

**REPORT  
HIGHLIGHTS**

**FINANCIAL STATEMENT AUDIT**

**Subject**

The Arizona State Treasurer's Office provides financial services to state agencies, counties, community college districts, tribal governments, cities, and towns by safekeeping investments, investing monies on deposit with the Treasurer, and distributing monies, as necessary, to these entities. The Treasurer is responsible for preparing annual financial statements, maintaining strong internal controls, and demonstrating accountability for custody of public monies. As the auditors, our job is to determine whether the Treasurer's Office has met its responsibilities.

**Our Conclusion**

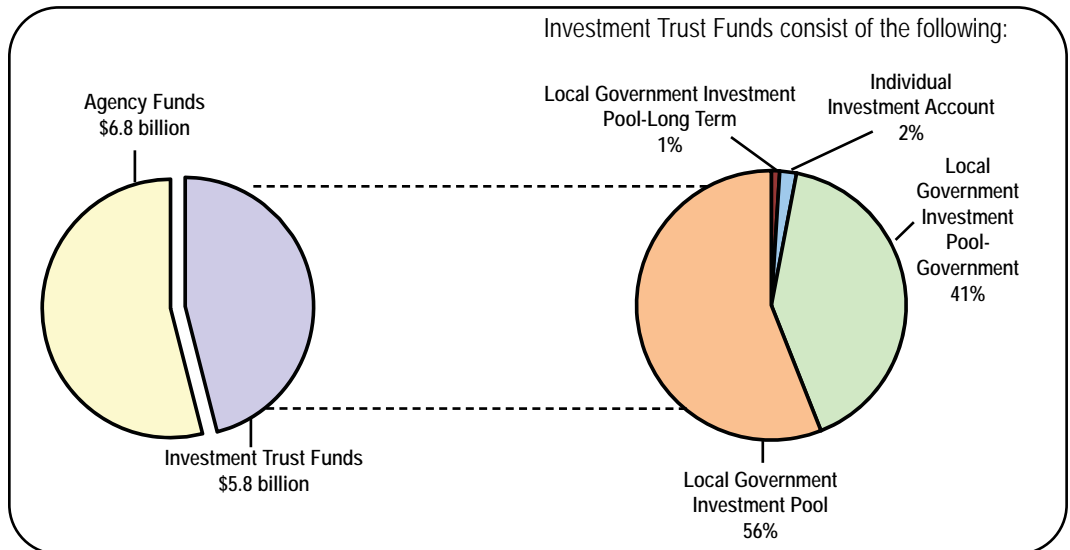
The information in the Treasurer's financial statements is reliable. The financial statements present the fiscal year-end balances of investments purchased by the Treasurer's Office on behalf of the State and other governmental entities and assets held for state agencies, commissions, boards, and other governments in an agency capacity.



2008

Year Ended June 30, 2008

**Treasurer's Office Manages  
the State's and Local  
Government Investments**



As of June 30, 2008, the Treasurer's Office had investments totaling \$12.6 billion; 45.7 percent was held in investment trusts, and 54.3 percent was held in an agency capacity. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the Treasurer holds for state departments, agencies, commissions, boards, and other governments in an agency capacity. Investment Trust Funds account for pooled and nonpooled assets held and invested by the Treasurer on behalf of state agencies and other governmental entities using the economic resources measurement focus. The investment trust funds consist of three investment pools and one individual investment account, which have been grouped as follows:

- *The Local Government Investment Pool (LGIP)* was the largest with over \$3.2 billion. It accounts for monies that

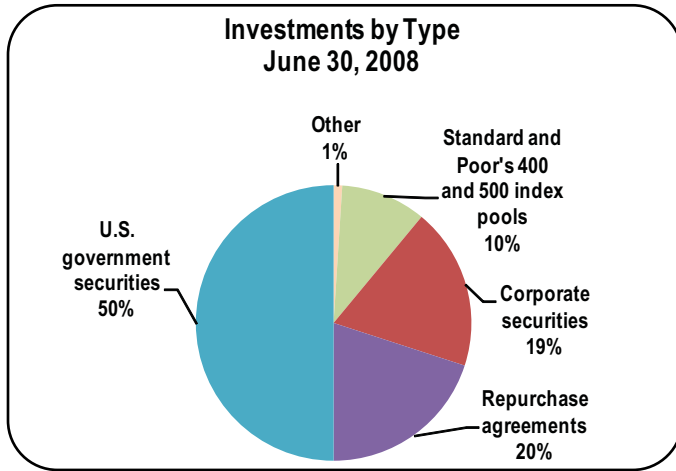
Arizona cities, towns, counties, and political subdivisions have asked the Treasurer to invest for them, as well as investments of state monies.

- *The Local Government Investment Pool—Government* accounts for over \$2.3 billion invested for Arizona local government entities and state monies. This pool was established under the same administrative rules as the LGIP, but pooled investments are limited to those securities that carry the full faith and credit of the United States government.
- *The Local Government Investment Pool—Long-Term* accounts for over \$54 million invested for the longer-term investment needs of Arizona cities, towns, counties, and political subdivisions.
- *The Individual Investment Account* includes more than \$113 million in investments purchased on behalf of the Central Arizona Water Conservation District.

# Treasurer Diversifies Security Types to Reduce Risk

Arizona law only allows the Treasurer to invest in certain types of securities as described below. As shown in the figure below, the Treasurer's Office invests primarily in U.S. government securities,

repurchase agreements, and corporate equity stocks and securities, which at June 30, 2008, represented \$12.4 billion, or 99 percent, of the \$12.6 billion in investments that the Treasurer manages.



## TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



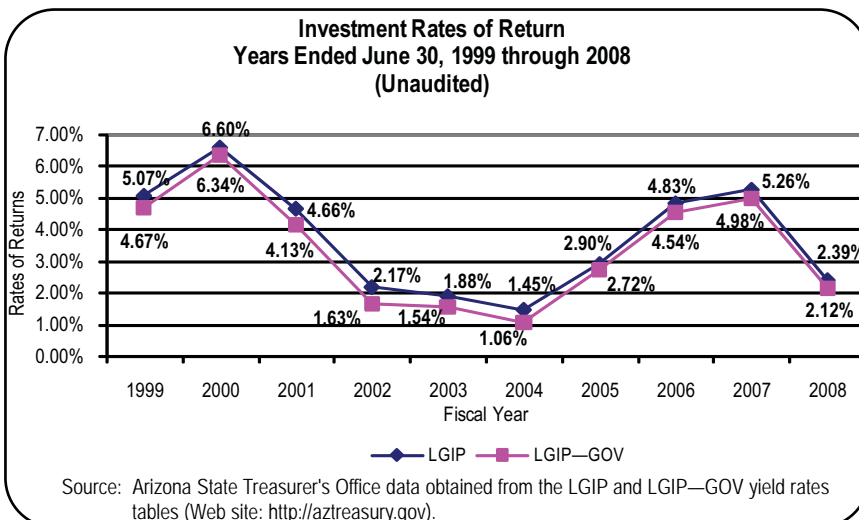
or by visiting our Web site at:  
[www.azauditor.gov](http://www.azauditor.gov)

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# Investment Rates of Return Declined in Fiscal Year 2008

Because of the decline in the economy and lower yield rates in fiscal year 2008, the investment rates of return declined. The figure below shows the Treasurer's rates of return for the Local Government Investment Pool (LGIP) and Local Governmental Investment Pool—Government (LGIP—GOV) for the years ended June 30, 1999 through 2008. The LGIP earned its highest rate of return of

6.6 percent in fiscal year 2000 and its lowest of 1.45 percent in fiscal year 2004. The LGIP—GOV also had its highest rate of return of 6.34 percent in fiscal year 2000 and its lowest of 1.06 percent in fiscal year 2004. The LGIP—GOV has been expected to and has earned lower rates of return than the LGIP because of the decreased credit risk associated with governmental securities.



## REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2008