
(36,180)	(30,179)	(3,818)
58,949	—	125,557
(90,460)	(84,586)	(83,365)
93,389	40,489	200,275
1,436,586	1,396,097	1,195,822
<u>\$ 1,529,975</u>	<u>\$ 1,436,586</u>	<u>\$ 1,396,097</u>

\$ 60,984	\$ 43,105	\$ 40,166
27,824	27,734	27,722
4,831	28,414	96,216
(90,460)	(84,586)	(83,365)
(683)	(704)	(757)
(340)	(1,040)	(446)
2,156	12,923	79,536
788,928	776,005	696,469
<u>\$ 791,084</u>	<u>\$ 788,928</u>	<u>\$ 776,005</u>

<u>\$ 738,891</u>	<u>\$ 647,658</u>	<u>\$ 620,092</u>
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51.71%	54.92%	55.58%
\$ 330,538	\$ 327,798	\$ 326,819
223.54%	197.58%	189.74%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
 FOR THE LAST NINE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 300,755	\$ 280,537	\$ 267,061	\$ 256,422	\$ 236,938
State's contributions in relation to the statutorily required contribution	300,755	280,537	267,061	256,422	236,938
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 2,507,397	\$ 2,410,709	\$ 2,334,153	\$ 2,294,739	\$ 2,175,916
State's contributions as a percentage of covered payroll	11.99%	11.64%	11.44%	11.17%	10.89%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

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

Fiscal Year

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 224,788	\$ 220,982	\$ 217,388	\$ 206,040
<u>224,788</u>	<u>220,982</u>	<u>217,388</u>	<u>206,040</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 2,087,717	\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
10.77%	10.84%	10.87%	10.63%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ELECTED OFFICIALS' RETIREMENT PLAN
 FOR THE LAST NINE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
Statutorily required contribution (2)	\$ 12,878	\$ 12,249	\$ 10,413	\$ 8,261	\$ 3,564
State's contributions in relation to the statutorily required contribution (2)	12,878	12,249	10,413	8,261	3,564
State's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
State's covered payroll	\$ 18,735	\$ 17,727	\$ 15,849	\$ 12,445	\$ 12,256
State's contributions as a percentage of covered payroll	68.74%	69.10%	65.70%	66.38%	29.08%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
 (2) The State appropriated \$5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

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

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS,
AS A NONEMPLOYER CONTRIBUTING ENTITY
ELECTED OFFICIALS' RETIREMENT PLAN
 FOR THE LAST NINE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
Statutorily required contribution (2)	\$ 3,592	\$ 3,647	\$ 3,883	\$ 4,125	\$ 4,115
State's contributions in relation to the statutorily required contribution (2)	3,592	3,647	3,883	4,125	4,115
State's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
 (2) The State appropriated \$5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

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

Fiscal Year

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,389	\$ 3,805	\$ 3,928	\$ 3,870
3,389	3,805	3,928	3,870
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 10,895	\$ 12,794	\$ 12,987	\$ 12,604
31.11%	29.74%	30.25%	30.70%

Fiscal Year

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 4,171	\$ 4,078	\$ 4,066	\$ 4,092
4,171	4,078	4,066	4,092
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
PSPRS DEPARTMENT OF PUBLIC SAFETY
 FOR THE LAST NINE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
Actuarially determined contribution (2)	\$ 95,669	\$ 80,872	\$ 78,001	\$ 66,224	\$ 63,709
State's contributions in relation to the actuarially determined contribution (2,3,4)	516,229	580,872	78,001	66,224	63,709
State's contribution deficiency (excess)	<u>\$ (420,560)</u>	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll (2)	\$ 93,844	\$ 78,697	\$ 79,538	\$ 72,826	\$ 73,183
State's contributions as a percentage of covered payroll	550.09%	738.11%	98.07%	90.93%	87.05%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) State contributions reflect adjustments for employer-paid member contributions. Each year there is an immaterial difference between the estimated amount of employer-paid member contributions and the amount recognized by PSPRS. Fiscal year 2017 was restated using the employer contributions PSPRS recognized.
- (3) As part of a one-time appropriation, the State contributed \$500,000 in fiscal year 2021 to reduce the unfunded accrued liability.
- (4) As part of a one-time appropriation, the State contributed \$420,560 in fiscal year 2022 to reduce the unfunded accrued liability.

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

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
CORP DEPARTMENT OF CORRECTIONS, REHABILITATION & REENTRY
 FOR THE LAST NINE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Fiscal Year				
	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 93,322	\$ 99,307	\$ 85,616	\$ 85,872	\$ 66,031
State's contributions in relation to the actuarially determined contribution (2,3)	567,957	599,307	85,616	85,872	66,031
State's contribution deficiency (excess)	<u>\$ (474,635)</u>	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 302,208	\$ 323,265	\$ 311,215	\$ 302,577	\$ 316,996
State's contributions as a percentage of covered payroll	187.94%	185.39%	27.51%	28.38%	20.83%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) As part of a one-time appropriation, the State contributed \$500,000 in fiscal year 2021 to reduce the unfunded accrued liability.
- (3) As part of a one-time appropriation, the State contributed \$474,635 in fiscal year 2022 to reduce the unfunded accrued liability.

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

Fiscal Year

2017, as restated	2016	2015	2014
\$ 61,001	\$ 52,115	\$ 36,889	\$ 31,458
61,001	52,115	36,889	31,458
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 78,246	\$ 68,573	\$ 66,707	\$ 63,334
77.96%	76.00%	55.30%	49.67%

Fiscal Year

2017	2016	2015	2014
\$ 62,909	\$ 60,984	\$ 43,105	\$ 40,166
62,909	60,984	43,105	40,166
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 335,694	\$ 330,538	\$ 327,798	\$ 326,819
18.74%	18.45%	13.15%	12.29%

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
 JUNE 30, 2022

A. ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	PSPRS (Tiers 1 & 2) members and CORP members: Level dollar, closed PSPRS (Tier 3) members: Level dollar, closed
Remaining amortization period, as of the 2020 actuarial valuation	PSPRS (Tiers 1 & 2) members and CORP members: 15 years PSPRS (Tier 3) members: 10 years
Asset valuation method	PSPRS (Tiers 1 & 2) members and CORP members: 7-year smoothed market value, 80%/120% market corridor PSPRS (Tier 3) members: 5-year smoothed market value, 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	PSPRS (Tiers 1 & 2) members, and CORP members with initial membership date before July 1, 2018: In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS (Tier 3) members: 7.0%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2020 actuarial valuation, wage growth was decreased from 3.5% to 3.0% for CORP. In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period July 1, 2011 - June 30, 2016. In the 2012 valuation, the experience study covered the period July 1, 2006 – June 30, 2011.
Mortality	In the 2020 actuarial valuation, changed to PubS-2010 tables, with 75% of MP-2019 fully generational projection scales. In the 2019 actuarial valuation, changed to PubS-2010 tables, with 75% of MP-2018 fully generational projection scales. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. PubS-2010 mortality table (adjusted by 110% for both males and females for PSPRS and by 125% for males and 115% for CORP.)

B. FACTORS THAT AFFECT TRENDS

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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
JUNE 30, 2022

2019 for members who retired or will retire after the law's effective date. EORP required contributions are not based on actuarial valuations, and therefore, these changes did not affect them.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost-of-living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

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

In fiscal year 2022 (measurement date 2020), the amortization method was changed for PSPRS (Tiers 1 and 2), CORP, and EORP to use a layered amortization approach. Wage growth was decreased from 3.5% to 3.0% for CORP and from 3.5% to 2.5% for EORP.

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
ARIZONA DEPARTMENT OF ADMINISTRATION
 FOR THE LAST FIVE FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability					
Service cost	\$ 123,719	\$ 110,377	\$ 81,670	\$ 62,281	\$ 87,252
Interest on the total OPEB liability	41,284	42,795	36,500	32,074	32,182
Changes of benefit terms	—	—	—	—	(83,199)
Differences between expected and actual experience in the measurement of the OPEB liability	(485,617)	—	36,896	—	(30,663)
Changes of assumptions or other inputs	(27,051)	181,214	268,793	(39,410)	(273,577)
Benefit payments	(31,551)	(28,707)	(28,100)	(26,183)	(28,848)
Net changes	(379,216)	305,679	395,759	28,762	(296,853)
Total OPEB liability - beginning	1,577,121	1,271,284	875,525	846,763	1,143,616
Total OPEB liability - ending (2)	<u>\$ 1,197,905</u>	<u>\$ 1,576,963</u>	<u>\$ 1,271,284</u>	<u>\$ 875,525</u>	<u>\$ 846,763</u>
Covered-employee payroll	\$ 3,725,279	\$ 3,668,137	\$ 3,571,920	\$ 3,270,734	\$ 3,184,746
Total OPEB liability as a percentage of covered-employee payroll	32.16%	42.99%	35.59%	26.77%	26.59%

(1) The State implemented GASB 75 in fiscal year 2018. Therefore, ten years of data is not available, but will be accumulated over time.

(2) There are no dedicated assets at this time to offset the total OPEB liability.

COMBINING FINANCIAL
STATEMENTS AND
SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

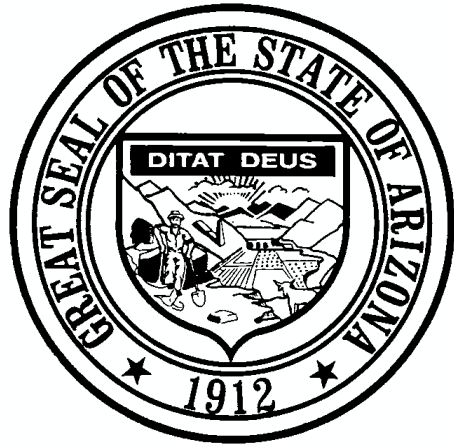
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	\$ 5,344	\$ —	\$ —	\$ 5,344
Cash and pooled investments with State Treasurer	1,662,934	12,352	—	1,675,286
Collateral investment pool	2,263	—	—	2,263
Receivables, net of allowances:				
Taxes	128,596	—	—	128,596
Interest	3,569	—	—	3,569
Leases	391,206	—	—	391,206
Other	513,623	—	—	513,623
Due from U.S. Government	22,725	—	—	22,725
Due from other funds	165,629	88,430	—	254,059
Custodial securities in safekeeping	135,651	—	—	135,651
Inventories, at cost	707	—	—	707
Restricted assets:				
Cash and pooled investments with State Treasurer	258,078	3,332	3,571	264,981
Cash held by trustee	—	66,881	—	66,881
Total Assets	<u>\$ 3,290,325</u>	<u>\$ 170,995</u>	<u>\$ 3,571</u>	<u>\$ 3,464,891</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 35,880	\$ —	\$ —	\$ 35,880
Accrued liabilities	57,399	—	—	57,399
Obligations under securities loan agreements	2,263	—	—	2,263
Due to local governments	304,677	—	—	304,677
Due to others	143,628	—	—	143,628
Due to other funds	34,302	3,453	—	37,755
Unearned revenue	2,752	—	—	2,752
Total Liabilities	<u>580,901</u>	<u>3,453</u>	<u>—</u>	<u>584,354</u>
Deferred Inflows of Resources:				
Unavailable revenue	451,237	—	—	451,237
Related to leases	390,499	—	—	390,499
Total Deferred Inflows of Resources	<u>841,736</u>	<u>—</u>	<u>—</u>	<u>841,736</u>
Fund Balances:				
Nonspendable	707	—	—	707
Restricted	603,404	167,542	3,571	774,517
Committed	1,263,577	—	—	1,263,577
Total Fund Balances	<u>1,867,688</u>	<u>167,542</u>	<u>3,571</u>	<u>2,038,801</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,290,325</u>	<u>\$ 170,995</u>	<u>\$ 3,571</u>	<u>\$ 3,464,891</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	\$ 974,201	\$ —	\$ —	\$ 974,201
Tobacco	229,729	—	—	229,729
Motor vehicle and fuel	60,677	—	—	60,677
Other	115,221	—	—	115,221
Intergovernmental	302,225	—	—	302,225
Licenses, fees, and permits	421,402	—	—	421,402
Hospital and nursing facility assessments	559,334	—	—	559,334
Earnings on investments	76,252	642	—	76,894
Interest revenues - leases	6,760	—	—	6,760
Amortization revenues - leases	7,646	—	—	7,646
Sales and charges for services	38,781	—	—	38,781
Fines, forfeitures, and penalties	116,607	—	—	116,607
Gaming	148,048	—	—	148,048
Other	42,552	15	—	42,567
Total Revenues	<u>3,099,435</u>	<u>657</u>	<u>—</u>	<u>3,100,092</u>
EXPENDITURES				
Current:				
General government	168,890	4,717	—	173,607
Health and welfare	1,071,638	—	—	1,071,638
Inspection and regulation	168,070	—	—	168,070
Education	1,251,432	—	—	1,251,432
Protection and safety	371,548	—	—	371,548
Transportation	—	—	21	21
Natural resources	171,974	670	—	172,644
Intergovernmental revenue sharing	11,389	—	—	11,389
Debt service:				
Principal	1,718	1,052,122	—	1,053,840
Interest and other fiscal charges	123	91,477	—	91,600
Capital outlay	38,910	—	—	38,910
Total Expenditures	<u>3,255,692</u>	<u>1,148,986</u>	<u>21</u>	<u>4,404,699</u>
Deficiency of Revenues Over Expenditures	<u>(156,257)</u>	<u>(1,148,329)</u>	<u>(21)</u>	<u>(1,304,607)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	399,947	446,108	—	846,055
Transfers out	(184,686)	(3,453)	—	(188,139)
Lease proceeds	759	—	—	759
Refunding bonds issued	—	84,520	—	84,520
Payment to refunded bond escrow agent	—	(84,005)	—	(84,005)
Total Other Financing Sources (Uses)	<u>216,020</u>	<u>443,170</u>	<u>—</u>	<u>659,190</u>
Net Change in Fund Balances	59,763	(705,159)	(21)	(645,417)
Fund Balances - Beginning, as restated	1,807,925	872,701	3,592	2,684,218
Fund Balances - Ending	<u>\$ 1,867,688</u>	<u>\$ 167,542</u>	<u>\$ 3,571</u>	<u>\$ 2,038,801</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, 2022
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	\$ 5,300	\$ —	\$ —	\$ —	\$ —	\$ 14
Cash and pooled investments with State Treasurer	234,444	79,755	265,966	23,573	140,946	287,088
Collateral investment pool	—	—	—	2,263	—	—
Receivables, net of allowances:						
Taxes	5,712	278	6,747	18,046	—	—
Interest	—	—	—	—	—	—
Leases	—	—	—	—	—	—
Other	1	1,032	21,074	—	460,172	7,578
Due from U.S. Government	—	—	22,725	—	—	—
Due from other funds	6,946	6,813	2,670	44,191	836	—
Custodial securities in safekeeping	—	135,651	—	—	—	—
Inventories, at cost	707	—	—	—	—	—
Restricted assets:						
Cash and pooled investments with State Treasurer	—	—	1,972	256,106	—	—
Total Assets	<u>\$ 253,110</u>	<u>\$ 223,529</u>	<u>\$ 321,154</u>	<u>\$ 344,179</u>	<u>\$ 601,954</u>	<u>\$ 294,680</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 16,824	\$ 4,865	\$ 7,502	\$ 1,740	\$ 936	\$ 387
Accrued liabilities	4,115	530	49,159	236	543	1,638
Obligations under securities loan agreements	—	—	—	2,263	—	—
Due to local governments	4,096	3,348	1,647	858	1,213	—
Due to others	—	135,651	—	5,523	18	2,436
Due to other funds	1,156	—	12,006	18,493	2,420	—
Unearned revenue	—	—	1,207	—	—	703
Total Liabilities	<u>26,191</u>	<u>144,394</u>	<u>71,521</u>	<u>29,113</u>	<u>5,130</u>	<u>5,164</u>
Deferred Inflows of Resources:						
Unavailable revenue	—	—	392	—	450,845	—
Related to leases	—	—	—	—	—	—
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>392</u>	<u>—</u>	<u>450,845</u>	<u>—</u>
Fund Balances:						
Nonspendable	707	—	—	—	—	—
Restricted	11,569	—	56,050	315,066	3,378	9,436
Committed	214,643	79,135	193,191	—	142,601	280,080
Total Fund Balances	<u>226,919</u>	<u>79,135</u>	<u>249,241</u>	<u>315,066</u>	<u>145,979</u>	<u>289,516</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 253,110</u>	<u>\$ 223,529</u>	<u>\$ 321,154</u>	<u>\$ 344,179</u>	<u>\$ 601,954</u>	<u>\$ 294,680</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,344
79,180	28,279	80,382	234,323	179,024	29,974	1,662,934
—	—	—	—	—	—	2,263
—	—	—	97,813	—	—	128,596
—	—	—	3,569	—	—	3,569
—	—	—	391,206	—	—	391,206
2,980	—	3	20,781	—	2	513,623
—	—	—	—	—	—	22,725
2,174	1,214	404	100,381	—	—	165,629
—	—	—	—	—	—	135,651
—	—	—	—	—	—	707
—	—	—	—	—	—	258,078
<u>\$ 84,364</u>	<u>\$ 29,493</u>	<u>\$ 80,789</u>	<u>\$ 848,073</u>	<u>\$ 179,024</u>	<u>\$ 29,976</u>	<u>\$ 3,290,325</u>
\$ 198	\$ 500	\$ 349	\$ 31	\$ —	\$ 2,548	\$ 35,880
893	86	84	59	43	13	57,399
—	—	—	—	—	—	2,263
—	40	2,638	290,837	—	—	304,677
—	—	—	—	—	—	143,628
227	—	—	—	—	—	34,302
842	—	—	—	—	—	2,752
<u>2,160</u>	<u>626</u>	<u>3,071</u>	<u>290,927</u>	<u>43</u>	<u>2,561</u>	<u>580,901</u>
—	—	—	—	—	—	451,237
—	—	—	390,499	—	—	390,499
—	—	—	390,499	—	—	841,736
—	—	—	—	—	—	707
13,843	—	—	166,647	—	27,415	603,404
<u>68,361</u>	<u>28,867</u>	<u>77,718</u>	<u>—</u>	<u>178,981</u>	<u>—</u>	<u>1,263,577</u>
<u>82,204</u>	<u>28,867</u>	<u>77,718</u>	<u>166,647</u>	<u>178,981</u>	<u>27,415</u>	<u>1,867,688</u>
<u>\$ 84,364</u>	<u>\$ 29,493</u>	<u>\$ 80,789</u>	<u>\$ 848,073</u>	<u>\$ 179,024</u>	<u>\$ 29,976</u>	<u>\$ 3,290,325</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, 2022
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	\$ 19,458	\$ 766	\$ 2,925	\$ —	\$ —	\$ —
Tobacco	4,459	—	7,472	217,798	—	—
Motor vehicle and fuel	9,549	36,827	2,872	—	—	—
Other	73,114	1,800	—	—	—	40,307
Intergovernmental	51,877	133	211,621	2,020	1,461	152
Licenses, fees, and permits	27,712	72,901	30,099	—	27,365	185,760
Hospital and nursing facility assessments	—	—	559,334	—	—	—
Earnings on investments	(251)	(457)	(236)	(17,873)	(527)	(685)
Interest revenues - leases	—	—	—	—	—	—
Amortization revenues - leases	—	—	—	—	—	—
Sales and charges for services	21,178	—	—	—	929	3,743
Fines, forfeitures, and penalties	50,859	4,934	4,401	—	48,050	2,281
Gaming	—	—	31,038	—	—	44,478
Other	10,596	189	6,418	152	255	1,174
Total Revenues	<u>268,551</u>	<u>117,093</u>	<u>855,944</u>	<u>202,097</u>	<u>77,533</u>	<u>277,210</u>
EXPENDITURES						
Current:						
General government	41,014	507	4,602	668	79,658	5,760
Health and welfare	1,391	103,814	850,043	97,112	—	19,278
Inspection and regulation	1,228	1,449	—	—	—	165,391
Education	—	—	—	136,900	—	—
Protection and safety	371,548	—	—	—	—	—
Natural resources	48,941	247	—	—	—	—
Intergovernmental revenue sharing	—	11,389	—	—	—	—
Debt service:						
Principal	1,049	—	—	538	—	131
Interest and other fiscal charges	93	—	—	23	—	7
Capital outlay	31,294	411	2,552	—	737	1,588
Total Expenditures	<u>496,558</u>	<u>117,817</u>	<u>857,197</u>	<u>235,241</u>	<u>80,395</u>	<u>192,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(228,007)</u>	<u>(724)</u>	<u>(1,253)</u>	<u>(33,144)</u>	<u>(2,862)</u>	<u>85,055</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	313,341	15,011	20,161	6,100	8,320	15,334
Transfers out	(79,468)	(2,396)	(35,537)	(897)	(9,912)	(41,772)
Lease proceeds	—	—	—	—	—	759
Total Other Financing Sources (Uses)	<u>233,873</u>	<u>12,615</u>	<u>(15,376)</u>	<u>5,203</u>	<u>(1,592)</u>	<u>(25,679)</u>
Net Change in Fund Balances	5,866	11,891	(16,629)	(27,941)	(4,454)	59,376
Fund Balances - Beginning	221,053	67,244	265,870	343,007	150,433	230,140
Fund Balances - Ending	<u>\$ 226,919</u>	<u>\$ 79,135</u>	<u>\$ 249,241</u>	<u>\$ 315,066</u>	<u>\$ 145,979</u>	<u>\$ 289,516</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ —	\$ —	\$ —	\$ 951,052	\$ —	\$ —	\$ 974,201
—	—	—	—	—	—	229,729
1,138	10,111	—	180	—	—	60,677
—	—	—	—	—	—	115,221
31,315	—	2,561	1,085	—	—	302,225
54,144	2,318	11,741	3,872	5,490	—	421,402
—	—	—	—	—	—	559,334
(669)	(186)	(389)	98,730	(1,205)	—	76,252
—	—	—	6,760	—	—	6,760
—	—	—	7,646	—	—	7,646
3,538	—	232	9,159	2	—	38,781
115	—	5	—	—	5,962	116,607
8,868	—	—	63,664	—	—	148,048
3,206	173	16,169	3,542	561	117	42,552
101,655	12,416	30,319	1,145,690	4,848	6,079	3,099,435
—	—	28,959	739	—	6,983	168,890
—	—	—	—	—	—	1,071,638
—	—	2	—	—	—	168,070
—	—	—	1,114,532	—	—	1,251,432
—	—	—	—	—	—	371,548
107,141	8,293	—	—	7,352	—	171,974
—	—	—	—	—	—	11,389
—	—	—	—	—	—	1,718
—	—	—	—	—	—	123
2,328	—	—	—	—	—	38,910
109,469	8,293	28,961	1,115,271	7,352	6,983	3,255,692
(7,814)	4,123	1,358	30,419	(2,504)	(904)	(156,257)
10,003	4,100	876	5,311	1,390	—	399,947
(9,210)	(464)	(3,488)	(202)	(1,282)	(58)	(184,686)
—	—	—	—	—	—	759
793	3,636	(2,612)	5,109	108	(58)	216,020
(7,021)	7,759	(1,254)	35,528	(2,396)	(962)	59,763
89,225	21,108	78,972	131,119	181,377	28,377	1,807,925
\$ 82,204	\$ 28,867	\$ 77,718	\$ 166,647	\$ 178,981	\$ 27,415	\$ 1,867,688

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	\$ 6,381	\$ 6,381
OPERATING LUMP SUM APPROPRIATION	2,051,800	1,623,273
ACUPUNCTURE BOARD OF EXAMINERS		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	9,189	9,189
OPERATING LUMP SUM APPROPRIATION	176,800	176,166
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	44,776	44,776
OPERATING LUMP SUM APPROPRIATION	1,503,200	755,171
AGRICULTURE, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,011	3,011
OPERATING LUMP SUM APPROPRIATION	1,454,100	1,433,482
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
ACA ADULT EXPANSION	128,069,000	88,078,618
ADMIN ADJUSTMENT ACA ADULT EXPANSION	24	24
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	1,927	1,927
ALTCS SERVICES	127,500,100	123,990,820
CRISIS SERVICES	2,250,200	2,250,200
OPERATING LUMP SUM APPROPRIATION	200,000	—
PROPOSITION 204 SERVICES	498,549,500	471,173,336
TRADITIONAL MEDICAID SERVICES	69,002,100	66,290,749
ATHLETIC TRAINING, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,388	2,388
OPERATING LUMP SUM APPROPRIATION	127,000	109,807
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMIN ADJUSTMENT FEDERALISM UNIT	33,552	33,552
ADMIN ADJUSTMENT GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	33,682	33,682
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	434,818	434,818
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	14,469	14,469
ADMIN ADJUSTMENT VICTIMS RIGHTS	15,585	15,585
ADMIN ADJUSTMENT VOTER FRAUD UNIT	17,540	17,540
CHILD AND FAMILY ADVOCACY CENTERS	500,000	500,000
CRIMINAL DIVISION MAJOR FRAUD UNIT	1,139,000	277,327
CRIMINAL DIVISION OPERATING	2,350,000	2,062,914
DEFERRED MAINTENANCE 15 S. 15TH AVENUE	4,000,000	4,000,000
EXPERT WITNESS & OUTSIDE COUNSEL	1,200,000	1,166,558
FEDERALISM UNIT	1,236,000	767,762
GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	1,235,200	1,146,372
GRANTS FOR OPIOID EDUCATION AND PREVENTION EFFORTS	37,763	—
OPERATING LUMP SUM APPROPRIATION	13,233,400	11,958,359
PAD NATIONAL MORTGAGE SETTLEMENT	14,562,913	933,659
RETAIL THEFT TASK FORCE	1,500,000	471,472
SOUTHERN ARIZONA DRUG ENFORCEMENT	315,000	228,068
STIPEND/RETENTION BONUS	2,000,000	1,999,981
STUDY COMMITTEE ON MISSING & MURDER INDIGENOUS PEOPLES	40,000	—
TECHNOLOGY COMPANY ANTITRUST	1,000,000	702,303
TOBACCO ENFORCEMENT	744,000	14,587
VICTIMS RIGHTS	3,768,800	1,920,648
VOTER FRAUD UNIT	525,400	479,663
BARBERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	11,338	11,338
OPERATING LUMP SUM APPROPRIATION	408,900	328,272
SWEEPS	788,482	788,482

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	9,524	9,524
OPERATING LUMP SUM APPROPRIATION	1,776,100	1,766,192
CHILD SAFETY, DEPARTMENT OF		
ADMIN ADJUSTMENT DCS IN-HOME MITIGATION	931,405	931,405
DCS CASEWORKERS	207,900	—
DCS IN-HOME MITIGATION	1,459,300	—
DCS OPERATING LUMP SUM	941,900	297,694
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	13,456	13,456
OPERATING LUMP SUM APPROPRIATION	437,000	409,416
CONTRACTORS, REGISTRAR OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,167	3,167
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	346,131
OPERATING LUMP SUM APPROPRIATION	11,572,700	10,289,754
CORPORATION COMMISSION		
ADMIN ADJUSTMENT CORPORATION FILINGS, SAME DAY SERVICE	56,882	56,882
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,219,933	2,219,933
ANNUAL REVERSION	21,766,516	21,766,516
CORPORATION FILINGS, SAME DAY SERVICE	408,400	408,130
INVESTIGATE - PROSECUTE SECURITIES FRAUD	26,509	25,966
OPERATING LUMP SUM APPROPRIATION	26,487,000	24,172,036
UTILITY AUDIT STUDY INVEST HEAR	900,050	(613,600)
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	921	921
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	1,743,852	1,743,852
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	73,458	73,458
CASH TRANSFER TO BUILDING RENEWAL FUND	2,500,000	2,500,000
COMMUNITY CORRECTIONS	305,500	9,624
FIRE AND LIFE SAFETY UPGRADES	11,797,000	340,077
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	—
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	6,129,443	5,613,294
OPERATING LUMP SUM APPROPRIATION	7,124,100	3,953,625
PRIVATE PRISON PER DIEM	27,311,500	27,311,500
RELIEF	6,780	6,780
COSMETOLOGY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	30,252	30,252
ANNUAL LEAVE PAYOUT	56,009	17,681
OPERATING LUMP SUM APPROPRIATION	1,856,700	1,664,452
CRIMINAL JUSTICE COMMISSION, ARIZONA		
CRIMINAL HISTORY REPOSITORY UPGRADE	1,145,537	196,519
INDIGENT DEFENSE FUND TRANSFERS	700,000	693,355
OPERATING LUMP SUM APPROPRIATION	1,276,300	1,043,621
STATE AID TO COUNTY ATTORNEYS	973,700	695,265
VICTIM COMPENSATION - ASSISTANCE	4,224,600	1,776,432
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	33,545	33,545
INTERPRETER CERT AND LICENSURE	248,992	—
OPERATING LUMP SUM APPROPRIATION	4,439,900	3,296,841
SUPPORT SERVICES FOR THE DEAF-BLIND	192,000	84,627
DENTAL EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	12,795	12,795
OPERATING LUMP SUM APPROPRIATION	1,815,800	1,751,698

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ECONOMIC SECURITY, DEPARTMENT OF		
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	3,851	3,851
ADMIN ADJUSTMENT DDD COST EFFECTIVENESS STUDY	1,026,713	1,026,713
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	1,525,196	1,525,196
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	411,981	411,981
ADMIN ADJUSTMENT REHABILITATION SERVICES	4,920	4,920
ATTORNEY GENERAL LEGAL SERVICES	98,100	4,873
DDD COST EFFECTIVENESS STUDY	1,220,000	—
DES OPERATING LUMP SUM	2,965,200	2,247,113
DOMESTIC VIOLENCE PREVENTION	4,100,200	2,291,310
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	853,469
JOBS	1,110,900	—
PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	26,863,200	—
REHABILITATION SERVICES	654,700	297,066
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY - SCHOOL SAFETY - PROPOSITION 301	25,603,665	10,003,666
ACHIEVEMENT TESTING - PROPOSITION 301	15,502,862	3,483,406
ADDITIONAL SCHOOL DAYS - PROPOSITION 301	150,380,500	135,423,833
ADULT EDUCATION	132,300	—
BASIC STATE AID ENTITLEMENT	86,280,500	—
CHARACTER EDUCATION - PROPOSITION 301	442,784	207,157
CLASSROOM SITE FUND	977,025,600	—
FAILING SCHOOL TUTORING - PROPOSITION 301	5,067,904	830,756
INSTRUCTIONAL IMPROVEMENT FUND	63,765,399	—
OPERATING LUMP SUM APPROPRIATION - ADMIN	4,404,500	86,693
SCHOOL SAFETY PROGRAM	7,800,000	—
TEACHER CERTIFICATION	2,223,400	1,171,490
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMIN ADJUSTMENT EMISSIONS CONTROL - CONTRACTOR PAYMENTS	179,293	179,293
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	424,954	424,954
ADMIN ADJUSTMENT SAFE DRINKING WATER PROGRAM	16,909	16,909
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	26,019,500	21,890,008
OPERATING LUMP SUM APPROPRIATION	33,690,200	26,561,388
SAFE DRINKING WATER PROGRAM	1,814,300	1,700,347
SWEEPS	74,438	74,438
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	11,553	11,553
OPERATING LUMP SUM APPROPRIATION	402,800	332,622
GAME AND FISH DEPARTMENT, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	32,198	32,198
BUILDING RENEWAL	1,503,907	1,044,871
DAM MAINTENANCE	150,000	149,949
HATCHERY CAPITAL RENEWAL	2,600,000	192,419
HATCHERY MAINTENANCE CIP FUND	400,000	397,894
OPERATING LUMP SUM APPROPRIATION	43,733,699	41,435,219
PITTMAN-ROBERTSON-DINGELL-JOHNSON ACT	3,058,000	3,058,000
PROPERTY MAINTENANCE	300,000	209,321
SWEEPS	16,498	16,498
GAMING, DEPARTMENT OF		
ADMIN ADJUSTMENT CASINO OPERATION CERTIFICATION	1,562	1,562
ADMIN ADJUSTMENT DIVISION OF RACING - LUMP SUM	3,022	3,022
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	45,874	45,874
ADMIN ADJUSTMENT PROBLEM GAMBLING	517	517

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ARIZONA BREEDERS AWARD	250,000	250,000
CASINO OPERATION CERTIFICATION	2,104,900	1,933,525
DIVISION OF RACING - LUMP SUM	2,261,100	1,628,231
OPERATING LUMP SUM APPROPRIATION	9,973,100	8,249,186
PROBLEM GAMBLING	2,484,000	1,762,840
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	112,538	112,538
ADMIN ADJUSTMENT BIOMEDICAL RESEARCH SUPPORT	499,375	499,375
ADMIN ADJUSTMENT EMERGENCY MEDICAL SERVICES LOCAL ALLOCATION	99,586	99,586
ADMIN ADJUSTMENT FOLIC ACID	29,018	29,018
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	167,853	167,853
ADMIN ADJUSTMENT HOMELESS PREGNANT WOMEN SERVICES	49,120	49,120
ADMIN ADJUSTMENT NEWBORN SCREENING PROGRAM	351,985	351,985
ADMIN ADJUSTMENT NURSING CARE SPECIAL PROJECTS	10,716	10,716
ADMIN ADJUSTMENT RADIATION REGULATION	3,279	3,279
ADMIN ADJUSTMENT RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	75,000	75,000
ADMIN ADJUSTMENT STATE LOAN REPAYMENT PROGRAM	147,667	147,667
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	22,339,300	18,259,091
FOLIC ACID	400,000	367,605
GENOMICS-BASED MEDICAL RESEARCH	2,500	—
HOMELESS PREGNANT WOMEN SERVICES	200,000	200,000
NEWBORN SCREENING PROGRAM	13,074,900	5,492,830
NURSING CARE SPECIAL PROJECTS	100,000	14,242
OPIOID ABUSE PREVENTION CAMPAIGN	24,829	—
RADIATION REGULATION	2,305,000	2,146,344
RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	300,000	225,000
SWEEPS	2,370,900	2,370,900
HIGHWAY SAFETY, GOVERNOR'S OFFICE OF		
PUBLIC SERVICE ANNOUNCEMENTS FOR TRAFFIC STOPS	50,000	—
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	837	837
OPERATING LUMP SUM APPROPRIATION	46,000	45,437
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	322,700	322,700
INDUSTRIAL COMMISSION OF ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	375,284	375,284
OPERATING LUMP SUM APPROPRIATION	20,122,000	18,268,106
RELIEF	3,192	—
SWEEPS	1,067,700	1,067,700
INSURANCE, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	38,457	38,457
ARIZONA VEHICLE THEFT TASK FORCE	4,343,500	4,343,500
AUTOMOBILE THEFT AUTHORITY OPERATING BUDGET	659,300	653,026
LOCAL GRANTS	957,700	957,700
OPERATING LUMP SUM APPROPRIATION	4,057,000	4,050,190
REIMBURSABLE PROGRAMS	50,000	—
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	22,461	22,461
OPERATING LUMP SUM APPROPRIATION	533,200	519,981
LAND DEPARTMENT, STATE		
ADMIN ADJUSTMENT NATURAL RESOURCE CONSERVATION DISTRICTS	2,500	2,500
NATURAL RESOURCE CONSERVATION DISTRICTS	230,600	147,500
NRCD ED CENTERS	30,000	30,000

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
LEGISLATIVE COUNCIL		
TELECOMMUNICATION FUND FOR THE DEAF	250,000	—
MESSAGE THERAPY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	13,858	13,858
OPERATING LUMP SUM APPROPRIATION	473,700	468,619
MEDICAL EXAMINERS BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	17,999	17,999
MEDICAL BOARD LICENSURE COMPACT	50,000	—
OPERATING LUMP SUM APPROPRIATION	7,341,500	7,124,561
PERFORMANCE BASED INCENTIVE PROGRAM	165,600	152,495
MINE INSPECTOR, STATE		
ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION	383	383
AGGREGATE MINED LAND RECLAMATION	112,900	37,261
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	811	811
OPERATING LUMP SUM APPROPRIATION	193,200	181,863
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	129,952	129,952
OPERATING LUMP SUM APPROPRIATION	200,000	—
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,637	3,637
OPERATING LUMP SUM APPROPRIATION	526,100	518,142
NURSING, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	12,853	12,853
CERTIFIED NURSING PROGRAM	538,400	483,935
OPERATING LUMP SUM APPROPRIATION	4,736,700	4,593,272
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	7,242	7,242
OPERATING LUMP SUM APPROPRIATION	199,900	181,194
OPTICIANS, STATE BOARD OF DISPENSING		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,552	1,552
OPERATING LUMP SUM APPROPRIATION	162,600	151,129
OPTOMETRY, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,537	3,537
OPERATING LUMP SUM APPROPRIATION	241,900	227,497
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,347	1,347
OPERATING LUMP SUM APPROPRIATION	1,067,600	999,872
PARKS BOARD, ARIZONA STATE		
ARIZONA TRAIL - 2A	10,200	10,200
OPERATING LUMP SUM APPROPRIATION	6,500	6,500
PHARMACY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	25,683	25,683
AZ POISON AND DRUG INFORMATION CENTER	1,000,000	500,000
CONTROLLED SUBSTANCE PRESCRIPTION MONITORING PROGRAM	500,000	500,000
ONE TIME FUNDING LEAVE PAYOUT	26,685	—
OPERATING LUMP SUM APPROPRIATION	3,033,900	2,605,916
PRESCRIBER REPORT CARD	50,000	—
PHYSICAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,591	6,591
OPERATING LUMP SUM APPROPRIATION	504,100	445,844

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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
POSTSECONDARY EDUCATION, COMMISSION FOR		
AZ MINORITY EDUCATION POLICY ANALYSIS CENTER	3,000	3,000
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,098,700	1,098,700
OPERATING LUMP SUM APPROPRIATION	186,800	65,692
TWELVE PLUS PARTNERSHIP	4,500	—
PODIATRY EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,412	6,412
OPERATING LUMP SUM APPROPRIATION	168,200	167,653
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
OPERATING LUMP SUM APPROPRIATION	413,500	295,156
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	9,104	9,104
OPERATING LUMP SUM APPROPRIATION	550,800	537,720
SWEEPS	20,000	20,000
PUBLIC SAFETY, DEPARTMENT OF		
ADMIN ADJUSTMENT LOOP 2020 RADIO TOWER	6,469	6,469
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	127,874	127,874
ADMIN ADJUSTMENT PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	4,014	4,014
ADMIN ADJUSTMENT PUBLIC SAFETY EQUIPMENT SURCHARGE	396,927	396,927
GIITEM	399,200	399,200
MICROWAVE COMMUNICATION SYSTEM UPGRADE	49,386,340	1,874,571
MOTOR VEHICLE FUEL	1,070,400	1,070,400
ONETIME ACTIVE SHOOTER EQUIPMENT	2,912,900	2,638,269
ONETIME AZPOST SUPPORT	1,196,300	1,196,300
OPERATING LUMP SUM APPROPRIATION	75,585,899	65,652,453
PEACE OFFICER TRAINING EQUIPMENT	1,047,800	—
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL MAINTENANCE	203,000	—
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL PURCHASE	869,529	654,230
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	326,000	323,079
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,890,000	211,544
SWEEPS	3,471,300	3,471,300
WELLNESS AND TRAINING CENTER	3,000,000	2,697,939
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	8,068	8,068
OPERATING LUMP SUM APPROPRIATION	1,207,200	1,135,943
PROFESSIONAL WITNESSES	284,887	121,379
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	5,325	5,325
OPERATING LUMP SUM APPROPRIATION	324,100	324,097
REVENUE, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,582	1,582
OPERATING LUMP SUM APPROPRIATION	684,500	665,828
SUPREME COURT		
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	11,336	11,336
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	131,155	131,155
ADMIN ADJUSTMENT STATE AID	33,994	33,994
ADULT INTENSIVE PROBATION	1,535,200	435,679
ADULT STANDARD PROBATION	3,774,100	3,363,028
AUTOMATION	13,248,000	7,431,618
CENTRALIZED SERVICE PAYMENTS	449,900	57,707
COMMUNITY PUNISHMENT	2,310,300	1,096,278
COURT APPOINTED SPECIAL ADVOCATE	3,987,300	3,805,096

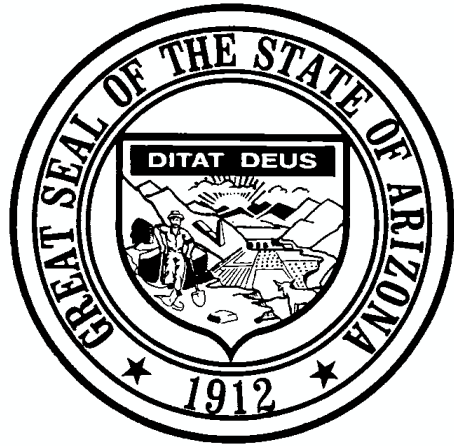
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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Dollars)

	<u>FINAL BUDGET (Appropriations)</u>	<u>ACTUAL EXPENDITURE AMOUNTS</u>
COURTHOUSE SECURITY	750,000	555,967
INTERSTATE COMPACT	92,800	92,800
JUVENILE CRIME REDUCTION	3,313,500	644,261
JUVENILE STANDARD PROBATION	150,000	—
OPERATING LUMP SUM	349,800	238,908
OPERATING LUMP SUM APPROPRIATION	3,147,000	1,794,152
PEACE OFFICERS TRAINING FUND	20,000	20,000
STATE AID	5,679,000	3,267,470
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	28,569	28,569
OPERATING LUMP SUM APPROPRIATION	2,352,900	2,141,995
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	—
SCHOOL SAFETY PROGRAM	2,500,000	2,500,000
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,214	3,214
OPERATING LUMP SUM APPROPRIATION	601,800	515,747
WATER RESOURCES, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,777	2,777
ASSURED - ADEQUATE WATER SUPPLY ADMIN	268,100	252,894
LOWER COLORADO RIVER LITIGATION EXPENSES	1,932,200	66,788
OPERATING LUMP SUM APPROPRIATION	1,738,500	1,620,015
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	2,843,280,265	1,368,868,625
Less:		
Department of Education's appropriations for Basic State Aid Entitlement, School Safety Program, Operating Lump Sum Appropriation - Admin, Classroom Site Fund, and Instructional Improvement Fund that were duplicate expenditure authorizations.	<u>(1,136,571,500)</u>	<u>—</u>
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	<u>\$ 1,706,708,765</u>	<u>\$ 1,368,868,625</u>

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 LAND ENDOWMENTS FUND
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF		
CAPITOL MALL AIR HANDLER UNITS	\$ 525,271	\$ 511,484
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	61	61
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	73,242	73,242
INMATE HEALTH CARE CONTRACTED SERVICES	1,500,000	1,500,000
LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	3,952,967	3,952,928
OPERATING LUMP SUM APPROPRIATION	1,891,900	1,849,746
PRIVATE PRISON PER DIEM	2,062,500	2,062,500
RELIEF	2,151	2,151
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
PHOENIX DAY SCHOOL FOR THE DEAF	6,297,200	6,251,793
PRESCHOOL-OUTREACH PROGRAMS	2,803,000	2,650,677
TUCSON CAMPUS	4,855,000	4,329,674
REPLACE TUCSON CLASSROOM NOTIFICATION SYSTEM	150,000	78,740
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	309,832,400	309,482,477
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	48,171	48,171
ARIZONA STATE HOSPITAL - OPERATING	650,000	650,000
ARIZONA STATE HOSPITAL BUILDING DEMOLITION	1,000,000	1,000,000
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	180,368	180,368
OPERATING LUMP SUM APPROPRIATION	4,044,100	1,565,257
ADOBE MOUNTAIN SCHOOL FACILITY DOOR REPLACEMENT	2,500,000	2,500,000
LAND DEPARTMENT, STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	352,470	352,470
FIRE SUPPRESSION	800,000	800,000
OPERATING LUMP SUM APPROPRIATION	6,528,100	5,081,674
LEGISLATIVE COUNCIL		
REPAIR RESTORE & RENOVATE HISTORIC CAPITOL BUILDING	400,000	313,329
PIONEERS' HOME, ARIZONA		
OPERATING LUMP SUM APPROPRIATION	7,043,200	6,915,232
CAPITAL IMPROVEMENTS	353,100	—
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	\$ 357,845,201	\$ 352,151,974



NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS

The Department of Game & Fish Debt Instrument Fund administers the payment of principal and interest on the Beneficial Interest Certificates in a lease purchase agreement with the Arizona Game and Fish Department and Commission as lessee and the Arizona Wildlife Finance Corporation as lessor.

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

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board.

The Department of Administration Debt Instrument Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previous issuances.

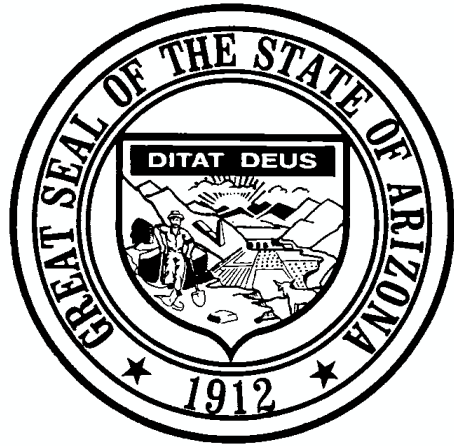
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds and certificates of participation issued by the State of Arizona's School Facilities Board (under the Department of Administration).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	DEPARTMENT OF GAME & FISH DEBT INSTRUMENT	LOTTERY	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
ASSETS						
Cash and pooled investments with State Treasurer	\$ —	\$ —	\$ —	\$ 3,000	\$ 9,352	\$ 12,352
Due from other funds	—	—	—	88,430	—	88,430
Restricted assets:						
Cash and pooled investments with State Treasurer	—	—	236	3,096	—	3,332
Cash held by trustee	2,934	3,453	—	8,847	51,647	66,881
Total Assets	\$ 2,934	\$ 3,453	\$ 236	\$ 103,373	\$ 60,999	\$ 170,995
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ —	\$ 3,453	\$ —	\$ —	\$ —	\$ 3,453
Total Liabilities	—	3,453	—	—	—	3,453
Fund Balances:						
Restricted	2,934	—	236	103,373	60,999	167,542
Total Fund Balances	2,934	—	236	103,373	60,999	167,542
Total Liabilities and Fund Balances	\$ 2,934	\$ 3,453	\$ 236	\$ 103,373	\$ 60,999	\$ 170,995

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	DEPARTMENT OF GAME & FISH DEBT		DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT	SCHOOL FACILITIES DEBT	TOTAL
	INSTRUMENT	LOTTERY		INSTRUMENT	INSTRUMENT	
REVENUES						
Earnings on investments	\$ 73	\$ 2	\$ 554	\$ —	\$ 13	\$ 642
Other	—	—	—	15	—	15
Total Revenues	73	2	554	15	13	657
EXPENDITURES						
Current:						
General government	—	—	—	4,717	—	4,717
Natural resources	670	—	—	—	—	670
Debt service:						
Principal	840	265,435	238,655	547,192	—	1,052,122
Interest and other fiscal charges	581	1,271	74,687	14,938	—	91,477
Total Expenditures	2,091	266,706	313,342	566,847	—	1,148,986
Excess (Deficiency) of Revenues Over Expenditures	(2,018)	(266,704)	(312,788)	(566,832)	13	(1,148,329)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,133	3,451	312,423	123,072	5,029	446,108
Transfers out	—	(3,453)	—	—	—	(3,453)
Refunding bonds issued	—	—	84,520	—	—	84,520
Payment to refunded bond escrow agent	—	—	(84,005)	—	—	(84,005)
Total Other Financing Sources (Uses)	2,133	(2)	312,938	123,072	5,029	443,170
Net Change in Fund Balances	115	(266,706)	150	(443,760)	5,042	(705,159)
Fund Balances - Beginning, as restated	2,819	266,706	86	547,133	55,957	872,701
Fund Balances - Ending	\$ 2,934	\$ —	\$ 236	\$ 103,373	\$ 60,999	\$ 167,542



NON-MAJOR GOVERNMENTAL FUND CAPITAL PROJECTS FUND

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board. These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

STATE OF ARIZONA
COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2022
 (Expressed in Thousands)

DEPARTMENT OF
 TRANSPORTATION
 FINANCED

ASSETS

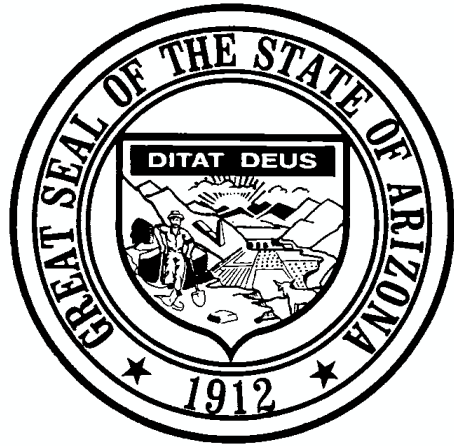
Restricted assets:	
Cash and pooled investments with State Treasurer	\$ 3,571
Total Assets	<u>\$ 3,571</u>

FUND BALANCES

Fund Balances:	
Restricted	\$ 3,571
Total Fund Balances	<u>3,571</u>
Total Fund Balances	<u>\$ 3,571</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES**
 NON-MAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2022
 (Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
EXPENDITURES	
Current:	
Transportation	21
Total Expenditures	<u>21</u>
(Deficiency) of Revenues	
Over Expenditures	<u>(21)</u>
Net Change in Fund Balances	(21)
Fund Balances - Beginning	<u>3,592</u>
Fund Balances - Ending	<u><u>\$ 3,571</u></u>



NON-MAJOR PROPRIETARY FUNDS ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Lottery Fund accounts for the revenues received from the sale of lottery tickets, the receipt of license fees, prize payments, operational expenses, including consulting, promotional, and advertising expenses, and transfers of monies to other State funds.

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

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

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

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund, and the State Parks Revenue Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
ASSETS				
Current Assets:				
Cash	\$ —	\$ 1	\$ 60	\$ 23,096
Cash and pooled investments with State Treasurer	135,943	19,117	14,100	633
Receivables, net of allowances:				
Interest	—	—	—	1,060
Leases	—	—	—	—
Other	17,833	8,824	19	455
Inventories, at cost	8,313	9,581	—	—
Other current assets	—	233	—	—
Total Current Assets	<u>162,089</u>	<u>37,756</u>	<u>14,179</u>	<u>25,244</u>
Noncurrent Assets:				
Investments	—	—	—	318,842
Lease receivables	—	—	—	—
Net OPEB asset	—	229	61	—
Other noncurrent assets	9,911	—	—	—
Capital assets:				
Land and other non-depreciable	938	763	70	2,988
Buildings, equipment, and other depreciable, net of accumulated depreciation	25,538	4,525	4,470	1,343
Right-to-use lease assets, net of accumulated amortization	1,469	1,105	—	—
Total Noncurrent Assets	<u>37,856</u>	<u>6,622</u>	<u>4,601</u>	<u>323,173</u>
Total Assets	<u>199,945</u>	<u>44,378</u>	<u>18,780</u>	<u>348,417</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	1,473	1,699	429	—
Related to OPEB	720	967	304	—
Total Deferred Outflows of Resources	<u>2,193</u>	<u>2,666</u>	<u>733</u>	<u>—</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 4,681	\$ 2,974	\$ 465	\$ 292
Payable for securities purchased	—	—	—	3,981
Accrued liabilities	—	343	43	—
Due to others	73,110	—	—	—
Due to other funds	76,397	—	—	—
Unearned revenue	—	156	—	—
Current portion of accrued insurance losses	—	—	—	10,453
Current portion of other long-term liabilities	498	977	177	—
Total Current Liabilities	<u>154,686</u>	<u>4,450</u>	<u>685</u>	<u>14,726</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	—	—	204,109
Net pension liability	5,233	6,023	1,612	—
Net OPEB liability	1,798	3,086	363	—
Other long-term liabilities	1,435	803	—	—
Total Noncurrent Liabilities	<u>8,466</u>	<u>9,912</u>	<u>1,975</u>	<u>204,109</u>
Total Liabilities	<u>163,152</u>	<u>14,362</u>	<u>2,660</u>	<u>218,835</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	1,698	1,908	1,226	—
Related to OPEB	793	1,666	658	—
Related to leases	—	—	—	—
Total Deferred Inflows of Resources	<u>2,491</u>	<u>3,574</u>	<u>1,884</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	27,945	5,267	4,540	4,331
Restricted for:				
Other	8,995	—	—	—
Unrestricted (deficit)	(445)	23,841	10,429	125,251
Total Net Position	<u>\$ 36,495</u>	<u>\$ 29,108</u>	<u>\$ 14,969</u>	<u>\$ 129,582</u>

HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM			OTHER	TOTAL
\$	—	\$	11	\$ 23,168
	4		57,329	227,126
	—		—	1,060
	—		154	154
	—		2,380	29,511
	—		—	17,894
	—		—	233
	<u>4</u>		<u>59,874</u>	<u>299,146</u>
	—		—	318,842
	—		433	433
	—		546	836
	—		—	9,911
	—		2,696	7,455
	—		36,366	72,242
	—		—	2,574
	—		<u>40,041</u>	<u>412,293</u>
	<u>4</u>		<u>99,915</u>	<u>711,439</u>
	—		2,834	6,435
	—		<u>1,394</u>	<u>3,385</u>
	—		<u>4,228</u>	<u>9,820</u>
\$	—	\$	2,665	\$ 11,077
	—		—	3,981
	—		439	825
	—		—	73,110
	—		—	76,397
	—		—	156
	—		—	10,453
	—		<u>1,059</u>	<u>2,711</u>
	—		<u>4,163</u>	<u>178,710</u>
	—		—	204,109
	—		14,389	27,257
	—		5,221	10,468
	—		—	2,238
	—		<u>19,610</u>	<u>244,072</u>
	—		<u>23,773</u>	<u>422,782</u>
	—		5,566	10,398
	—		2,758	5,875
	—		<u>583</u>	<u>583</u>
	—		<u>8,907</u>	<u>16,856</u>
	—		39,062	81,145
	—		—	8,995
	<u>4</u>		<u>32,401</u>	<u>191,481</u>
\$	<u>4</u>	\$	<u>71,463</u>	\$ <u>281,621</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION**
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
OPERATING REVENUES				
Sales and charges for services	\$ 1,367,928	\$ 54,078	\$ 19,553	\$ —
Intergovernmental	—	—	—	—
Settlement income	—	—	—	2,202
Other	453	—	41	—
Total Operating Revenues	<u>1,368,381</u>	<u>54,078</u>	<u>19,594</u>	<u>2,202</u>
OPERATING EXPENSES				
Cost of sales and benefits	1,063,367	39,014	1,137	561
Personal services	6,625	6,098	3,747	—
Contractual services	15,347	—	100	—
Depreciation and amortization	4,750	1,789	567	269
Insurance	48	—	294	—
Other	2,787	—	5,157	—
Total Operating Expenses	<u>1,092,924</u>	<u>46,901</u>	<u>11,002</u>	<u>830</u>
Operating Income	<u>275,457</u>	<u>7,177</u>	<u>8,592</u>	<u>1,372</u>
NON-OPERATING REVENUES (EXPENSES)				
Loss on sale of capital assets	—	(387)	—	—
Investment income	(363)	23	23	(46,032)
Other non-operating revenue	—	—	—	2,679
Distributions	(14,660)	—	—	—
Interest expense	—	(15)	—	—
Other non-operating expense	—	—	—	(4,055)
Total Non-Operating Revenues (Expenses)	<u>(15,023)</u>	<u>(379)</u>	<u>23</u>	<u>(47,408)</u>
Income (Loss) Before Transfers	<u>260,434</u>	<u>6,798</u>	<u>8,615</u>	<u>(46,036)</u>
Transfers in	—	8,870	2,000	—
Transfers out	<u>(254,856)</u>	<u>(1,000)</u>	<u>(18)</u>	<u>(142)</u>
Change in Net Position	5,578	14,668	10,597	(46,178)
Total Net Position - Beginning, as restated	<u>30,917</u>	<u>14,440</u>	<u>4,372</u>	<u>175,760</u>
Total Net Position - Ending	<u>\$ 36,495</u>	<u>\$ 29,108</u>	<u>\$ 14,969</u>	<u>\$ 129,582</u>

HIGHWAY EXPANSION & EXTENSION		
LOAN PROGRAM	OTHER	TOTAL
\$ —	\$ 48,197	\$ 1,489,756
—	1,708	1,708
—	—	2,202
—	2,013	2,507
—	51,918	1,496,173
—	736	1,104,815
—	12,979	29,449
—	11,188	26,635
—	976	8,351
—	395	737
—	14,414	22,358
—	40,688	1,192,345
—	11,230	303,828
—	—	(387)
1	(237)	(46,585)
—	91	2,770
—	—	(14,660)
—	—	(15)
—	—	(4,055)
1	(146)	(62,932)
1	11,084	240,896
—	280	11,150
(1,221)	(280)	(257,517)
(1,220)	11,084	(5,471)
1,224	60,379	287,092
\$ 4	\$ 71,463	\$ 281,621

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 867,546	\$ 50,422	\$ 19,544	\$ —
Receipts from grants and contracts	—	—	—	—
Receipts from settlement income	—	—	—	2,202
Payments to suppliers, prize winners, claimants, or insurance companies	(583,463)	(22,981)	(6,244)	(15,007)
Payments to employees	(6,469)	(26,886)	(4,165)	—
Other receipts	—	—	41	2,450
Net Cash Provided (Used) by Operating Activities	<u>277,614</u>	<u>555</u>	<u>9,176</u>	<u>(10,355)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	—	8,870	2,000	—
Distributions	(14,660)	—	—	—
Transfers to other funds	(265,951)	(1,000)	(18)	(142)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(280,611)</u>	<u>7,870</u>	<u>1,982</u>	<u>(142)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(232)	(445)	(169)	—
Principal paid on capital debt and leases	(54)	(310)	—	—
Interest paid on capital debt and leases	(23)	(15)	—	—
Net Cash (Used) by Capital and Related Financing Activities	<u>(309)</u>	<u>(770)</u>	<u>(169)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	—	—	—	131,505
Interest and dividends from investments	(346)	23	23	5,847
Purchase of investments	—	—	—	(132,323)
Net Cash Provided (Used) by Investing Activities	<u>(346)</u>	<u>23</u>	<u>23</u>	<u>5,029</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,652)	7,678	11,012	(5,468)
Cash and Cash Equivalents - Beginning, as restated	139,595	11,440	3,148	29,197
Cash and Cash Equivalents - Ending	<u>\$ 135,943</u>	<u>\$ 19,118</u>	<u>\$ 14,160</u>	<u>\$ 23,729</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 275,457	\$ 7,177	\$ 8,592	\$ 1,372
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	4,750	1,789	567	269
Miscellaneous income (expense)	—	—	—	(124)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(4,161)	(4,655)	(9)	(229)
(Increase) in inventories, at cost	(978)	(3,686)	—	—
(Increase) in other assets	(43)	(28)	—	—
(Increase) in net OPEB asset	—	(192)	(47)	—
(Increase) decrease in deferred outflows of resources related to pensions	(238)	(16)	81	—
(Increase) decrease in deferred outflows of resources related to OPEB	(19)	47	93	—
Increase (decrease) in accounts payable	(384)	802	444	(665)
Increase (decrease) in accrued liabilities	2,787	(365)	20	—
(Decrease) in unearned revenue	—	(17)	—	—
(Decrease) in accrued insurance losses	—	—	—	(10,978)
(Decrease) in net pension liability	(1,354)	(2,918)	(1,694)	—
(Decrease) in net OPEB liability	(413)	(378)	(599)	—
Increase (decrease) in other liabilities	—	(52)	41	—
Increase in deferred inflows of resources related to pensions	1,588	1,834	1,123	—
Increase in deferred inflows of resources related to OPEB	622	1,213	564	—
Increase in deferred inflows of resources related to leases	—	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>\$ 277,614</u>	<u>\$ 555</u>	<u>\$ 9,176</u>	<u>\$ (10,355)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
(Loss) on disposal of capital assets, net	\$ —	\$ (387)	\$ —	\$ —
Decrease in fair value of investments	(445)	—	—	(53,252)
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ (445)</u>	<u>\$ (387)</u>	<u>\$ —</u>	<u>\$ (53,252)</u>

HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	OTHER	TOTAL
\$ —	\$ 48,376	\$ 985,888
—	1,708	1,708
—	—	2,202
—	(25,738)	(653,433)
—	(12,622)	(50,142)
—	2,687	5,178
—	14,411	291,401

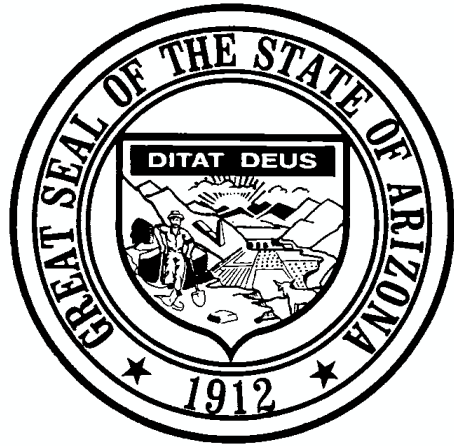
—	—	10,870
—	—	(14,660)
(1,221)	—	(268,332)
(1,221)	—	(272,122)

—	(4,174)	(5,020)
—	—	(364)
—	—	(38)
—	(4,174)	(5,422)

—	—	131,505
1	(237)	5,311
—	—	(132,323)
1	(237)	4,493
(1,220)	10,000	18,350
1,224	47,340	231,944
\$ 4	\$ 57,340	\$ 250,294

\$ —	\$ 11,230	\$ 303,828
—	976	8,351
—	91	(33)
—	179	(8,875)
—	—	(4,664)
—	—	(71)
—	(459)	(698)
—	1,244	1,071
—	625	746
—	995	1,192
—	213	2,655
—	—	(17)
—	—	(10,978)
—	(6,416)	(12,382)
—	(2,229)	(3,619)
—	371	360
—	5,092	9,637
—	1,916	4,315
—	583	583
\$ —	\$ 14,411	\$ 291,401

\$ —	\$ —	\$ (387)
—	—	(53,697)
\$ —	\$ —	\$ (54,084)



NON-MAJOR PROPRIETARY FUNDS 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 Vehicle and Equipment Fund is primarily funded by the charges it collects from the ADOT, other State agencies, and local organizations to support a statewide fleet operation and replacement program, and repair and maintenance for vehicles and equipment.

The Health Insurance Trust Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Automation Operations Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Accumulated Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool. The assets and operations were transferred to the Transportation Vehicle and Equipment Fund in the current fiscal year; however, some assets remain in the Motor Pool Fund at the end of the fiscal year.

The Other Internal Service Funds consist of the Personnel Division Funds, the Information Technology Fund, the Special Services Fund, the Surplus Property Funds, the Legal Services Cost Allocation Fund, the Stimulus Statewide Administration Funds, and the Construction Insurance Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
ASSETS				
Current Assets:				
Cash and pooled investments with State Treasurer	\$ 127,024	\$ 15,098	\$ 22,740	\$ 1,545
Receivables, net of allowances:				
Other	44	1,551	28,892	146
Due from other funds	—	—	—	—
Inventories, at cost	—	3,512	—	—
Other current assets	7,884	—	11,917	—
Total Current Assets	<u>134,952</u>	<u>20,161</u>	<u>63,549</u>	<u>1,691</u>
Noncurrent Assets:				
Net OPEB asset	382	421	86	24
Capital assets:				
Buildings, equipment, and other depreciable, net of accumulated depreciation	6	71,324	102	—
Total Noncurrent Assets	<u>388</u>	<u>71,745</u>	<u>188</u>	<u>24</u>
Total Assets	<u>135,340</u>	<u>91,906</u>	<u>63,737</u>	<u>1,715</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	2,605	2,667	590	176
Related to OPEB	701	1,078	161	54
Total Deferred Outflows of Resources	<u>3,306</u>	<u>3,745</u>	<u>751</u>	<u>230</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	5,021	387	29,203	83
Accrued liabilities	176	181	—	—
Due to U.S. Government	968	—	—	—
Due to other funds	—	712	9	—
Current portion of accrued insurance losses	63,441	—	108,651	—
Current portion of other long-term liabilities	703	776	193	31
Total Current Liabilities	<u>70,309</u>	<u>2,056</u>	<u>138,056</u>	<u>114</u>
Noncurrent Liabilities:				
Accrued insurance losses	364,767	—	—	—
Net pension liability	10,241	9,964	2,378	702
Net OPEB liability	2,428	3,598	568	191
Other long-term liabilities	—	—	—	—
Total Noncurrent Liabilities	<u>377,436</u>	<u>13,562</u>	<u>2,946</u>	<u>893</u>
Total Liabilities	<u>447,745</u>	<u>15,618</u>	<u>141,002</u>	<u>1,007</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	3,488	3,264	757	224
Related to OPEB	1,389	2,523	321	105
Total Deferred Inflows of Resources	<u>4,877</u>	<u>5,787</u>	<u>1,078</u>	<u>329</u>
NET POSITION				
Net investment in capital assets	6	71,324	102	—
Unrestricted (deficit)	(313,982)	2,922	(77,694)	609
Total Net Position	<u>\$ (313,976)</u>	<u>\$ 74,246</u>	<u>\$ (77,592)</u>	<u>\$ 609</u>

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 6,814	\$ 8,594	\$ —	\$ 31,724	\$ 213,539
752	—	—	19	31,404
2,061	—	—	—	2,061
—	—	—	—	3,512
547	—	—	—	20,348
<u>10,174</u>	<u>8,594</u>	<u>—</u>	<u>31,743</u>	<u>270,864</u>
149	3	—	421	1,486
51	—	1,311	253	73,047
200	3	1,311	674	74,533
<u>10,374</u>	<u>8,597</u>	<u>1,311</u>	<u>32,417</u>	<u>345,397</u>
1,028	18	—	2,850	9,934
281	7	—	698	2,980
<u>1,309</u>	<u>25</u>	<u>—</u>	<u>3,548</u>	<u>12,914</u>
1,471	—	—	317	36,482
77	—	—	218	652
2,142	—	—	—	3,110
—	—	—	209	930
—	—	—	—	172,092
425	11,051	—	1,005	14,184
<u>4,115</u>	<u>11,051</u>	<u>—</u>	<u>1,749</u>	<u>227,450</u>
—	—	—	—	364,767
3,949	72	—	11,085	38,391
977	23	—	2,397	10,182
—	184,379	—	—	184,379
<u>4,926</u>	<u>184,474</u>	<u>—</u>	<u>13,482</u>	<u>597,719</u>
<u>9,041</u>	<u>195,525</u>	<u>—</u>	<u>15,231</u>	<u>825,169</u>
1,258	23	—	3,569	12,583
555	12	—	1,408	6,313
<u>1,813</u>	<u>35</u>	<u>—</u>	<u>4,977</u>	<u>18,896</u>
51	—	1,311	253	73,047
778	(186,938)	—	15,504	(558,801)
<u>\$ 829</u>	<u>\$ (186,938)</u>	<u>\$ 1,311</u>	<u>\$ 15,757</u>	<u>\$ (485,754)</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	\$ 107,934	\$ 36,080	\$ 845,893	\$ 1,606
Other	—	427	139	—
Total Operating Revenues	<u>107,934</u>	<u>36,507</u>	<u>846,032</u>	<u>1,606</u>
OPERATING EXPENSES				
Cost of sales and benefits	—	16,666	895,021	39
Personal services	11,028	13,205	40,676	861
Contractual services	22,402	866	10,620	357
Depreciation and amortization	5	14,798	19	14
Insurance	34,953	—	4,037	7
Other	1,392	1,106	991	253
Total Operating Expenses	<u>69,780</u>	<u>46,641</u>	<u>951,364</u>	<u>1,531</u>
Operating Income (Loss)	<u>38,154</u>	<u>(10,134)</u>	<u>(105,332)</u>	<u>75</u>
NON-OPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of capital assets	(2)	1,586	(3)	—
Investment income	—	6	—	—
Other non-operating expense	(396)	—	—	—
Total Non-Operating Revenues (Expenses)	<u>(398)</u>	<u>1,592</u>	<u>(3)</u>	<u>—</u>
Income (Loss) Before, Special Items, Contributions, and Transfers	37,756	(8,542)	(105,335)	75
Special Items:				
Transfer of motor pool operations	—	9,049	—	—
Capital grants and contributions	—	8,934	—	—
Transfers in	—	8,709	—	—
Transfers out	(2,978)	—	(219)	(53)
Change in Net Position	34,778	18,150	(105,554)	22
Total Net Position - Beginning	<u>(348,754)</u>	<u>56,096</u>	<u>27,962</u>	<u>587</u>
Total Net Position - Ending	<u>\$ (313,976)</u>	<u>\$ 74,246</u>	<u>\$ (77,592)</u>	<u>\$ 609</u>

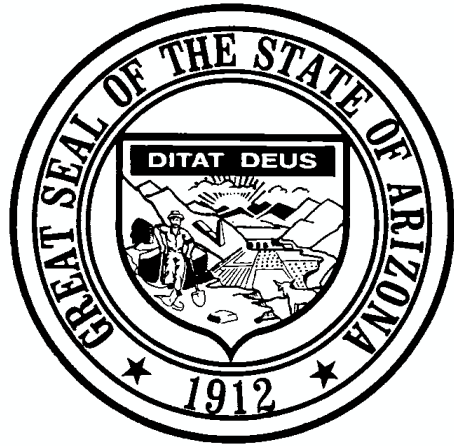
AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 27,281	\$ 17,140	\$ —	\$ 35,366	\$ 1,071,300
48	—	541	3,096	4,251
<u>27,329</u>	<u>17,140</u>	<u>541</u>	<u>38,462</u>	<u>1,075,551</u>
18,202	39,283	27	—	969,238
5,162	72	—	13,329	84,333
—	2	—	4,947	39,194
522	—	627	237	16,222
286	—	—	5,889	45,172
3,010	—	—	10,544	17,296
<u>27,182</u>	<u>39,357</u>	<u>654</u>	<u>34,946</u>	<u>1,171,455</u>
<u>147</u>	<u>(22,217)</u>	<u>(113)</u>	<u>3,516</u>	<u>(95,904)</u>
(43)	—	(1,065)	—	473
—	—	—	—	6
<u>(2,142)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,538)</u>
<u>(2,185)</u>	<u>—</u>	<u>(1,065)</u>	<u>—</u>	<u>(2,059)</u>
(2,038)	(22,217)	(1,178)	3,516	(97,963)
—	—	(9,049)	—	—
—	—	—	—	8,934
229	—	—	—	8,938
<u>(5,398)</u>	<u>—</u>	<u>(3,213)</u>	<u>(4,680)</u>	<u>(16,541)</u>
(7,207)	(22,217)	(13,440)	(1,164)	(96,632)
<u>8,036</u>	<u>(164,721)</u>	<u>14,751</u>	<u>16,921</u>	<u>(389,122)</u>
<u>\$ 829</u>	<u>\$ (186,938)</u>	<u>\$ 1,311</u>	<u>\$ 15,757</u>	<u>\$ (485,754)</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	\$ 107,607	\$ 35,667	\$ 856,559	\$ 1,731
Payments to suppliers or insurance companies	(71,387)	(19,807)	(852,352)	(573)
Payments to employees	(11,573)	(13,534)	(40,494)	(774)
Payments to retirees	—	—	—	—
Other receipts	—	426	139	—
Other payments	(396)	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>24,251</u>	<u>2,752</u>	<u>(36,148)</u>	<u>384</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	—	8,709	—	—
Transfers to other funds	(2,978)	—	(219)	(53)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(2,978)</u>	<u>8,709</u>	<u>(219)</u>	<u>(53)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	9	2,150	—	—
Acquisition and construction of capital assets	—	(2,044)	(1)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>9</u>	<u>106</u>	<u>(1)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	—	6	—	—
Net Cash Provided by Investing Activities	<u>—</u>	<u>6</u>	<u>—</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,282	11,573	(36,368)	331
Cash and Cash Equivalents - Beginning	105,742	3,525	59,108	1,214
Cash and Cash Equivalents - Ending	<u>\$ 127,024</u>	<u>\$ 15,098</u>	<u>\$ 22,740</u>	<u>\$ 1,545</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 38,154	\$ (10,134)	\$ (105,332)	\$ 75
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	5	14,798	19	14
Miscellaneous expense	(396)	—	—	—
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(4)	(412)	10,031	146
Decrease in due from other funds	—	—	711	—
(Increase) in inventories, at cost	—	(999)	—	—
(Increase) decrease in other assets	(1,539)	—	826	—
(Increase) decrease in net OPEB asset	(323)	(421)	(75)	(21)
(Increase) decrease in deferred pension outflows of resources	(89)	(282)	(53)	(21)
Decrease in deferred OPEB outflows of resources	238	138	62	9
Increase (decrease) in accounts payable	2,725	(218)	24,995	83
Increase (decrease) in accrued liabilities	41	34	(33)	(12)
Increase (decrease) in due to U.S. Government	(1,126)	—	—	—
Increase in due to other funds	—	—	9	—
Increase (decrease) in accrued insurance losses	(12,700)	—	32,486	—
(Decrease) in net pension liability	(3,931)	(3,038)	(470)	(107)
(Decrease) in net OPEB liability	(841)	(1,018)	(225)	(30)
Increase (decrease) in other liabilities	(54)	18	(19)	(36)
Increase (decrease) in deferred pension inflows of resources	3,113	2,859	692	206
Increase (decrease) in deferred OPEB inflows of resources	978	1,427	228	78
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,251</u>	<u>\$ 2,752</u>	<u>\$ (36,148)</u>	<u>\$ 384</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other funds	\$ —	\$ 18	\$ —	\$ —
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ —</u>

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 27,077	\$ 17,137	\$ 427	\$ 35,014	\$ 1,081,219
(18,678)	(2)	(350)	(21,208)	(984,357)
(5,069)	(70)	(266)	(13,274)	(85,054)
—	(15,659)	—	—	(15,659)
48	—	541	3,089	4,243
(2,142)	—	—	—	(2,538)
<u>1,236</u>	<u>1,406</u>	<u>352</u>	<u>3,621</u>	<u>(2,146)</u>
229	—	—	—	8,938
(5,398)	—	(3,213)	(4,680)	(16,541)
<u>(5,169)</u>	<u>—</u>	<u>(3,213)</u>	<u>(4,680)</u>	<u>(7,603)</u>
1	—	31	—	2,191
—	—	—	(246)	(2,291)
<u>1</u>	<u>—</u>	<u>31</u>	<u>(246)</u>	<u>(100)</u>
—	—	—	—	6
—	—	—	—	6
(3,932)	1,406	(2,830)	(1,305)	(9,843)
<u>10,746</u>	<u>7,188</u>	<u>2,830</u>	<u>33,029</u>	<u>223,382</u>
<u>\$ 6,814</u>	<u>\$ 8,594</u>	<u>\$ —</u>	<u>\$ 31,724</u>	<u>\$ 213,539</u>

\$ 147	\$ (22,217)	\$ (113)	\$ 3,516	\$ (95,904)
522	—	627	237	16,222
(2,142)	—	—	—	(2,538)
(1,513)	—	320	—	8,568
1,437	—	106	2	2,256
—	—	—	—	(999)
305	—	—	—	(408)
(128)	(3)	1	(361)	(1,331)
(101)	(1)	40	(221)	(728)
99	2	18	266	832
373	—	(323)	(37)	27,598
22	—	(2)	68	118
2,142	—	—	—	1,016
—	—	—	209	218
—	—	—	—	19,786
(1,112)	(20)	(233)	(3,364)	(12,275)
(368)	(8)	(63)	(948)	(3,501)
18	23,624	(13)	41	23,579
1,143	21	(5)	3,225	11,254
<u>392</u>	<u>8</u>	<u>(8)</u>	<u>988</u>	<u>4,091</u>
<u>\$ 1,236</u>	<u>\$ 1,406</u>	<u>\$ 352</u>	<u>\$ 3,621</u>	<u>\$ (2,146)</u>
\$ —	\$ —	\$ —	\$ —	\$ 18
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18</u>



FIDUCIARY FUNDS

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections, Rehabilitation & Reentry and Department of Juvenile Corrections.

- **The Administrative Office of the Courts Probation Officers (AOC)** is a cost-sharing, multiple-employer pension plan within CORP that benefits county probation officers.

Other Employee Benefit Trust Funds account for health insurance premium subsidies paid by the ASRS, PSPRS, EORP, CORP, and AOC, as well as long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The ASRS Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The ASRS Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

The PSPRS Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The EORP Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The CORP Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The AOC Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2022
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ASSETS					
Cash	\$ 16,420	\$ 1,819,265	\$ 31,990	\$ 709,123	\$ 136,933
Receivables, net of allowances:					
Accrued interest and dividends	28,124	15,162	378	3,205	619
Securities sold	229,252	607	15	128	25
Futures contracts	48,785	—	—	—	—
Contributions	90,444	39,931	2,945	6,126	4,340
Due from other funds	—	—	—	—	—
Other	1,848	793	62	75	15
Total receivables	<u>398,453</u>	<u>56,493</u>	<u>3,400</u>	<u>9,534</u>	<u>4,999</u>
Investments, at fair value:					
Short-term investments	705,204	—	—	—	—
Fixed income securities	14,147,863	—	—	—	—
Equity	22,430,833	7,677,990	191,365	1,623,138	313,432
Core bonds	—	434,622	10,832	91,880	17,742
Private credit	—	1,529,860	38,130	323,414	62,452
Real estate	9,218,230	—	—	—	—
Diversifying strategies	—	1,212,181	30,212	256,257	49,484
Collateral investment pool	86,369	425,413	10,603	89,933	17,366
Other investments	—	477,947	11,913	101,039	19,510
Total investments	<u>46,588,499</u>	<u>11,758,013</u>	<u>293,055</u>	<u>2,485,661</u>	<u>479,986</u>
Prepaid benefits	287,806	—	—	—	—
Net OPEB Asset	—	211	6	45	9
Property and equipment, net of accumulated depreciation	—	5,914	255	1,106	214
Total Assets	<u>47,291,178</u>	<u>13,639,896</u>	<u>328,706</u>	<u>3,205,469</u>	<u>622,141</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	—	1,691	41	363	70
Related to OPEB	—	22	1	5	1
Total Deferred Outflows of Resources	<u>—</u>	<u>1,713</u>	<u>42</u>	<u>368</u>	<u>71</u>
LIABILITIES					
Accounts payable and other current liabilities	8,707	777	19	553	107
Securities purchased payable	33,514	1,815	45	383	74
Obligation under securities loan agreements	86,369	425,413	10,603	89,933	17,366
Futures contracts payable	48,989	—	—	—	—
Due to other funds	24,449	—	—	—	—
Net pension liability	—	5,967	157	1,277	247
Total Liabilities	<u>202,028</u>	<u>433,972</u>	<u>10,824</u>	<u>92,146</u>	<u>17,794</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	—	2,029	53	434	84
Related to OPEB	—	189	5	41	8
Total Deferred Inflows of Resources	<u>—</u>	<u>2,218</u>	<u>58</u>	<u>475</u>	<u>92</u>
NET POSITION					
Restricted for:					
Pension benefits	47,089,150	13,205,419	317,866	3,113,216	604,326
Other post-employment benefits	—	—	—	—	—
Total Net Position	<u>\$ 47,089,150</u>	<u>\$ 13,205,419</u>	<u>\$ 317,866</u>	<u>\$ 3,113,216</u>	<u>\$ 604,326</u>

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY FUND	HEALTH BENEFIT SUPPLEMENT FUND					TOTAL	
	ASRS	ASRS	PSPRS	EORP	CORP		AOC
	\$ 102	\$ 709	\$ 52,206	\$ 2,540	\$ 29,972		\$ 3,285
110	1,236	436	31	136	15	49,452	
893	9,903	17	1	5	1	240,847	
190	2,107	—	—	—	—	51,082	
1,263	686	86	—	1	61	145,883	
3,186	21,263	—	—	—	—	24,449	
5,370	3,518	10	1	3	—	11,695	
<u>11,012</u>	<u>38,713</u>	<u>549</u>	<u>33</u>	<u>145</u>	<u>77</u>	<u>523,408</u>	
2,746	54,686	—	—	—	—	762,636	
55,094	611,154	—	—	—	—	14,814,111	
87,348	968,959	220,977	15,829	68,697	7,530	33,606,098	
—	—	12,509	896	3,889	426	572,796	
—	—	44,030	3,154	13,689	1,500	2,016,229	
35,897	398,206	—	—	—	—	9,652,333	
—	—	34,887	2,499	10,846	1,189	1,597,555	
336	3,731	12,244	877	3,806	417	651,095	
—	—	13,755	986	4,276	469	629,895	
<u>181,421</u>	<u>2,036,736</u>	<u>338,402</u>	<u>24,241</u>	<u>105,203</u>	<u>11,531</u>	<u>64,302,748</u>	
—	8,147	—	—	—	—	295,953	
—	—	—	—	—	—	271	
—	—	—	—	—	—	7,489	
<u>192,535</u>	<u>2,084,305</u>	<u>391,157</u>	<u>26,814</u>	<u>135,320</u>	<u>14,893</u>	<u>67,932,414</u>	
—	—	—	—	—	—	2,165	
—	—	—	—	—	—	29	
—	—	—	—	—	—	2,194	
136	18,591	—	—	—	—	28,890	
131	1,448	52	4	16	2	37,484	
336	3,731	12,244	877	3,806	417	651,095	
191	2,116	—	—	—	—	51,296	
—	—	—	—	—	—	24,449	
—	—	—	—	—	—	7,648	
<u>794</u>	<u>25,886</u>	<u>12,296</u>	<u>881</u>	<u>3,822</u>	<u>419</u>	<u>800,862</u>	
—	—	—	—	—	—	2,600	
—	—	—	—	—	—	243	
—	—	—	—	—	—	2,843	
—	—	—	—	—	—	64,329,977	
<u>191,741</u>	<u>2,058,419</u>	<u>378,861</u>	<u>25,933</u>	<u>131,498</u>	<u>14,474</u>	<u>2,800,926</u>	
<u>\$ 191,741</u>	<u>\$ 2,058,419</u>	<u>\$ 378,861</u>	<u>\$ 25,933</u>	<u>\$ 131,498</u>	<u>\$ 14,474</u>	<u>\$ 67,130,903</u>	

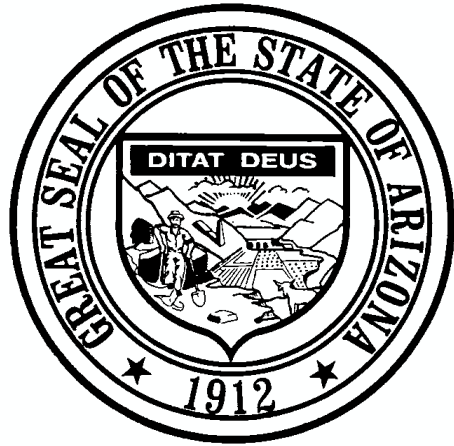
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ADDITIONS:					
Member contributions	\$ 1,421,009	\$ 144,042	\$ 2,901	\$ 30,898	\$ 9,184
Employer contributions	1,431,558	2,441,918	40,735	209,941	41,418
Health insurance contributions	—	—	—	—	—
Non-employer entity contributions	—	599,849	5,000	555,237	—
Contributions from other plans	452	—	—	—	—
Member purchase of service credit	18,076	16,705	504	953	169
Court fees	—	—	10,617	—	—
Investment income:					
Net decrease in fair value of investments	(330,286)	(709,924)	(18,491)	(141,427)	(31,718)
Interest, dividends, and other	432,103	214,563	5,370	42,287	9,484
Securities lending income	4,209	1,314	34	273	61
Total investment income	106,026	(494,047)	(13,087)	(98,867)	(22,173)
Less investment expenses:					
Investment activity expenses	217,859	23,147	592	4,830	1,083
Securities lending expenses	394	(245)	(6)	(51)	(11)
Net investment income	(112,227)	(516,949)	(13,673)	(103,646)	(23,245)
Other additions:					
Other revenues	—	2,308	13	—	38
Total Additions	2,758,868	2,687,873	46,097	693,383	27,564
DEDUCTIONS:					
Retirement, disability, and survivor benefits	3,552,758	1,014,395	74,448	156,765	40,997
Health insurance subsidy	—	—	—	—	—
Refunds to withdrawing members, including interest	290,049	14,775	71	20,444	1,102
Administrative expense	27,505	9,295	194	1,845	427
Other deductions	1,629	781	—	346	80
Total Deductions	3,871,941	1,039,246	74,713	179,400	42,606
Net increase in Fiduciary Net Position	(1,113,073)	1,648,627	(28,616)	513,983	(15,042)
Net Position - Beginning, as restated	48,202,223	11,556,792	346,482	2,599,233	619,368
Net Position - Ending	\$ 47,089,150	\$ 13,205,419	\$ 317,866	\$ 3,113,216	\$ 604,326

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY		HEALTH BENEFIT SUPPLEMENT FUND					TOTAL
FUND	ASRS	ASRS	PSPRS	EORP	CORP	AOC	
\$	22,124	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,630,158
	22,431	24,420	—	—	—	—	4,212,421
	—	—	5,211	—	26	562	5,799
	—	—	—	—	—	—	1,160,086
	—	—	—	—	—	—	452
	6	16	—	—	—	—	36,429
	—	—	—	—	—	—	10,617
	(1,252)	(13,952)	(21,976)	(1,504)	(7,323)	(780)	(1,278,633)
	1,646	18,772	6,631	437	2,323	247	733,863
	16	183	40	3	14	2	6,149
	410	5,003	(15,305)	(1,064)	(4,986)	(531)	(538,621)
	831	9,431	573	48	200	21	258,615
	2	17	(8)	—	(3)	—	89
	(423)	(4,445)	(15,870)	(1,112)	(5,183)	(552)	(797,325)
	—	5,580	—	—	—	—	7,939
	44,138	25,571	(10,659)	(1,112)	(5,157)	10	6,266,576
	44,462	—	—	—	—	—	4,883,825
	—	104,679	17,299	1,034	3,886	571	127,469
	—	—	—	—	—	—	326,441
	1,384	2,262	282	16	93	10	43,313
	573	20	—	—	—	—	3,429
	46,419	106,961	17,581	1,050	3,979	581	5,384,477
	(2,281)	(81,390)	(28,240)	(2,162)	(9,136)	(571)	882,099
	194,022	2,139,809	407,101	28,095	140,634	15,045	66,248,804
\$	191,741	\$ 2,058,419	\$ 378,861	\$ 25,933	\$ 131,498	\$ 14,474	\$ 67,130,903



FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

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

The AZ529 accounts for individual savings accounts held with financial institutions outside the State of Arizona that is exempt from taxation to the extent that income is used to pay for qualified higher education expenses of the designated beneficiary.

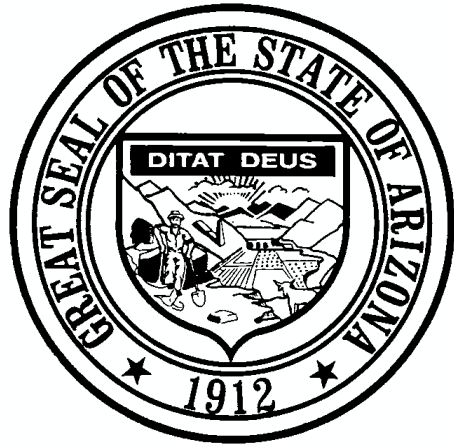
The Development Disabilities Client Investment accounts for monies belonging to individuals enrolled with the Department of Economic Security's Division of Development Disabilities (DDD) who need assistance in handling their funds. The DDD is the representative payee for these individuals and is authorized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

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2022
(Expressed in Thousands)

	AZ529	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	TOTAL
ASSETS			
Cash	\$ 233	\$ 2,829	\$ 3,062
Cash and pooled investments with State Treasurer	—	1,573	1,573
Receivables, net of allowances:			
Accrued interest and dividends	467	—	467
Securities sold	23,441	—	23,441
Capital shares sold	1,594	—	1,594
Distributions	535	—	535
Other	88	—	88
Total receivables	<u>26,125</u>	<u>—</u>	<u>26,125</u>
Investments, at fair value:			
Short-term investments	125,352	—	125,352
Gold bullion	1,962	—	1,962
Collateral investment pool	2,175	—	2,175
Mutual funds	1,791,123	—	1,791,123
Registered investment companies	39,374	—	39,374
Total investments	<u>1,959,986</u>	<u>—</u>	<u>1,959,986</u>
Other assets	87	—	87
Total Assets	<u>1,986,431</u>	<u>4,402</u>	<u>1,990,833</u>
LIABILITIES			
Accounts payable and other current liabilities	212	—	212
Securities purchased payable	24,787	—	24,787
Management fee payable	514	—	514
Capital shares redeemed payable	1,229	—	1,229
Cash collateral on securities loaned	2,175	—	2,175
Due to others	—	1,225	1,225
Other liabilities	133	—	133
Total Liabilities	<u>29,050</u>	<u>1,225</u>	<u>30,275</u>
NET POSITION			
Restricted for:			
Individuals	1,957,381	3,177	1,960,558
Total Net Position	<u>\$ 1,957,381</u>	<u>\$ 3,177</u>	<u>\$ 1,960,558</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	AZ529	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	TOTAL
ADDITIONS:			
Other contributions	\$ —	\$ 12,934	\$ 12,934
Investment income:			
Net increase in fair value of investments	48,698	—	48,698
Interest, dividends, and other	38,751	—	38,751
Total investment income	87,449	—	87,449
Less investment expenses:			
Investment activity expenses	8,511	—	8,511
Net investment income	78,938	—	78,938
Capital share and individual account transactions:			
Shares sold	511,068	—	511,068
Reinvested distributions	70,018	—	70,018
Shares redeemed	(458,718)	—	(458,718)
Net capital share and individual account transactions	122,368	—	122,368
Total Additions	201,306	12,934	214,240
DEDUCTIONS:			
Distributions to shareholders	44,830	—	44,830
Other deductions	—	14,044	14,044
Total Deductions	44,830	14,044	58,874
Net increase (decrease) in Fiduciary Net Position	156,476	(1,110)	155,366
Net Position - Beginning	1,800,905	4,287	1,805,192
Net Position - Ending	\$ 1,957,381	\$ 3,177	\$ 1,960,558



FIDUCIARY FUNDS

CUSTODIAL FUNDS

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

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

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

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

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

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

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

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

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2022
 (Expressed in Thousands)

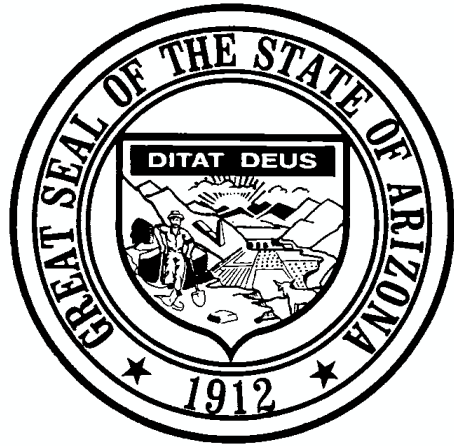
	CONSUMER RESTITUTION	PRISONER SPENDABLE ACCOUNTS	CHILD SUPPORT	REGISTRAR OF CONTRACTORS
ASSETS				
Cash	\$ —	\$ 16,839	\$ 4,326	\$ 2,051
Cash and pooled investments with State Treasurer	12,636	11,640	—	6,001
Receivables, net of allowances:				
Accrued interest and dividends	—	—	—	—
Other	—	1	—	—
Investments, at fair value				
Fixed income securities	—	—	—	—
Collateral investment pool	—	—	—	—
Total investments	—	—	—	—
Due from others	—	—	70,014	—
Custodial securities in safekeeping	—	—	—	—
Total Assets	12,636	28,480	74,340	8,052
LIABILITIES				
Management fee payable	—	—	—	—
Obligations under securities loan agreements	—	—	—	—
Due to others	—	3	—	1
Total Liabilities	—	3	—	1
NET POSITION				
Restricted for:				
Pool participants	—	—	—	—
Individuals, organizations, and other governments	12,636	28,477	74,340	8,051
Total Net Position	\$ 12,636	\$ 28,477	\$ 74,340	\$ 8,051

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	EXTERNAL INVESTMENT POOL	TOTAL
\$ —	\$ —	\$ —	\$ 23,216
10,633	—	12,960	53,870
—	—	3,936	3,936
—	—	—	1
—	—	5,839,131	5,839,131
—	—	13,791	13,791
—	—	5,852,922	5,852,922
—	—	—	70,014
—	316,006	—	316,006
10,633	316,006	5,869,818	6,319,965
—	—	277	277
—	—	13,791	13,791
—	—	—	4
—	—	14,068	14,072
—	—	5,855,750	5,855,750
10,633	316,006	—	450,143
<u>\$ 10,633</u>	<u>\$ 316,006</u>	<u>\$ 5,855,750</u>	<u>\$ 6,305,893</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	CONSUMER RESTITUTION	PRISONER SPENDABLE ACCOUNTS	CHILD SUPPORT	REGISTRAR OF CONTRACTORS
ADDITIONS:				
Investment income:				
Decrease in fair value of investments	\$ —	\$ —	\$ —	\$ —
Interest, dividends, and other	34	20	—	1
Securities lending income	—	—	—	—
Total investment income	<u>34</u>	<u>20</u>	<u>—</u>	<u>1</u>
Less investment expenses:				
Investment activity expenses	—	—	—	—
Securities lending expenses	—	—	—	—
Net investment income	<u>34</u>	<u>20</u>	<u>—</u>	<u>1</u>
Capital share and individual account transactions:				
Shares sold	—	—	—	—
Reinvested distributions	—	—	—	—
Shares redeemed	—	—	—	—
Net capital share and individual account transactions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other additions:				
Collections for restitutions	8,237	—	—	—
Collections for inmates	—	99,424	—	—
Collections for child support	—	—	648,588	—
Deposits from applicants	—	—	—	296
Collections from condemnation proceedings	—	—	—	—
Other revenues	452	—	—	—
Total other additions	<u>8,689</u>	<u>99,424</u>	<u>648,588</u>	<u>296</u>
Total Additions	<u>8,723</u>	<u>99,444</u>	<u>648,588</u>	<u>297</u>
DEDUCTIONS:				
Allocation to pool participants	—	—	—	—
Distributions to individuals, organizations, and other governments	5,966	107,691	648,447	104
Total Deductions	<u>5,966</u>	<u>107,691</u>	<u>648,447</u>	<u>104</u>
Net increase (decrease) in Fiduciary Net Position	2,757	(8,247)	141	193
Net Position - Beginning	<u>9,879</u>	<u>36,724</u>	<u>74,199</u>	<u>7,858</u>
Net Position - Ending	<u>\$ 12,636</u>	<u>\$ 28,477</u>	<u>\$ 74,340</u>	<u>\$ 8,051</u>

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	EXTERNAL INVESTMENT POOL	TOTAL
\$ —	\$ —	\$ (64,234)	\$ (64,234)
48	—	25,936	26,039
—	—	108	108
<u>48</u>	<u>—</u>	<u>(38,190)</u>	<u>(38,087)</u>
—	—	3,021	3,021
—	—	41	41
<u>48</u>	<u>—</u>	<u>(41,252)</u>	<u>(41,149)</u>
—	—	6,143,889	6,143,889
—	—	22,160	22,160
—	—	(5,461,258)	(5,461,258)
<u>—</u>	<u>—</u>	<u>704,791</u>	<u>704,791</u>
—	—	—	8,237
—	—	—	99,424
—	—	—	648,588
—	210,127	—	210,423
1,948	—	—	1,948
—	—	—	452
<u>1,948</u>	<u>210,127</u>	<u>—</u>	<u>969,072</u>
<u>1,996</u>	<u>210,127</u>	<u>663,539</u>	<u>1,632,714</u>
—	—	(41,252)	(41,252)
2,956	206,678	—	971,842
<u>2,956</u>	<u>206,678</u>	<u>(41,252)</u>	<u>930,590</u>
(960)	3,449	704,791	702,124
11,593	312,557	5,150,959	5,603,769
<u>\$ 10,633</u>	<u>\$ 316,006</u>	<u>\$ 5,855,750</u>	<u>\$ 6,305,893</u>



NON-MAJOR COMPONENT UNITS

Component units are legally separate entities for which the State is considered to be financially accountable. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Arizona Power Authority purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws.

The Rio Nuevo Multipurpose Facilities District (Rio Nuevo) utilizes tax incremental financing to help develop multipurpose facilities in the downtown Tucson area.

The Arizona Public School Credit Enhancement program assists achievement district schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financings issued by or on behalf of achievement district schools.

The Arizona Commerce Authority is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State's economic development objectives.

The Department of Insurance and Financial Institutions Guaranty Funds pay for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY
ASSETS				
Current Assets:				
Cash	\$ —	\$ 10,387	\$ —	\$ 18,133
Cash and pooled investments with State Treasurer	8,460	—	104,899	140,137
Short-term investments	—	—	—	—
Restricted investments held by trustee	1,183	—	—	—
Receivables, net of allowances:				
Loans and notes	—	—	—	24
Other	1,441	185	—	3,086
Lease receivables	—	1,234	—	—
Due from primary government	—	3,002	—	—
Other current assets	534	158	—	161
Total Current Assets	<u>11,618</u>	<u>14,966</u>	<u>104,899</u>	<u>161,541</u>
Noncurrent Assets:				
Restricted assets:				
Cash held by trustee	—	22,585	—	—
Investments held by trustee	1,805	—	—	—
Loans and notes receivable, net of allowances	—	10,648	—	225
Investments	—	—	—	—
Other receivables, net of allowances	—	—	—	—
Other noncurrent assets	21,229	—	—	—
Capital assets:				
Land and other non-depreciable	—	33,387	—	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	142	119,388	—	467
Right-to-use lease assets, net of accumulated amortization	—	—	—	2,576
Total Noncurrent Assets	<u>23,176</u>	<u>186,008</u>	<u>—</u>	<u>3,268</u>
Total Assets	<u>34,794</u>	<u>200,974</u>	<u>104,899</u>	<u>164,809</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	106	—	—	—
Related to OPEB	38	—	—	—
Loss on debt refundings	—	2,540	—	—
Total Deferred Outflows of Resources	<u>144</u>	<u>2,540</u>	<u>—</u>	<u>—</u>

DEPARTMENT OF
INSURANCE AND
FINANCIAL
INSTITUTIONS

GUARANTY FUNDS		TOTAL	
\$	1,705	\$	30,225
	175		253,671
	85,385		85,385
	—		1,183
	—		24
	4,853		9,565
	—		1,234
	—		3,002
	5		858
	<u>92,123</u>		<u>385,147</u>
	—		22,585
	—		1,805
	—		10,873
	151,132		151,132
	124,484		124,484
	—		21,229
	—		33,387
	—		119,997
	—		2,576
	<u>275,616</u>		<u>488,068</u>
	<u>367,739</u>		<u>873,215</u>
	45		151
	—		38
	—		2,540
	<u>45</u>		<u>2,729</u>

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 2,527	\$ 10,214	\$ —	\$ 570
Accrued liabilities	580	290	—	166
Due to others	—	—	244	—
Due to primary government	—	—	—	12,363
Unearned revenue	—	—	—	1,279
Current portion of accrued insurance losses	—	—	—	—
Current portion of long-term debt	580	7,376	—	—
Current portion of other long-term liabilities	—	—	—	863
Total Current Liabilities	<u>3,687</u>	<u>17,880</u>	<u>244</u>	<u>15,241</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	—	—	—
Net pension liability	615	—	—	—
Net OPEB liability	158	—	—	—
Long-term debt	24,335	97,465	80,000	—
Other long-term liabilities	—	4,450	—	1,783
Total Noncurrent Liabilities	<u>25,108</u>	<u>101,915</u>	<u>80,000</u>	<u>1,783</u>
Total Liabilities	<u>28,795</u>	<u>119,795</u>	<u>80,244</u>	<u>17,024</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	344	—	—	—
Related to OPEB	14	—	—	—
Related to leases	—	4,534	—	—
Total Deferred Inflows of Resources	<u>358</u>	<u>4,534</u>	<u>—</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	142	54,188	—	467
Restricted for:				
Debt service	2,988	8,494	—	—
Loans and other financial assistance	—	—	—	148,937
Other	—	—	—	—
Unrestricted (deficit)	<u>2,655</u>	<u>16,503</u>	<u>24,655</u>	<u>(1,619)</u>
Total Net Position	<u>\$ 5,785</u>	<u>\$ 79,185</u>	<u>\$ 24,655</u>	<u>\$ 147,785</u>

DEPARTMENT OF
INSURANCE AND
FINANCIAL
INSTITUTIONS
GUARANTY FUNDS

TOTAL

\$	155	\$	13,466
	83		1,119
	—		244
	—		12,363
	—		1,279
	14,357		14,357
	—		7,956
	—		863
	<u>14,595</u>		<u>51,647</u>
	216,872		216,872
	427		1,042
	1		159
	—		201,800
	—		6,233
	<u>217,300</u>		<u>426,106</u>
	<u>231,895</u>		<u>477,753</u>
	3		347
	—		14
	—		4,534
	<u>3</u>		<u>4,895</u>
	—		54,797
	—		11,482
	—		148,937
	135,886		135,886
	—		42,194
\$	<u>135,886</u>	\$	<u>393,296</u>

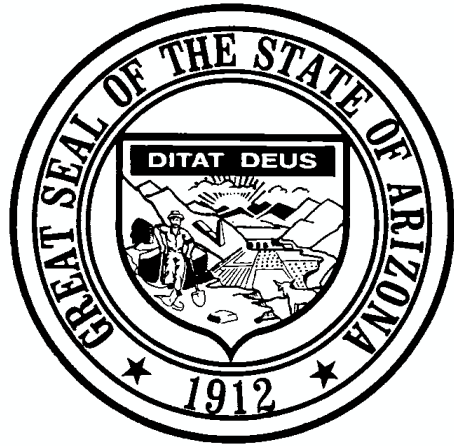
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<u>FUNCTIONS/PROGRAMS</u>			
Arizona Power Authority	\$ 23,010	\$ 23,105	\$ —
Rio Nuevo	15,817	1,207	—
Arizona Public School Credit Enhancement	—	892	—
Arizona Commerce Authority	48,484	3,205	8,614
Department of Insurance and Financial Institutions Guaranty Funds	3,349	6,216	—
Total	<u>\$ 90,660</u>	<u>\$ 34,625</u>	<u>\$ 8,614</u>

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY	DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS GUARANTY FUNDS	TOTAL
\$ 95	\$ —	\$ —	\$ —	\$ —	\$ 95
—	(14,610)	—	—	—	(14,610)
—	—	892	—	—	892
—	—	—	(36,665)	—	(36,665)
—	—	—	—	2,867	2,867
30	186	(3,144)	(1,065)	(1,171)	(5,164)
—	—	—	275	—	275
—	16,338	—	82,425	—	98,763
—	1,582	—	—	—	1,582
125	3,496	(2,252)	44,970	1,696	48,035
5,660	75,689	26,907	102,815	134,190	345,261
<u>\$ 5,785</u>	<u>\$ 79,185</u>	<u>\$ 24,655</u>	<u>\$ 147,785</u>	<u>\$ 135,886</u>	<u>\$ 393,296</u>



NON-MAJOR UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of the University of Arizona Campus Research Corporation (CRC). The CRC is included because the U of A approves the budget and can access its resources.

The Northern Arizona University Foundation, Inc. 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 Arizona Capital Facilities Finance Corporation provides facilities for use by students of ASU or ASU itself.

Sun Angel Foundation receives funds primarily through donations, and contributes funds to the ASU in support of various athletic programs.

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

The Arizona State University Alumni Association receives funds primarily through donations, dues, and affinity partners, which are used to promote the welfare of the ASU and its alumni.

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

The University of Arizona Law College Association (Law Association) was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Global Campus was established to expand access to higher education for adult learners and other non-traditional students, expand and accelerate online higher education offerings aimed at workforce and economic development goals with the State of Arizona, and extend those same offerings to a national and international student audience consistent with the mission of the U of A.

The University of Arizona Eller Executive Education was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2022
(Expressed in Thousands)

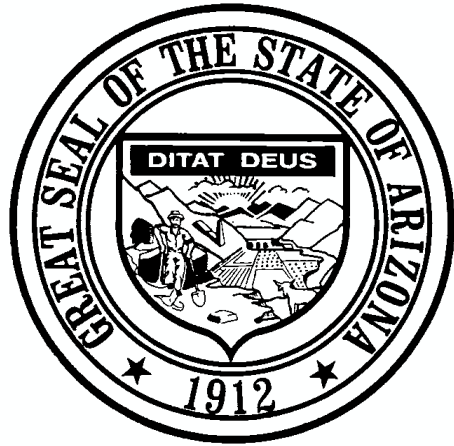
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
ASSETS					
Cash and cash equivalent investments	\$ 4,564	\$ 6,956	\$ 7,518	\$ 6,218	\$ 647
Restricted cash	—	—	—	—	—
Receivables:					
Pledges receivable	14,813	—	23,659	—	—
Other receivables	365	402	8,656	54,278	184
Total receivables	<u>15,178</u>	<u>402</u>	<u>32,315</u>	<u>54,278</u>	<u>184</u>
Investments:					
Investments in securities	221,703	16,980	—	—	22,149
Other investments	14,844	—	—	—	—
Total investments	<u>236,547</u>	<u>16,980</u>	<u>—</u>	<u>—</u>	<u>22,149</u>
Net direct financing leases	—	31,774	—	—	—
Property and equipment, net of accumulated depreciation	—	104,607	—	4,725	—
Intangible assets, net	—	—	—	—	—
Other assets	—	9	289	2,476	72
Total Assets	<u>256,289</u>	<u>160,728</u>	<u>40,122</u>	<u>67,697</u>	<u>23,052</u>
LIABILITIES					
Accounts payable and accrued liabilities	170	11,291	266	145	138
Liability under endowment trust agreements	39,225	—	—	—	—
Long-term debt	—	196,283	—	—	—
Deferred revenue	796	—	—	12,935	108
Other liabilities	2,544	—	—	4,576	26
Total Liabilities	<u>42,735</u>	<u>207,574</u>	<u>266</u>	<u>17,656</u>	<u>272</u>
NET ASSETS					
With donor restrictions	199,816	—	30,240	—	84
Without donor restrictions	13,738	(46,846)	9,616	50,041	22,696
Total Net Assets	<u>\$ 213,554</u>	<u>\$ (46,846)</u>	<u>\$ 39,856</u>	<u>\$ 50,041</u>	<u>\$ 22,780</u>

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA GLOBAL CAMPUS	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 30,222	\$ 1,340	\$ 7,998	\$ 34,175	\$ 273	\$ 99,911
—	—	—	4,613	—	4,613
—	894	—	—	—	39,366
12,690	5	876	30,645	794	108,895
<u>12,690</u>	<u>899</u>	<u>876</u>	<u>30,645</u>	<u>794</u>	<u>148,261</u>
—	13,284	—	—	—	274,116
—	159	—	—	—	15,003
—	<u>13,443</u>	—	—	—	<u>289,119</u>
—	—	—	—	—	31,774
11,867	—	31,529	372	—	153,100
—	—	1,145	21,671	—	22,816
15,123	7	1,273	21,076	—	40,325
<u>69,902</u>	<u>15,689</u>	<u>42,821</u>	<u>112,552</u>	<u>1,067</u>	<u>789,919</u>
9,511	48	3,235	2,930	435	28,169
—	—	—	—	—	39,225
4,586	—	3,464	—	—	204,333
3,085	—	1,534	43,537	79	62,074
14,336	—	—	1,274	—	22,756
<u>31,518</u>	<u>48</u>	<u>8,233</u>	<u>47,741</u>	<u>514</u>	<u>356,557</u>
24	14,149	—	—	—	244,313
38,360	1,492	34,588	64,811	553	189,049
<u>\$ 38,384</u>	<u>\$ 15,641</u>	<u>\$ 34,588</u>	<u>\$ 64,811</u>	<u>\$ 553</u>	<u>\$ 433,362</u>

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
REVENUES					
Contributions	\$ 21,099	\$ —	\$ 14,682	\$ —	\$ 1,139
Student revenues, net of scholarship allowance of \$169,561	—	—	—	—	—
Rental revenue	—	16,518	—	12,486	—
Sales and services	—	12,716	452	—	1,323
Net investment income	(32,766)	16	8	3	255
Grants and aid	—	—	—	—	—
Other revenues	5,242	4,540	384	122	14
Total Revenues	(6,425)	33,790	15,526	12,611	2,731
EXPENSES					
Program services:					
Payments to Universities	—	3,891	8,764	5,576	—
Leasing related expenses	—	—	—	—	—
Payments on behalf of Universities	—	—	—	—	—
Other program services	10,867	—	—	—	—
Management and general expenses	2,008	10,495	804	1,191	3,149
Fundraising expenses	5,314	—	—	—	—
Academic and educational activities	—	—	—	—	—
Interest	—	7,410	—	—	—
Depreciation and amortization	—	10,407	—	399	—
Other expenses	—	60	1,079	150	71
Total Expenses	18,189	32,263	10,647	7,316	3,220
Increase (decrease) in Net Assets, before loss	(24,614)	1,527	4,879	5,295	(489)
Loss of uncollectible pledges	—	—	(2,074)	—	—
Loss on sale of capital assets	—	—	—	—	—
Increase (decrease) in Net Assets	(24,614)	1,527	2,805	5,295	(489)
Net Assets - Beginning, as restated	238,168	(48,373)	37,051	44,746	23,269
Net Assets - Ending	\$ 213,554	\$ (46,846)	\$ 39,856	\$ 50,041	\$ 22,780

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA GLOBAL CAMPUS	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 1,661	\$ 3,086	\$ —	\$ —	\$ 37	\$ 41,704
—	—	—	290,433	—	290,433
—	—	14,197	—	—	43,201
2,258	—	—	—	1,882	18,631
—	(2,181)	5	—	—	(34,660)
77,896	—	—	—	—	77,896
19,428	57	504	553	—	30,844
<u>101,243</u>	<u>962</u>	<u>14,706</u>	<u>290,986</u>	<u>1,919</u>	<u>468,049</u>
—	—	—	—	100	18,331
—	—	15,215	—	—	15,215
—	2,602	32	—	910	3,544
—	—	—	—	—	10,867
84,856	292	1,364	45,930	475	150,564
—	82	—	—	—	5,396
—	—	—	250,200	—	250,200
—	—	—	—	—	7,410
—	—	—	—	—	10,806
—	—	—	—	—	1,360
<u>84,856</u>	<u>2,976</u>	<u>16,611</u>	<u>296,130</u>	<u>1,485</u>	<u>473,693</u>
16,387	(2,014)	(1,905)	(5,144)	434	(5,644)
—	—	—	—	—	(2,074)
(978)	—	—	—	—	(978)
<u>15,409</u>	<u>(2,014)</u>	<u>(1,905)</u>	<u>(5,144)</u>	<u>434</u>	<u>(8,696)</u>
<u>22,975</u>	<u>17,655</u>	<u>36,493</u>	<u>69,955</u>	<u>119</u>	<u>442,058</u>
<u>\$ 38,384</u>	<u>\$ 15,641</u>	<u>\$ 34,588</u>	<u>\$ 64,811</u>	<u>\$ 553</u>	<u>\$ 433,362</u>



STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

This part of the State of Arizona's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends – Schedules 1 through 4 contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity – Schedules 5 through 9 contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity – Schedules 10 through 19 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 20 and 21 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 22 through 24 contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA
SCHEDULE 1
NET POSITION BY COMPONENT (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fiscal Year				
	2022	2021, as restated	2020, as restated	2019, as restated	2018, as restated (12)
GOVERNMENTAL ACTIVITIES:					
Net investment in capital assets (3,6,19,20)	\$ 24,388,905	\$ 23,626,310	\$ 22,951,428	\$ 22,109,991	\$ 21,486,658
Restricted (10,21,23)	11,085,171	11,126,280	8,903,600	8,136,654	7,552,460
Unrestricted (4,6,9,13,16,17,19)	5,838,744	(469,347)	(3,657,975)	(4,017,629)	(5,437,227)
Total Governmental Activities Net Position	\$ 41,312,820	\$ 34,283,243	\$ 28,197,053	\$ 26,229,016	\$ 23,601,891
BUSINESS-TYPE ACTIVITIES:					
Net investment in capital assets (6,7,19,20)	\$ 2,422,730	\$ 2,341,009	\$ 2,291,691	\$ 2,073,576	\$ 1,994,555
Restricted (5,11,14,15)	2,277,559	1,032,376	823,013	1,792,982	1,669,917
Unrestricted (2,4,6,7,8,9,14,18,19,22)	402,290	213,786	(146,714)	131,878	(17,239)
Total Business-type Activities Net Position	\$ 5,102,579	\$ 3,587,171	\$ 2,967,990	\$ 3,998,436	\$ 3,647,233
PRIMARY GOVERNMENT:					
Net investment in capital assets (3,6,7,20)	\$ 26,811,635	\$ 25,967,319	\$ 25,243,119	\$ 24,183,567	\$ 23,481,213
Restricted (5,10,11,14,15,23)	13,362,730	12,158,656	9,726,613	9,929,636	9,222,377
Unrestricted (2,4,6,7,8,9,13,14,16,17,18,21,22)	6,241,034	(255,561)	(3,804,689)	(3,885,751)	(5,454,466)
Total Primary Government Net Position	\$ 46,415,399	\$ 37,870,414	\$ 31,165,043	\$ 30,227,452	\$ 27,249,124

- (1) This schedule reports using the accrual basis of accounting.
- (2) Fiscal year 2013 unrestricted net position for the Universities was restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (3) Fiscal year 2014 net investment in capital assets was restated due to a correction of an error related to the private prisons' capital leases.
- (4) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB Statement No. 68.
- (5) Fiscal year 2014 restricted net position was restated due to the fund reclassification of the Insurance Department Guaranty Fund (IDGF).
- (6) Fiscal year 2015 net investment in capital assets and unrestricted net position was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (7) Fiscal year 2015 net investment in capital assets and unrestricted net position for the Universities was restated due to the implementation of GASB Statement No. 72.
- (8) Fiscal year 2016 unrestricted net position for the Universities was restated due to the reclassification of Thunderbird School of Global Management from a discrete non-major university component unit to a blended university component unit.
- (9) Fiscal year 2017 unrestricted net position has been restated due to the implementation of GASB Statement No. 75.
- (10) Fiscal year 2017 restricted net position has been restated due to correction of error of intergovernmental revenue for the General Fund.
- (11) Fiscal year 2017 restricted net position has been restated due to correction of error of accrued insurance losses for the IDGF.
- (12) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (13) Fiscal year 2018 unrestricted net position has been restated due to correction of error of investment earnings for the Land Endowments Fund.
- (14) Fiscal year 2019 restricted and unrestricted net position has been restated due to reclassification of the IDGF from a non-major enterprise fund to a non-major component unit.
- (15) Fiscal year 2019 restricted net position has been restated due to change in allocation of a joint escrow bank account from the Other non-major enterprise fund to the Industrial Commission Special Fund and the IDGF.
- (16) Fiscal year 2019 unrestricted net position has been restated due to change from amortizing ADOT's bond premiums on a straight-line basis to the effective interest method.
- (17) Fiscal year 2020 unrestricted net position has been restated due to implementation of GASB Statement No. 84.
- (18) Fiscal year 2021 unrestricted net position for the Universities has been restated due to inclusion of the BIOS as a blended university component unit.
- (19) Fiscal year 2021 unrestricted net position and net investment in capital assets have been restated due to the fund reclassification of the State Park's fund.
- (20) Fiscal year 2021 net investment in capital assets have been restated for the prior year accruals of construction in progress for the Department of Veteran Services.
- (21) Fiscal year 2021 restricted net position has been restated due to the implementation of GASB 87 in which a capital lease was reclassified to a COP for the Game & Fish Beneficial Interest Certificates.
- (22) Fiscal year 2021 unrestricted net position for the Universities has been restated due to the implementation of GASB 87.
- (23) Fiscal year 2021 restricted net position has been restated to the ADOT changing the calculation on deferred gains/losses on refundings from amortizing bond premiums on a straight-line basis to the effective interest method.

Fiscal Year				
2017, as restated	2016, as restated	2015, as restated	2014, as restated	2013, as restated
\$ 20,583,563	\$ 19,722,730	\$ 18,790,889	\$ 18,053,540	\$ 17,410,055
7,368,184	6,856,271	7,170,289	6,829,299	6,116,083
(5,848,655)	(5,205,689)	(5,685,921)	(5,841,106)	(2,527,441)
<u>\$ 22,103,092</u>	<u>\$ 21,373,312</u>	<u>\$ 20,275,257</u>	<u>\$ 19,041,733</u>	<u>\$ 20,998,697</u>
\$ 1,879,901	\$ 1,761,694	\$ 1,642,507	\$ 1,581,436	\$ 1,526,777
1,332,162	1,191,605	895,616	723,590	531,972
27,301	288,164	215,120	(51,586)	1,049,391
<u>\$ 3,239,364</u>	<u>\$ 3,241,463</u>	<u>\$ 2,753,243</u>	<u>\$ 2,253,440</u>	<u>\$ 3,108,140</u>
\$ 22,463,464	\$ 21,484,424	\$ 20,433,396	\$ 19,634,976	\$ 18,936,832
8,700,346	8,047,876	8,065,905	7,552,889	6,648,055
(5,821,354)	(4,917,525)	(5,470,801)	(5,892,692)	(1,478,050)
<u>\$ 25,342,456</u>	<u>\$ 24,614,775</u>	<u>\$ 23,028,500</u>	<u>\$ 21,295,173</u>	<u>\$ 24,106,837</u>

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fiscal Year				
	2022	2021 (6)	2020 (6)	2019 (6)	2018, as restated (7)
EXPENSES					
Governmental Activities:					
General government	\$ 1,295,921	\$ 1,779,607	\$ 1,194,320	\$ 793,504	\$ 933,641
Health and welfare (4)	26,566,010	22,636,105	18,201,947	16,873,025	16,254,160
Inspection and regulation	249,665	192,692	194,800	149,976	156,149
Education	9,792,491	8,257,299	7,854,849	7,161,842	6,538,614
Protection and safety	1,935,823	1,891,198	1,853,972	1,601,975	1,954,842
Transportation	1,143,401	1,094,831	971,909	842,112	834,697
Natural resources	292,800	279,965	238,873	235,835	230,505
Intergovernmental revenue sharing	4,844,422	4,418,998	3,874,998	3,708,063	3,480,014
Interest on long-term debt	56,581	95,967	140,206	172,071	153,914
Total Governmental Activities Expenses	<u>46,177,114</u>	<u>40,646,662</u>	<u>34,525,874</u>	<u>31,538,403</u>	<u>30,536,536</u>
Business-type Activities:					
Universities (3)	6,244,746	5,904,889	5,882,039	5,476,780	5,166,157
Unemployment Compensation (2,9)	542,802	8,513,331	5,889,387	—	—
Industrial Commission Special Fund (5)	—	—	—	—	—
Other	1,211,075	1,245,997	988,092	1,178,051	1,156,810
Total Business-type Activities Expenses	<u>7,998,623</u>	<u>15,664,217</u>	<u>12,759,518</u>	<u>6,654,831</u>	<u>6,322,967</u>
Total Primary Government Expenses (4)	<u>\$ 54,175,737</u>	<u>\$ 56,310,879</u>	<u>\$ 47,285,392</u>	<u>\$ 38,193,234</u>	<u>\$ 36,859,503</u>
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	\$ 654,890	\$ 261,066	\$ 230,511	\$ 279,469	\$ 218,721
Health and welfare	747,713	712,588	563,157	508,029	490,929
Inspection and regulation	252,394	207,081	176,051	176,676	163,278
Transportation	44,941	213,971	209,658	215,860	166,221
Other activities	272,888	270,352	278,703	267,491	263,412
Operating grants and contributions (8)	27,058,660	23,952,916	17,169,249	15,659,663	15,042,818
Capital grants and contributions	780,045	690,050	566,951	519,021	718,794
Total Governmental Activities Program Revenues	<u>29,811,531</u>	<u>26,308,024</u>	<u>19,194,280</u>	<u>17,626,209</u>	<u>17,064,173</u>
Business-type Activities:					
Charges for services:					
Universities	3,244,938	2,891,038	2,974,123	2,907,908	2,799,919
Other activities	1,912,737	2,060,726	1,591,127	1,628,240	1,598,155
Operating grants and contributions (9)	3,351,694	10,325,015	6,223,027	1,659,758	1,573,533
Capital grants and contributions	76,455	41,836	106,734	27,255	20,699
Total Business-type Activities Program Revenues	<u>8,585,824</u>	<u>15,318,615</u>	<u>10,895,011</u>	<u>6,223,161</u>	<u>5,992,306</u>
Total Primary Government Program Revenues	<u>\$ 38,397,355</u>	<u>\$ 41,626,639</u>	<u>\$ 30,089,291</u>	<u>\$ 23,849,370</u>	<u>\$ 23,056,479</u>
NET (EXPENSE) REVENUE					
Governmental activities	\$ (16,365,583)	\$ (14,338,638)	\$ (15,331,594)	\$ (13,912,194)	\$ (13,472,363)
Business-type activities	587,201	(345,602)	(1,864,507)	(431,670)	(330,661)
Total Primary Government Net (Expense)	<u>\$ (15,778,382)</u>	<u>\$ (14,684,240)</u>	<u>\$ (17,196,101)</u>	<u>\$ (14,343,864)</u>	<u>\$ (13,803,024)</u>

Fiscal Year

2017 (6)	2016 (6)	2015 (6)	2014 (6)	2013, as restated
\$ 862,738	\$ 807,320	\$ 923,659	\$ 763,830	\$ 836,431
15,661,167	15,152,650	14,296,714	12,768,332	12,168,426
163,416	168,719	159,874	160,797	161,480
6,369,100	6,136,303	5,859,267	5,573,656	5,372,267
1,662,550	1,585,620	1,568,732	1,408,049	1,400,413
799,882	858,958	786,028	791,006	754,510
216,318	208,563	204,939	200,868	204,179
3,349,498	3,176,183	2,966,400	2,778,299	2,685,378
193,099	210,326	230,871	279,525	355,975
<u>29,277,768</u>	<u>28,304,642</u>	<u>26,996,484</u>	<u>24,724,362</u>	<u>23,939,059</u>
4,893,271	4,637,567	4,378,481	4,078,053	3,888,145
—	—	—	—	—
—	—	—	36,895	38,614
1,105,470	1,014,941	1,041,261	1,130,299	1,329,816
<u>5,998,741</u>	<u>5,652,508</u>	<u>5,419,742</u>	<u>5,245,247</u>	<u>5,256,575</u>
<u>\$ 35,276,509</u>	<u>\$ 33,957,150</u>	<u>\$ 32,416,226</u>	<u>\$ 29,969,609</u>	<u>\$ 29,195,634</u>
\$ 195,805	\$ 196,179	\$ 188,356	\$ 188,943	\$ 188,462
447,334	423,690	411,914	222,173	138,605
170,043	166,075	157,624	157,149	156,164
149,297	143,697	113,163	113,267	119,862
267,315	261,428	252,989	255,391	247,776
14,732,701	13,532,247	13,200,146	12,172,836	11,588,834
716,455	870,644	706,089	546,680	651,999
<u>16,678,950</u>	<u>15,593,960</u>	<u>15,030,281</u>	<u>13,656,439</u>	<u>13,091,702</u>
2,708,519	2,519,048	2,303,791	2,056,307	1,892,356
1,461,686	1,468,139	1,345,566	1,325,046	1,289,456
1,488,002	1,452,562	1,320,612	1,343,922	1,570,854
27,368	11,911	43,321	41,250	15,210
<u>5,685,575</u>	<u>5,451,660</u>	<u>5,013,290</u>	<u>4,766,525</u>	<u>4,767,876</u>
<u>\$ 22,364,525</u>	<u>\$ 21,045,620</u>	<u>\$ 20,043,571</u>	<u>\$ 18,422,964</u>	<u>\$ 17,859,578</u>
\$ (12,598,818)	\$ (12,710,682)	\$ (11,966,203)	\$ (11,067,923)	\$ (10,847,357)
(313,166)	(200,848)	(406,452)	(478,722)	(488,699)
<u>\$ (12,911,984)</u>	<u>\$ (12,911,530)</u>	<u>\$ (12,372,655)</u>	<u>\$ (11,546,645)</u>	<u>\$ (11,336,056)</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fiscal Year				
	2022	2021 (6)	2020 (6)	2019 (6)	2018, as restated (7)
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Sales	\$ 10,981,317	\$ 9,523,611	\$ 8,193,712	\$ 7,673,015	\$ 7,194,123
Income	8,678,628	6,672,112	5,852,309	5,579,102	4,946,644
Tobacco	287,539	299,821	295,163	287,875	298,369
Property	43,278	42,583	42,601	42,208	55,112
Motor vehicle and fuel	2,497,258	2,502,442	2,256,884	2,202,693	1,950,380
Other	904,528	769,964	684,256	701,912	638,988
Unrestricted investment earnings	(55,401)	35,056	145,654	165,228	42,463
Unrestricted grants and contributions	37,860	33,083	28,539	29,964	35,324
Gain on sale of trust land	663,197	806,188	13,595	201,327	161,953
Loss on in-substance defeasance	(24,475)	—	—	—	—
Miscellaneous general revenues	167,051	300,749	339,967	245,486	178,298
Transfers	(785,620)	(488,821)	(577,672)	(495,502)	(530,492)
Total Governmental Activities	23,395,160	20,496,788	17,275,008	16,633,308	14,971,162
Business-type Activities:					
Sales taxes	130,456	85,891	81,701	81,418	75,642
Unrestricted investment earnings	(83,975)	117,450	92,528	136,913	50,825
Unrestricted grants and contributions	—	—	10	—	—
Miscellaneous general revenues	91,616	173,400	79,277	77,764	79,617
Contributions to permanent endowments	4,490	5,590	2,873	6,838	5,702
Extraordinary items	—	—	—	—	—
Transfers	785,620	488,821	577,672	495,502	530,492
Total Business-type Activities	928,207	871,152	834,061	798,435	742,278
Total Primary Government	\$ 24,323,367	\$ 21,367,940	\$ 18,109,069	\$ 17,431,743	\$ 15,713,440
CHANGE IN NET POSITION					
Governmental activities	\$ 7,029,577	\$ 6,158,150	\$ 1,943,414	\$ 2,721,114	\$ 1,498,799
Business-type activities	1,515,408	525,550	(1,030,446)	366,765	411,617
Total Primary Government	\$ 8,544,985	\$ 6,683,700	\$ 912,968	\$ 3,087,879	\$ 1,910,416

- (1) This schedule reports using the accrual basis of accounting.
- (2) In fiscal year 2020, the Unemployment Compensation changed from a non-major fund to a major fund.
- (3) Fiscal year 2013 expenses for the Universities were restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (4) Health and Welfare expenses continue to climb as a result of enrollment increases.
- (5) For fiscal year 2015, Industrial Commission Special Fund changed from a major to a non-major fund.
- (6) Historical data has not been restated for footnote items (3) - (11) and (14) - (23) in Schedule 1.
- (7) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (8) Fiscal year 2018 operating grants and contributions has been restated due to correction of error for the Land Endowments Fund.
- (9) In fiscal year 2022, operating grants and contributions and the associated cost of sales and benefits for the Unemployment Compensation Fund decreased as a result of decreasing pandemic related activities.

Fiscal Year

2017 (6)	2016 (6)	2015 (6)	2014 (6)	2013, as restated
\$ 6,775,704	\$ 6,455,837	\$ 6,290,950	\$ 5,948,055	\$ 6,518,480
4,500,902	4,511,674	4,430,602	3,963,197	3,974,998
316,073	318,902	314,522	314,313	316,050
46,798	51,735	52,241	41,215	27,429
1,875,392	1,823,998	1,694,779	1,650,579	1,592,911
655,363	616,580	560,920	547,481	531,186
50,009	58,250	87,115	79,215	18,705
35,032	115,097	39,847	37,926	45,746
47,503	75,042	97,231	83,695	174,095
—	—	—	—	—
117,933	247,462	232,658	176,035	144,403
(529,455)	(465,840)	(601,539)	(578,361)	(534,722)
<u>13,891,254</u>	<u>13,808,737</u>	<u>13,199,326</u>	<u>12,263,350</u>	<u>12,809,281</u>
72,696	69,927	64,757	63,669	57,490
81,363	68,795	37,839	108,296	62,017
—	548	—	107	5
79,726	65,143	138,931	78,837	148,743
3,276	5,472	5,740	6,561	3,192
—	—	—	3,900	—
529,455	465,840	601,539	578,361	534,722
<u>766,516</u>	<u>675,725</u>	<u>848,806</u>	<u>839,731</u>	<u>806,169</u>
<u>\$ 14,657,770</u>	<u>\$ 14,484,462</u>	<u>\$ 14,048,132</u>	<u>\$ 13,103,081</u>	<u>\$ 13,615,450</u>
\$ 1,292,436	\$ 1,098,055	\$ 1,233,123	\$ 1,195,427	\$ 1,961,924
453,350	474,877	442,354	361,009	317,470
<u>\$ 1,745,786</u>	<u>\$ 1,572,932</u>	<u>\$ 1,675,477</u>	<u>\$ 1,556,436</u>	<u>\$ 2,279,394</u>

STATE OF ARIZONA

SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS (1)

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2022

(Expressed in Thousands)

	Fiscal Year				
	2022	2021, as restated	2020, as restated	2019	2018, as restated
GENERAL FUND:					
Nonspendable	\$ 13,370	\$ 14,473	\$ 15,710	\$ 6,617	\$ 11,632
Restricted (4)	1,179,579	582,364	475,563	339,116	44,401
Committed (8)	323,371	252,077	257,556	150,050	113,204
Unassigned (2,5,7)	5,643,198	1,919,752	1,316,305	685,583	—
Total General Fund	<u>\$ 7,159,518</u>	<u>\$ 2,768,666</u>	<u>\$ 2,065,134</u>	<u>\$ 1,181,366</u>	<u>\$ 169,237</u>
ALL OTHER GOVERNMENTAL FUNDS:					
Nonspendable (6)	\$ 7,115,107	\$ 7,671,204	\$ 5,853,677	\$ 6,062,682	\$ 5,934,995
Restricted (9)	1,839,760	2,349,830	1,418,680	1,659,621	1,482,258
Committed	2,084,362	1,867,450	1,428,352	1,225,528	1,060,444
Unassigned (3,7)	—	226	(1,587)	—	(14,491)
Total All Other Governmental Funds	<u>\$ 11,039,229</u>	<u>\$ 11,888,710</u>	<u>\$ 8,699,122</u>	<u>\$ 8,947,831</u>	<u>\$ 8,463,206</u>

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Fiscal year 2015 unassigned fund balance was restated as a result of funds being reclassified from the General Fund to Other Internal Service Funds.
- (3) Fiscal year 2015 unassigned fund balance was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (4) Fiscal year 2017 restricted fund balance was restated due to correction of error of intergovernmental revenue for the General Fund.
- (5) In fiscal year 2018, negative unassigned fund balance for the General Fund was reduced against restricted and committed fund balance.
- (6) Fiscal year 2018 nonspendable fund balance has been restated due to correction of error of investment earnings for the Land Endowments Fund.
- (7) Fiscal year 2020 unassigned fund balance has been restated due to the implementation of GASB 84.
- (8) Fiscal year 2021 committed fund balance has been restated due to the fund reclassification of the State Park's fund.
- (9) Fiscal year 2021 restricted fund balance has been restated due to the implementation of GASB 87 in which a capital lease was reclassified to a COP for the Game & Fish Beneficial Interest Certificates.

Fiscal Year

2017, as restated	2016	2015, as restated	2014	2013
\$ 9,990	\$ 9,669	\$ 9,168	\$ 9,600	\$ 844
133,472	91,833	241,919	124,390	192,187
93,343	126,484	99,145	79,837	73,237
(258,262)	(78,903)	(325,380)	(189,238)	156,935
<u>\$ (21,457)</u>	<u>\$ 149,083</u>	<u>\$ 24,852</u>	<u>\$ 24,589</u>	<u>\$ 423,203</u>
\$ 5,603,620	\$ 5,124,432	\$ 5,181,556	\$ 4,878,682	\$ 4,160,485
1,479,706	1,488,010	1,573,453	1,741,674	1,860,872
964,570	937,949	825,740	734,446	661,110
(18,752)	(21,325)	(27,562)	(29,744)	(26,266)
<u>\$ 8,029,144</u>	<u>\$ 7,529,066</u>	<u>\$ 7,553,187</u>	<u>\$ 7,325,058</u>	<u>\$ 6,656,201</u>

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fiscal Year				
	2022	2021 (2)	2020 (2)	2019	2018, as restated
REVENUES					
Taxes:					
Sales	\$ 10,965,907	\$ 9,530,013	\$ 8,125,114	\$ 7,655,588	\$ 7,173,126
Income	8,644,242	6,699,521	5,771,734	5,498,061	4,892,382
Tobacco	287,539	299,821	295,163	287,875	298,369
Property	43,278	42,583	42,601	42,208	55,112
Motor vehicle and fuel	2,497,258	2,502,442	2,256,884	2,202,693	1,950,380
Other	904,528	769,964	684,256	701,912	638,988
Intergovernmental (3)	28,358,392	22,904,553	17,711,033	15,602,794	15,040,118
Licenses, fees, and permits	557,996	721,938	687,754	650,484	582,918
Hospital and nursing facility assessments	559,334	537,236	360,157	316,040	318,199
Earnings on investments (4)	(774,733)	1,876,937	172,496	489,398	559,956
Interest revenues - leases (5)	19,956	—	—	—	—
Amortization revenues - leases (5)	24,114	—	—	—	—
Sales and charges for services	224,157	243,485	245,191	261,538	243,820
Fines, forfeitures, and penalties	136,747	163,394	164,995	220,513	156,666
Gaming	156,916	148,056	112,448	99,679	95,367
Tobacco settlement	108,433	105,683	94,283	98,938	101,761
Proceeds from sale of trust land	519,423	336,536	126,416	141,616	119,122
Other	211,452	347,439	370,818	285,136	213,776
Total Revenues	<u>53,444,939</u>	<u>47,229,601</u>	<u>37,221,343</u>	<u>34,554,473</u>	<u>32,440,060</u>
EXPENDITURES					
Current:					
General government	2,342,776	2,767,295	1,239,781	871,251	814,922
Health and welfare	26,596,005	23,038,244	18,293,758	16,783,865	16,182,335
Inspection and regulation	244,215	193,109	194,784	160,878	160,254
Education	9,785,753	8,252,938	7,853,935	7,169,071	6,541,180
Protection and safety	1,898,920	1,727,987	1,704,608	1,594,892	1,521,638
Transportation	1,149,059	1,059,282	925,703	852,491	752,575
Natural resources	283,496	260,072	223,537	225,242	216,169
Intergovernmental revenue sharing	4,844,422	4,418,998	3,874,998	3,708,063	3,480,014
Debt service:					
Principal	1,275,626	379,546	703,731	489,522	561,195
Interest and other fiscal charges	106,003	147,897	177,427	208,954	213,992
Capital outlay	645,455	577,636	850,937	867,114	933,204
Total Expenditures	<u>49,171,730</u>	<u>42,823,004</u>	<u>36,043,199</u>	<u>32,931,343</u>	<u>31,377,478</u>
Excess of Revenues Over Expenditures	<u>4,273,209</u>	<u>4,406,597</u>	<u>1,178,144</u>	<u>1,623,130</u>	<u>1,062,582</u>

Fiscal Year

2017, as restated	2016	2015 (2)	2014	2013
\$ 6,732,684	\$ 6,450,967	\$ 6,281,286	\$ 5,933,824	\$ 6,530,609
4,473,790	4,513,219	4,398,928	4,012,603	4,034,631
316,073	318,902	314,522	314,313	316,050
46,798	51,735	52,241	41,215	27,429
1,875,392	1,823,998	1,694,779	1,650,579	1,592,911
655,363	616,580	560,920	547,481	531,186
14,731,475	14,166,387	13,606,650	11,752,711	11,592,676
573,867	542,064	486,331	475,833	476,972
292,049	299,608	291,324	91,578	—
639,717	175,444	295,125	739,859	499,919
—	—	—	—	—
—	—	—	—	—
229,099	188,667	193,553	185,682	182,075
136,161	159,647	152,728	171,161	181,216
89,310	91,748	89,512	86,326	86,507
101,522	98,907	99,975	100,765	149,125
179,028	91,022	123,483	86,319	225,659
167,229	264,474	254,522	208,858	169,119
<u>31,239,557</u>	<u>29,853,369</u>	<u>28,895,879</u>	<u>26,399,107</u>	<u>26,596,084</u>
787,284	714,313	843,159	750,163	812,770
15,813,515	15,074,454	14,388,149	12,643,455	12,216,622
160,362	165,009	158,495	161,318	160,636
6,364,016	6,132,751	5,857,390	5,572,414	5,369,538
1,487,181	1,456,651	1,402,225	1,360,387	1,349,146
732,029	815,811	700,080	687,798	683,607
198,567	189,614	189,302	193,043	194,714
3,349,498	3,176,183	2,966,400	2,778,299	2,685,168
639,779	517,389	560,497	493,592	412,617
229,932	249,704	270,872	312,024	329,773
894,210	814,002	783,926	829,630	765,339
<u>30,656,373</u>	<u>29,305,881</u>	<u>28,120,495</u>	<u>25,782,123</u>	<u>24,979,930</u>
<u>583,184</u>	<u>547,488</u>	<u>775,384</u>	<u>616,984</u>	<u>1,616,154</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Fiscal Year				2018, as restated
	2022	2021 (2)	2020 (2)	2019	
OTHER FINANCING SOURCES (USES)					
Transfers in	1,287,912	1,927,454	921,711	993,164	858,631
Transfers out	(2,065,929)	(2,411,061)	(1,496,902)	(1,486,841)	(1,375,640)
Proceeds from sale of capital assets	42	52	1,591	343	3,524
Capital lease and installment purchase contracts	—	—	—	1,034	—
Lease proceeds	45,622	—	—	—	—
Proceeds from notes and loans	—	—	—	—	—
Bonds issued	—	—	—	262,010	—
Certificates of participation issued	—	—	—	—	—
Grant anticipation notes issued	—	—	—	62,465	62,595
Refunding bonds issued	84,520	—	756,630	—	—
Refunding certificates of participation issued	—	—	425,005	—	31,570
Refunding grant anticipation notes issued	—	—	—	—	—
Payment to refunded bond escrow agent	(84,005)	—	(782,272)	—	—
Payment to refunded certificates of participation escrow agent	—	—	(480,097)	—	(31,345)
Payment to refunded grant anticipation notes escrow agent	—	—	—	—	—
Premium on debt issued	—	—	88,080	41,449	12,839
Total Other Financing Sources (Uses)	<u>(731,838)</u>	<u>(483,555)</u>	<u>(566,254)</u>	<u>(126,376)</u>	<u>(437,826)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 3,541,371</u>	<u>\$ 3,923,042</u>	<u>\$ 611,890</u>	<u>\$ 1,496,754</u>	<u>\$ 624,756</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	2.80%	1.20%	2.50%	2.20%	2.50%

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Historical data has not been restated for footnote items (2) - (3) and (7) - (9) in Schedule 3.
- (3) Fiscal year 2017 intergovernmental revenue was restated due to correction of error for the General Fund.
- (4) Fiscal year 2018 earnings on investments has been restated due to correction of error for the Land Endowments Fund.
- (5) Beginning in fiscal year 2022, new line item added due to the implementation of GASB 87. Lessors recognize interest revenue on the lease receivable and an amortization revenues from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

Fiscal Year

2017, as restated	2016	2015 (2)	2014	2013
866,241	914,817	856,446	904,261	782,420
(1,303,531)	(1,367,979)	(1,392,301)	(1,397,332)	(1,256,408)
1,294	1,203	259	900	1,636
43,248	3,579	1,025	113,914	15,158
—	—	—	—	—
—	—	783	29,130	51,550
—	—	—	—	194,295
119,880	—	—	—	—
—	—	—	—	—
312,900	—	754,285	—	837,340
—	427,540	—	305,675	62,630
90,410	—	—	—	—
(389,350)	(62,630)	(900,813)	—	(954,372)
—	(422,841)	—	(310,059)	(42,096)
(112,128)	—	—	—	—
117,390	58,933	149,554	6,770	136,210
(253,646)	(447,378)	(530,762)	(346,741)	(171,637)
<u>\$ 329,538</u>	<u>\$ 100,110</u>	<u>\$ 244,622</u>	<u>\$ 270,243</u>	<u>\$ 1,444,517</u>
2.90%	2.70%	3.00%	3.20%	3.10%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

CLASSIFICATION (5)	Fiscal Year					
	2022	2021	2020	2019	2018	2017
Transporting (2)	\$ 77,910	\$ 121,844	\$ 34,563	\$ 31,542	\$ 31,022	\$ 39,944
Mining, oil and gas	244,673	215,159	187,408	164,066	154,510	140,648
Mining severance	1,988,355	1,424,405	508,177	690,060	982,475	735,086
Utilities	10,979,178	10,766,675	9,814,962	10,315,450	10,337,793	9,920,286
Communications	1,254,885	1,387,554	1,771,025	1,917,973	2,067,005	2,000,877
Private car and pipelines	46,581	50,796	32,944	33,457	30,131	22,117
Publishing	59,363	32,570	35,343	56,071	84,595	87,179
Job printing	228,987	185,316	164,660	241,963	219,210	237,887
Restaurants and bars	19,532,366	15,248,826	14,471,700	15,232,888	14,347,556	13,571,567
Amusements	1,834,009	879,532	1,303,261	1,482,455	1,445,107	1,323,661
Commercial lease (3)	1	—	—	—	(4)	50
Personal property rentals	6,127,280	4,994,986	4,893,667	4,762,330	4,276,040	3,947,160
Contracting	19,863,879	17,977,829	15,817,234	13,610,523	11,801,258	10,252,613
Retail	97,186,669	86,248,389	74,712,427	71,664,595	67,429,685	63,922,406
Remote seller/marketplace facilitator (8)	10,337,948	8,333,376	3,485,993	—	—	—
MRRA amount (7)	232,728	213,124	218,938	177,361	167,434	155,624
Medical marijuana (10)	723,170	297,829	—	—	—	—
Adult use marijuana (11)	747,443	195,211	—	—	—	—
Hotel/motel	4,160,293	2,460,567	2,805,265	3,646,904	3,342,980	3,058,663
Online lodging marketplace (9)	854,820	597,916	355,669	—	—	—
Rental occupancy tax (6)	—	(1)	—	(1)	—	—
Use tax	10,104,849	9,061,233	7,744,065	7,316,160	6,590,501	6,069,074
Use tax-utilities	(891)	1,852	1,642	945	2,512	34,764
Total	\$ 186,584,496	\$ 160,694,988	\$ 138,358,943	\$ 131,344,742	\$ 123,309,810	\$ 115,519,606
Direct sales tax rate (4)	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

- (1) Net taxable sales are based upon tax receipts.
- (2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."
- (3) Commercial lease rate dropped to 0% effective July 1, 1997.
- (4) A significant portion of the revenue base was subject to a sales tax rate of 6.6% for fiscal year 2013 and 5.6% for fiscal years 2014 through 2022. For fiscal years 2013 through 2022, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2013 through 2017, the jet fuel and jet fuel use tax was \$.0305 per gallon. As of fiscal year 2018, jet fuel and jet fuel tax amount per gallon were no longer being reported by the Arizona Department of Revenue as the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund. The hotel/motel tax rate was 6.5% for fiscal year 2013, and 5.5% for fiscal years 2014 through 2022. Online lodging marketplace was 5.5% for fiscal years 2020 through 2022. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate by one percentage point beginning June 1, 2010 and ending May 31, 2013, which is reflected in this table.
- (5) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.
- (6) Rental occupancy was repealed effective November 1, 2006.
- (7) MRRA - Maintenance, Repair, Replacement or Alteration projects
- (8) Remote seller/marketplace facilitator tax was effective October 1, 2019.
- (9) Prior to fiscal year 2020, this category was combined with Hotel/motel.
- (10) The Medical Marijuana was previously reported as part of the Retail category. Beginning with the January 2021 period, medical marijuana is reported in a separate category.
- (11) The Adult Use Marijuana revenue reflects a partial year in fiscal year 2021 as the tax began in January 2021.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2022 and prior.

Fiscal Year			
2016	2015	2014	2013
\$ 56,139	\$ 57,588	\$ 54,981	\$ 41,324
154,947	111,808	116,678	115,775
607,840	994,478	1,047,580	1,193,176
10,031,989	9,856,234	9,923,490	9,900,238
2,306,786	2,565,400	2,965,233	3,061,730
2,577	6,498	5,616	6,250
105,270	106,357	101,751	84,673
236,324	259,672	321,225	235,349
12,715,254	12,053,486	11,085,652	10,544,419
1,342,700	1,252,514	1,096,945	1,051,581
2	6	2	2
3,689,976	3,453,882	3,355,048	3,254,822
9,601,228	10,653,405	11,269,503	10,092,876
61,614,309	58,463,542	55,257,510	51,276,108
—	—	—	—
160,125	26,816	—	—
—	—	—	—
—	—	—	—
2,819,143	2,675,510	2,334,373	2,221,059
—	—	—	—
(503)	—	—	—
5,703,365	5,659,094	4,749,508	5,186,464
38,945	48,070	62,511	10,283
<u>\$ 111,186,416</u>	<u>\$ 108,244,360</u>	<u>\$ 103,747,606</u>	<u>\$ 98,276,129</u>
5.60%	5.60%	5.60%	6.60%

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

CLASSIFICATION	Fiscal Year 2022		Fiscal Year 2013	
	Tax	Percentage	Tax	Percentage
	Collections	of Total	Collections	of Total
Transporting	\$ 3,895	0.04 %	\$ 2,066	0.04 %
Non-metal mining, oil and gas	7,646	0.07	3,618	0.07
Mining severance	49,709	0.48	29,829	0.55
Utilities	548,959	5.30	495,012	9.06
Communications	62,744	0.60	153,087	2.80
Private car and pipelines	2,329	0.02	313	0.01
Publishing	2,968	0.03	4,234	0.08
Job printing	11,449	0.11	11,767	0.22
Restaurants and bars	976,618	9.41	527,221	9.65
Amusements	91,700	0.88	52,579	0.96
Personal property rentals	306,364	2.96	162,741	2.98
Contracting	993,194	9.57	504,644	9.23
Retail	4,859,333	46.83	2,563,806	46.89
Remote seller/marketplace facilitator	516,897	4.98	—	—
MRRA amount (2)	11,636	0.11	—	—
Medical marijuana (4)	36,158	0.35	—	—
Adult use marijuana	37,372	0.36	—	—
Hotel/motel	228,816	2.20	122,158	2.24
Online lodging marketplace	47,015	0.45	—	—
Use tax utilities	(45)	—	514	0.01
Use tax	502,880	4.85	257,899	4.72
License fees	612	0.01	648	0.01
Jet fuel tax (3)	(1)	—	3,763	0.07
Jet fuel use tax (3)	1	—	562	0.01
Non sufficient funds	452	—	72	—
Mandatory EFT fees	1,535	0.01	286	0.01
Education tax (1)	95,843	0.92	567,824	10.39
Education tax extension (5)	981,975	9.46	—	—
Total	\$ 10,378,054	100.00 %	\$ 5,464,643	100.00 %

- (1) The education tax is .6% of net taxable sales for most classifications. The categories that do not collect the education tax are non-metal mining, oil and gas, mining severances, hotel/motel, online lodging marketplace, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification; rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.
- (2) MRRA - Maintenance, Repair, Replacement or Alteration projects
- (3) Effective August 1, 2017, the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund.
- (4) The Medical marijuana was previously reported as part of the Retail category. Beginning with the January 2021 period, medical marijuana is reported in a separate category.
- (5) Effective beginning in fiscal year 2022, the Education tax has been extended until fiscal year 2041.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2022 and 2013.

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

<u>CLASSIFICATION</u>	Calendar Year Ended December 31					
	2021	2020	2019	2018	2017	2016
Farm earnings	\$ 814,339	\$ 893,205	\$ 1,317,018	\$ 1,049,706	\$ 1,415,570	\$ 1,507,900
Forestry and fishing	550,967	583,313	546,398	546,959	540,040	529,625
Mining	1,628,036	1,520,302	1,720,051	2,020,075	1,613,040	1,380,107
Utilities	2,628,168	2,632,797	2,233,103	2,008,866	1,881,496	1,819,729
Construction	18,229,738	17,256,799	15,499,467	13,778,959	12,235,020	10,710,515
Manufacturing	19,999,286	18,624,862	17,746,527	16,349,487	15,187,107	14,605,316
Wholesale trade	11,859,803	11,010,588	10,381,662	10,181,061	9,668,644	9,153,822
Retail trade	18,429,263	16,634,638	15,137,734	14,700,343	14,248,840	13,703,359
Transportation and warehousing	9,880,227	8,971,185	8,177,988	7,519,634	6,715,524	6,383,150
Information	7,354,345	6,417,589	6,401,221	5,427,113	4,681,549	4,608,789
Finance and insurance	22,062,522	20,700,153	18,413,783	17,171,841	15,955,058	14,418,856
Real estate, rental, and leasing	8,389,841	7,773,056	7,159,062	6,156,885	5,551,707	5,761,036
Professional and technical services	21,511,873	19,367,075	18,476,600	17,317,442	16,009,057	15,085,296
Managing companies/enterprises	4,870,173	3,906,059	3,566,654	3,223,929	3,548,654	3,307,049
Administrative and waste services	15,800,351	14,539,341	14,246,341	13,555,253	12,746,611	11,878,298
Educational services	4,219,530	4,011,649	3,779,349	3,478,066	3,365,412	3,302,114
Health care and social assistance	32,125,682	30,671,470	28,497,651	26,942,213	25,334,791	23,890,338
Arts, entertainment, and recreation	2,432,604	2,131,898	2,735,956	2,902,870	2,825,233	2,619,504
Accommodation and food services	10,738,701	8,357,430	9,384,194	9,091,870	8,387,837	7,659,975
Other services, except public administration	8,295,926	7,745,446	7,875,059	7,590,855	7,223,269	6,983,120
Government and government enterprises	37,119,630	36,472,394	34,806,294	33,915,502	32,666,477	31,369,866
Other (1)	144,798,307	135,380,038	112,157,693	101,967,373	97,448,216	91,407,383
Total	\$ 403,739,312	\$ 375,601,287	\$ 340,259,805	\$ 316,896,302	\$ 299,249,152	\$ 282,085,147
Average effective rate (2)	1.87%	1.74%	1.33%	1.58%	1.52%	1.46%

- (1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.
- (2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (3) Personal income estimates for years 2012 through 2020 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

	2015	2014	2013	2012
\$	1,415,111	\$ 1,064,736	\$ 1,289,530	\$ 881,044
	506,621	450,122	410,413	413,431
	1,464,407	1,567,360	1,535,771	1,502,892
	1,667,979	1,659,154	1,575,092	1,529,337
	9,882,558	9,419,581	8,936,081	8,118,792
	14,305,185	13,808,974	13,491,102	13,380,267
	8,896,260	8,547,894	8,379,655	8,559,568
	13,485,864	13,146,907	12,141,782	12,146,323
	6,026,083	5,559,475	5,144,768	5,131,165
	4,351,625	4,132,456	3,618,183	3,127,135
	13,195,100	12,133,895	11,729,712	10,810,316
	5,198,817	4,487,239	3,978,669	2,554,638
	14,530,837	13,841,425	13,297,525	12,960,670
	3,232,425	3,187,130	2,936,240	2,609,040
	11,547,195	10,978,476	10,355,952	9,563,967
	3,203,401	3,115,225	2,949,383	2,998,261
	22,552,364	21,447,106	20,769,650	20,196,102
	2,376,549	2,400,656	2,112,394	1,878,111
	7,178,313	6,560,676	6,521,538	6,217,391
	6,763,970	6,570,188	6,080,178	6,005,102
	30,876,106	29,853,609	29,595,243	28,887,169
	88,158,770	83,339,988	76,903,463	78,338,337
\$	<u>270,815,540</u>	<u>\$ 257,272,272</u>	<u>\$ 243,752,324</u>	<u>\$ 237,809,058</u>
	1.47%	1.46%	1.42%	1.43%

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

	Calendar Year Ended December 31				
	2021	2020	2019	2018	2017
AVERAGE EFFECTIVE RATE (3)					
Personal Income Tax Revenue (1)	\$ 7,531,598	\$ 6,534,602	\$ 4,531,546	\$ 5,010,333	\$ 4,545,242
Personal Income (2)	403,739,312	375,601,287	340,259,805	316,896,302	299,249,152
Average Effective Rate (3)	1.87%	1.74%	1.33%	1.58%	1.52%
TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)					
\$0 - \$27	2.59%	2.59%	2.59%	2.59-2.88%	2.59-2.88%
\$27 - \$55	3.34%	3.34%	3.34%	3.36%	3.36%
\$55 - \$166	4.17%	4.17%	4.17%	4.24%	4.24%
\$166 and over	4.50%	4.50%	4.50%	4.54%	4.54%

- (1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
- (2) Personal income is reported on a calendar basis. Years 2012 through 2021 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
- (3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (4) Income ranges shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house. Taxable income ranges fluctuate annually; the amounts listed are for the latest calendar year.

Source: Arizona Department of Revenue Annual Reports/Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2020 AND 2012 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2020			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
FEDERAL ADJUSTED GROSS INCOME LEVEL (3)				
\$50 and under	2,156,519	61.60%	\$ 485,173	8.18%
\$50 - \$100	748,728	21.39%	935,786	15.78%
\$100 - \$500	564,277	16.12%	2,536,358	42.76%
\$500 and over	31,265	0.89%	1,973,942	33.28%
Total	3,500,789	100.00%	\$ 5,931,259	100.00%

- (1) The taxable year 2020 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 2020, filed from January 2021 forward (or 2012, filed from January 2013 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

	2016	2015	2014	2013	2012
\$	4,131,621	\$ 3,968,883	\$ 3,761,764	\$ 3,463,266	\$ 3,398,902
	282,085,147	270,815,540	257,272,272	243,752,324	237,809,058
	1.46%	1.47%	1.46%	1.42%	1.43%
	2.59-2.88%	2.59-2.88%	2.59-2.88%	2.59-2.88%	2.59-2.88%
	3.36%	3.36%	3.36%	3.36%	3.36%
	4.24%	4.24%	4.24%	4.24%	4.24%
	4.54%	4.54%	4.54%	4.54%	4.54%

Taxable Year Ended December 31, 2012

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,822,168	67.11%	\$ 438,961	13.08%
556,719	20.50%	722,977	21.55%
321,602	11.84%	1,326,538	39.54%
14,840	0.55%	866,498	25.83%
<u>2,715,329</u>	<u>100.00%</u>	<u>\$ 3,354,974</u>	<u>100.00%</u>

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year				
	2022	2021	2020	2019	2018
GOVERNMENTAL ACTIVITIES:					
Revenue bonds	\$ 1,365,585	\$ 1,872,630	\$ 2,100,710	\$ 2,366,595	\$ 2,371,765
Grant anticipation notes	163,705	184,460	204,220	223,885	177,420
Certificates of participation	217,410	839,825	958,270	1,393,865	1,585,995
Direct placements	73,320	4,005	4,010	—	—
Capital lease obligations (3,4)	—	123,489	136,745	152,153	189,581
Installment purchase contracts	—	—	—	—	—
Financed purchases (4)	99,460	—	—	—	—
Notes payable	—	—	—	—	—
Premiums and discounts on debt	258,691	395,907	452,932	444,111	453,713
Deferred amount on refundings (2)	—	—	—	—	—
Total Governmental Activities	2,178,171	3,420,316	3,856,887	4,580,609	4,778,474
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	3,676,945	3,616,395	3,243,430	3,296,480	3,109,245
Certificates of participation	245,145	289,610	307,510	451,831	502,636
Direct placements	234,280	247,785	239,605	—	—
Capital lease obligations (4)	—	107,091	117,336	124,952	131,134
Installment purchase contracts	—	21	42	62	769
Financed purchases (4)	68,631	—	—	—	—
Notes payable	—	—	13,542	13,999	—
Premiums and discounts on debt	437,174	460,199	410,283	361,083	342,647
Deferred amount on refundings (2)	—	—	—	—	—
Total Business-type Activities	4,662,175	4,721,101	4,331,748	4,248,407	4,086,431
Total Primary Government	\$ 6,840,346	\$ 8,141,417	\$ 8,188,635	\$ 8,829,016	\$ 8,864,905
Debt as a Percentage of					
Personal Income (1)	1.7%	2.2%	2.4%	2.8%	3.0%
Amount of Debt per Capita (1)	\$ 940	\$ 1,134	\$ 1,158	\$ 1,267	\$ 1,289

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (1) See Schedule 20 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 2022 contains data for the calendar year ending December 31, 2021.
- (2) Implementation of GASB Statement No. 65 in fiscal year 2014 required the amortization of deferred amount on refundings to be reported as deferred outflow of resources.
- (3) For fiscal year 2014, capital leases related to private prisons were restated due to a correction of an error.
- (4) As a result of implementation of GASB Statement No. 87 in fiscal year 2022, previously reported capital lease obligations are now reported as financed purchases.

Fiscal Year

	2017	2016	2015	2014, as restated	2013
\$	2,640,330	\$ 2,899,875	\$ 3,141,190	\$ 3,406,195	\$ 3,606,720
	129,475	147,320	194,670	247,710	296,240
	1,804,395	1,891,460	2,030,805	2,200,675	2,360,595
	—	—	—	—	—
	215,084	334,909	408,784	423,513	360,316
	—	176	349	—	—
	—	—	—	—	—
	22,179	22,179	22,179	89,865	105,817
	516,456	492,349	492,048	427,865	474,747
	—	—	—	—	(19,945)
	<u>5,327,919</u>	<u>5,788,268</u>	<u>6,290,025</u>	<u>6,795,823</u>	<u>7,184,490</u>
	3,010,525	2,701,665	2,675,430	2,302,035	2,237,710
	557,506	600,556	637,986	676,345	714,735
	—	—	—	—	—
	134,399	141,117	168,960	132,957	135,519
	1,460	2,114	2,805	4,098	5,758
	—	—	—	—	—
	—	—	—	—	—
	325,412	268,474	231,178	130,315	123,051
	—	—	—	—	(46,096)
	<u>4,029,302</u>	<u>3,713,926</u>	<u>3,716,359</u>	<u>3,245,750</u>	<u>3,170,677</u>
\$	<u>9,357,221</u>	<u>\$ 9,502,194</u>	<u>\$ 10,006,384</u>	<u>\$ 10,041,573</u>	<u>\$ 10,355,167</u>

3.3% 3.5% 3.9% 4.1% 4.4%

\$ 1,376 \$ 1,415 \$ 1,507 \$ 1,530 \$ 1,591

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2022	\$ 3,319,149	\$ 265,532	\$ 156,000	\$ 109,532	4.70 %
2021	3,148,936	251,915	148,000	103,915	4.70
2020	2,967,391	237,391	136,500	100,891	4.60
2019	2,680,000	214,400	120,600	93,800	4.50
2018	2,520,000	201,600	113,400	88,200	4.50
2017	2,311,364	184,909	101,700	83,209	4.40
2016	2,152,083	172,167	103,300	68,867	4.80
2015	2,044,231	163,538	106,300	57,238	5.20
2014	1,844,828	147,586	107,000	40,586	5.80
2013	1,710,909	136,873	94,100	42,773	5.50

- (1) For fiscal years 2013 through 2022, projections are based upon the University's fiscal years 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, and 2024-2027 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2022	\$ 2,302,174	\$ 184,174	\$ 105,900	\$ 78,274	4.60 %
2021	2,197,778	175,822	98,900	76,922	4.50
2020	2,273,469	181,878	111,400	70,478	4.90
2019	2,146,000	171,680	107,300	64,380	5.00
2018	2,034,000	162,720	101,700	61,020	5.00
2017	1,954,000	156,320	97,700	58,620	5.00
2016	1,902,083	152,167	91,300	60,867	4.80
2015	1,856,098	148,488	76,100	72,388	4.10
2014	1,739,216	139,137	88,700	50,437	5.10
2013	1,683,019	134,642	89,200	45,442	5.30

- (1) For fiscal years 2013 through 2022, projections are based upon the University's fiscal years 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, and 2024-2027 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2022	\$ 640,351	\$ 51,228	\$ 36,500	\$ 14,728	5.70 %
2021	568,750	45,500	36,400	9,100	6.40
2020	619,565	49,565	28,500	21,065	4.60
2019	586,000	46,880	29,300	17,580	5.00
2018	591,304	47,304	27,200	20,104	4.60
2017	572,340	45,787	26,900	18,887	4.70
2016	534,694	42,776	26,200	16,576	4.90
2015	514,673	41,174	22,800	18,374	4.43
2014	485,265	38,821	24,700	14,121	5.09
2013	453,039	36,243	24,600	11,643	5.43

- (1) For fiscal years 2013 through 2022, projections are based upon the University's fiscal years 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, and 2024-2027 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2022	\$ 820,170	\$ 96,925	\$ 40,608	\$ 137,533	5.96
2021	749,986	92,545	47,652	140,197	5.35
2020	682,308	87,150	55,529	142,679	4.78
2019	656,751	78,670	65,562	144,232	4.55
2018	624,919	76,125	68,104	144,229	4.33
2017	610,998	74,855	68,419	143,274	4.26
2016	589,476	70,195	74,248	144,443	4.08
2015	566,352	61,660	75,937	137,597	4.12
2014	537,768	58,485	80,495	138,980	3.87
2013	524,291	60,540	78,198	138,738	3.78

- (1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.
- (2) Includes vehicle license tax revenues distributed directly to the State Highway Fund.

STATE OF ARIZONA
SCHEDULE 15
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2022	\$ 443,462	\$ 105,775	\$ 23,923	\$ 129,698	3.42
2021	371,847	113,290	30,423	143,713	2.59
2020	326,546	107,950	35,763	143,713	2.27
2019	311,188	104,685	39,031	143,716	2.17
2018	290,949	68,270	31,411	99,681	2.92
2017	274,553	67,495	33,257	100,752	2.73
2016	262,969	65,585	38,001	103,586	2.54
2015	254,921	70,940	32,652	103,592	2.46
2014	243,829	58,600	44,988	103,588	2.35
2013	227,832	55,870	47,721	103,591	2.20

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA
SCHEDULE 16
PLEDGED-REVENUE COVERAGE
LOTTERY REVENUE BONDS (2)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2022	\$ —	\$ —	\$ —	\$ —	—
2021	282,242	22,245	12,265	34,510	8.18
2020	217,237	24,210	10,302	34,512	6.29
2019	225,981	22,050	15,453	37,503	6.03
2018	207,505	21,025	16,476	37,501	5.53
2017	193,255	20,065	17,437	37,502	5.15
2016	200,769	19,205	18,297	37,502	5.35
2015	172,108	18,305	19,194	37,499	4.59
2014	174,374	17,445	20,055	37,500	4.65
2013	174,373	16,790	20,710	37,500	4.65
2012	96,200	—	20,709	20,709	4.65

(1) Pledged revenues consist of lottery revenue deposited to the Lottery Fund net of operating expenses of the lottery.
(2) The Lottery Revenue Bonds were defeased during fiscal year 2022 thus eliminated the underlying pledged revenue and debt service obligations of the State.

STATE OF ARIZONA
SCHEDULE 17
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service					
		Net Payments				Total	Coverage
		Principal	Interest	(Receipts) On Swap Agreements			
2022	\$ 2,156,182	\$ 59,710	\$ 82,423	\$ 1,944	\$ 144,077	14.97	
2021	1,928,224	51,480	76,719	2,664	130,863	14.73	
2020	1,899,631	47,815	72,081	2,735	122,631	15.49	
2019	1,781,282	43,940	67,070	1,525	112,535	15.83	
2018	1,647,622	36,065	59,178	1,901	97,144	16.96	
2017	1,555,687	30,185	57,740	2,472	90,397	17.21	
2016	1,450,651	40,155	47,148	2,991	90,294	16.07	
2015	1,300,624	45,650	50,246	3,393	99,289	13.10	
2014	1,161,306	44,770	43,623	3,507	91,900	12.64	
2013	1,047,661	33,965	41,477	3,631	79,073	13.25	

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, net investment income, and indirect cost recovery revenue.

STATE OF ARIZONA
SCHEDULE 18
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
				2022	\$ 1,948,649	\$ 1,833,632	
2021	1,713,216	1,612,848	100,368	37,760	49,530	87,290	1.15
2020	1,875,602	1,745,107	130,495	39,360	57,227	96,587	1.35
2019	1,837,801	1,670,427	167,374	34,925	57,305	92,230	1.81
2018	1,752,904	1,618,246	134,658	34,725	51,893	86,618	1.55
2017	1,721,399	1,490,565	230,834	33,080	49,394	82,474	2.80
2016	1,684,171	1,451,735	232,436	25,205	45,534	70,739	3.29
2015	1,567,859	1,374,458	193,401	21,575	37,732	59,307	3.26
2014	1,400,095	1,261,247	138,848	22,600	38,250	60,850	2.28
2013	1,356,478	1,199,559	156,919	21,895	34,556	56,451	2.78

(1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds only since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Fiscal Year	(1), (2)		Debt Service			Coverage
	Gross Revenues	Principal	Interest	Total		
2022	\$ 329,082	\$ 13,995	\$ 17,318	\$ 31,313	10.51	
2021	335,155	14,160	17,481	31,641	10.59	
2020	354,613	15,685	17,811	33,496	10.59	
2019	363,737	14,510	22,197	36,707	9.91	
2018	355,778	12,175	22,677	34,852	10.21	
2017	345,708	11,790	22,831	34,621	9.99	
2016	323,986	6,500	23,149	29,649	10.93	
2015	303,860	8,015	20,310	28,325	10.73	
2014	283,468	6,615	17,305	23,920	11.85	
2013	263,733	6,610	15,474	22,084	11.94	

- (1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.
- (2) Fiscal year 2013 gross revenue was revised by NAU in fiscal year 2014.
- (3) Fiscal year 2015 gross revenue was revised by NAU in fiscal year 2016.

STATE OF ARIZONA
SCHEDULE 20
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate
December 31				
2021	7,276,316	\$ 403,739,312	\$ 55,487	2.9
2020	7,177,986	375,601,287	52,327	6.3
2019	7,070,511	340,259,805	48,124	4.5
2018	6,969,944	316,896,302	45,466	4.9
2017	6,879,830	299,249,152	43,497	4.6
2016	6,801,591	282,085,147	41,473	5.0
2015	6,714,328	270,815,540	40,334	5.5
2014	6,638,196	257,272,272	38,756	6.2
2013	6,563,216	243,752,324	37,139	7.0
2012	6,507,351	237,809,058	36,545	7.9

- (1) These are midyear population estimates of the U.S. Bureau of the Census.
- (2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.
- (3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Office of Employment and Population Statistics at Arizona Department of Administration (for unemployment rate).

STATE OF ARIZONA
SCHEDULE 21
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2021 (1)			Calendar Year Ended December 31, 2012		
	Total Full-Time Count of Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	40,265	1	1.15 %	52,076	1	1.72 %
Banner Health	39,094	2	1.11	25,126	3	0.83
Walmart Inc.	36,995	3	1.05	31,837	2	1.05
Wells Fargo & Co.	16,300	4	0.46	13,679	5	0.45
City of Phoenix	14,499	5	0.41	14,983	4	0.50
Arizona State University	13,070	6	0.37	12,222	8	0.40
Maricopa County	13,019	7	0.37	13,308	6	0.44
Dignity Health Arizona	12,485	8	0.36	—	—	—
Intel Corp.	11,553	9	0.33	—	—	—
HonorHealth	11,292	10	0.32	—	—	—
Bank of America	—	—	—	12,500	7	0.41
Raytheon Co.	—	—	—	11,500	9	0.38
JP Morgan Chase & Co.	—	—	—	11,407	10	0.38
Total	<u>208,572</u>		<u>5.93 %</u>	<u>198,638</u>		<u>6.56 %</u>

(1) Beginning with Calendar Year December 31, 2017, the Phoenix Business Journal has requested total full-time and part-time employee counts from employers (the part-time employee counts are not reported in this schedule). Previously, the full-time equivalent totals were requested.

Source: Arizona State University Annual Comprehensive Financial Report 2022

STATE OF ARIZONA
SCHEDULE 22
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2022

	Fiscal Year					
	2022	2021	2020	2019	2018	2017
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	98.8	98.8	98.8	98.8	98.8	98.8
Arizona State Retirement System	240.9	240.9	240.9	245.9	250.9	250.9
Department of Revenue	880.8	880.8	880.8	880.8	880.8	880.8
All other	2,456.4	2,456.4	2,452.4	2,325.4	2,321.4	2,280.4
Health and welfare:						
Department of Economic Security (2)	4,381.8	4,377.8	4,377.8	4,323.8	4,289.4	4,218.0
Department of Child Safety (2)	3,193.1	3,193.1	3,193.1	3,193.1	3,193.1	3,057.1
Arizona Health Care Cost Containment System	2,339.3	2,339.3	2,339.3	2,339.3	2,326.3	2,326.3
Department of Health Services	1,119.5	1,125.0	1,130.5	1,100.0	1,065.5	1,036.5
All other	1,211.6	1,211.6	948.6	947.6	959.6	961.6
Inspection and regulation	1,554.7	1,555.7	1,548.7	1,534.2	1,563.7	1,651.4
Education:						
Universities	17,457.1	17,538.6	17,538.6	17,680.4	17,239.3	16,721.0
All other	913.9	913.9	894.9	889.9	844.9	843.9
Protection and safety:						
Department of Corrections, Rehabilitation & Reentry	9,566.0	9,566.0	9,566.0	9,556.0	9,541.0	9,540.0
Department of Juvenile Corrections	738.5	738.5	738.5	738.5	738.5	738.5
Department of Public Safety	2,014.7	2,014.7	2,014.7	1,966.7	1,945.7	1,908.7
All other	98.1	95.1	101.1	99.1	98.6	98.6
Department of Transportation	4,554.0	4,554.0	4,554.0	4,552.0	4,552.0	4,552.0
Natural resources	801.2	801.2	801.2	795.2	795.2	733.5
Total	53,620.4	53,701.4	53,419.9	53,266.7	52,704.7	51,898.0

- (1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.
- (2) The change in fiscal year 2015 full-time equivalent employees was primarily due to the result of a division within the Department of Economic Security being established as the Department of Child Safety.

Source: The Executive Budget (Detail). Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year			
2016	2015	2014	2013
98.8	98.8	98.8	97.8
250.9	246.9	246.9	233.9
880.8	880.8	861.8	860.3
2,331.6	2,308.6	2,229.6	2,214.4
4,147.7	3,882.6	5,654.1	5,453.5
3,057.1	3,045.1	—	—
2,214.3	2,208.3	2,217.3	2,217.3
1,176.7	1,176.7	1,176.7	1,176.7
961.6	949.6	946.6	946.6
1,656.4	1,650.4	1,643.9	1,649.8
15,635.7	15,635.7	15,607.7	15,478.7
843.9	840.9	838.9	834.4
9,534.0	9,534.0	9,384.0	10,118.2
738.5	738.5	738.5	738.5
1,907.7	1,907.7	1,904.7	1,903.7
98.6	97.6	95.6	90.1
4,548.0	4,548.0	4,548.0	4,548.0
733.5	730.5	716.5	716.5
<u>50,815.8</u>	<u>50,480.7</u>	<u>48,909.6</u>	<u>49,278.4</u>

STATE OF ARIZONA
SCHEDULE 23
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2022

	Fiscal Year					
	2022	2021	2020	2019	2018	2017
<u>FUNCTIONS/PROGRAMS</u>						
General government:						
Number of tax returns received (in millions)	6.6	6.8	6.1	6.4	6.4	6.0
Health and welfare:						
Arizona Health Care Cost Containment System membership (2)	2,411,057	2,236,003	1,994,632	1,872,169	1,849,093	1,922,724
Average monthly number of recipients of temporary assistance for needy families	12,947	15,640	14,430	14,154	16,195	18,762
Average monthly number of persons receiving food stamp benefits	842,247	930,130	831,903	824,197	875,241	946,184
Inspection and regulation:						
Nonfatal occupational injuries and illnesses:						
Total recordable cases (in thousands) (3)	67.3	68.8	74.7	69.6	67.2	64.4
Incident rate per 100 full-time workers (3)	3.0	3.1	3.2	3.1	3.0	3.1
Education:						
Public school enrollment, grades K-12 (4)	1,114,790	1,097,762	1,128,939	1,120,146	1,093,867	1,110,425
Protection and safety:						
Number of miles patrolled by the Highway Patrol	19,030,955	19,954,464	19,076,187	20,262,923	19,976,488	18,771,511
State prison adult inmate population	33,371	35,954	40,151	42,312	42,113	42,200
Transportation:						
Number of registered vehicles (5)	7,764,367	7,444,032	7,828,255	7,863,112	8,518,715	8,247,514
Number of driver licenses issued (6)	5,850,390	5,873,322	5,678,867	5,369,964	5,285,723	5,165,719
Natural resources:						
Game and Fish Department's license and tag sales (7)	533,480	592,633	670,781	552,770	530,500	519,555
Universities:						
University full-time equivalent students (8)	195,722	190,600	184,561	176,594	170,861	165,536
Unemployment compensation:						
Number of initial unemployment claims filed (9)	150,330	443,841	873,422	197,855	214,590	223,084

- (1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which ceased operations on December 31, 2013.
- (3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2022 contains data for the calendar year ending December 31, 2021. 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 2022 contains data from the October 1, 2021 enrollment figures.
- (5) Count represents the total number of vehicles registered as of the end of the fiscal year. In fiscal year 2020, ADOT implemented a new system which improved reporting and lowered the count over the prior year. Reporting in prior years included an unassigned category for unregistered vehicles such as disability placards for tracking purposes.
- (6) Through fiscal year 2014, count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30. Beginning fiscal year 2015, count represents the total number of driver licenses.
- (7) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2022 contains data for the calendar year ending December 31, 2021. Beginning fiscal year 2016, total number of tag sales was not available.
- (8) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2022 contains data for the fall 2021 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.
- (9) The number of unemployment claims increased significantly in fiscal year 2020 as a direct result of the COVID-19 pandemic effect on the economy and employment.

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

Fiscal Year			
2016	2015	2014	2013
5.9	5.7	5.7	5.5
1,849,578	1,709,550	1,508,690	1,318,650
22,171	27,272	32,888	39,050
980,536	1,027,845	1,070,674	1,116,068
65.0	65.4	70.6	66.5
3.1	3.2	3.5	3.4
1,105,592	1,098,701	1,084,276	1,077,703
19,843,962	19,280,016	19,222,811	18,914,572
42,902	42,611	41,773	40,273
7,970,946	7,694,309	7,453,046	7,180,797
5,083,085	4,979,520	1,188,903	1,159,695
524,781	726,285	822,923	848,617
158,681	148,819	141,264	136,884
223,141	229,770	257,951	261,418

STATE OF ARIZONA
 SCHEDULE 24
CAPITAL ASSET STATISTICS BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS
 FISCAL YEAR ENDED JUNE 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016
Protection and safety:							
Number of adult prison facilities (2)	9	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	9,415	9,449	6,822	6,822	6,775	6,780	6,822
Number of bridges (1)	4,927	4,920	4,900	4,860	4,855	4,810	4,858
Natural resources:							
State Trust acres	9,188,113	9,186,793	9,207,861	9,207,430	9,215,392	9,215,795	9,216,213
Universities:							
Number of facilities (3)	1,263	1,251	1,242	1,238	1,251	1,267	1,268
Gross square feet (in thousands) (3)	51,291	50,322	49,247	48,693	48,248	47,437	44,665

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, and other business-type activity functions.

- (1) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report. In fiscal year 2021, new equipment was used resulting in a revision of center lane miles.
- (2) The Arizona Department of Corrections, Rehabilitation & Reentry also contracts with private prison facilities to provide custody and treatment. In FY22, the State prison complex in Florence was closed due to the facility's old age. The prisoners were moved to a private prison.
- (3) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, Corrections, Rehabilitation & Reentry, and the Universities.

Fiscal Year		
2015	2014	2013
10	10	10
6,800	6,800	6,751
4,798	4,787	4,754
9,217,704	9,223,617	9,223,873
1,258	1,212	1,705
46,054	44,658	41,141

ACKNOWLEDGMENTS

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

Neil Broadstock, MBA, CPA, CMA, CGFM Janette Wallin, CPA, CGFM

Tami Schuler, MEd, CGFM Juvy Shoopman, MS, CPA

Christopher Lesure, MBA, CPA Alexander Halliman, MS

Melody Dickinson

Special acknowledgment goes to:

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