

REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Our Conclusion

The Office of the Arizona State Treasurer is responsible for preparing annual financial statements, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the Treasurer's Office's financial statements annually. Information in the Treasurer's Office's financial statements will also be incorporated in the State of Arizona's Comprehensive Annual Financial Report. A summary of the investments the Treasurer's Office manages is presented in these report highlights.

Based on our audit, we issued a report that included our opinion on the Treasurer's Office's financial statements and a report on its internal control and compliance. The information in the Treasurer's Office's fiscal year 2015 financial statements is reliable. Our report on internal control and compliance did not include any reported deficiencies in the Treasurer's Office's internal control or compliance over financial reporting.



2015

Year Ended June 30, 2015

Treasurer's Office manages the State's and local governments' investments

As of June 30, 2015, the Treasurer's Office had investments totaling \$13.3 billion. Approximately 21 percent, or \$2.9 billion, was held in investment trust funds, and approximately 79 percent, or \$10.4 billion, was held in agency funds.

The investment trust funds account for pooled and nonpooled monies held in trust and invested in debt securities by the Treasurer's Office on behalf of state agencies and local governments, such as cities and towns, special taxing districts, counties, and community colleges. The Treasurer's Office's financial statements show the investment trust funds' changes in net position as a result of investing. Those funds consist of four investment pools and one individual investment account, as follows and as shown in the figure below:

Local Government Investment Pool (LGIP)—accounts for nearly \$1.1 billion in short-term investments.

Local Government Investment Pool—Full Faith and Credit Gov—accounts for approximately \$1.1 billion in short-term investments. This pool was established under the same administrative rules as the LGIP, but pooled investments are limited to those securities that are explicitly guaranteed by the U.S. government.

Individual Investment Account—has nearly \$310 million in investments that generally mature within 5 years, and were purchased on behalf of the Central Arizona Water Conservation District.

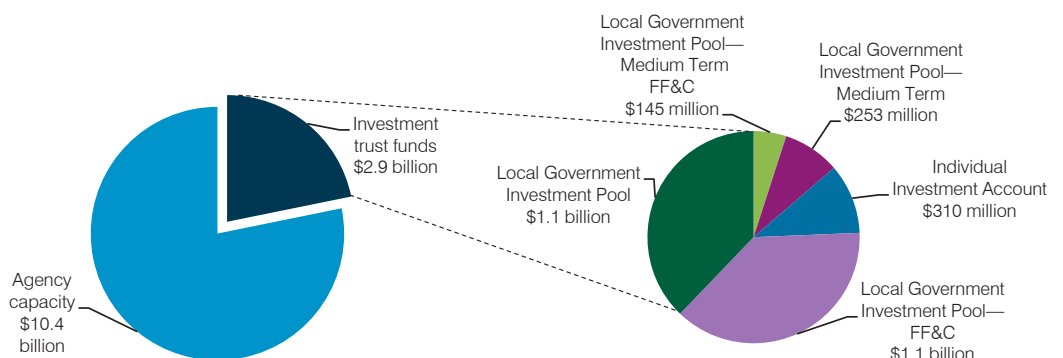
Local Government Investment Pool—Medium Term—accounts for nearly \$253 million in investments that generally mature within 5 years.

Local Government Investment Pool—Medium Term FF&C—accounts for \$145 million in investments that generally mature within 5 years, and are explicitly guaranteed by the U.S. government.

Monies held in an agency capacity are held and invested for custodial reasons. These monies are held for the State's departments, agencies, commissions, and boards and for local governments.

Total investments of \$13.3 billion June 30, 2015

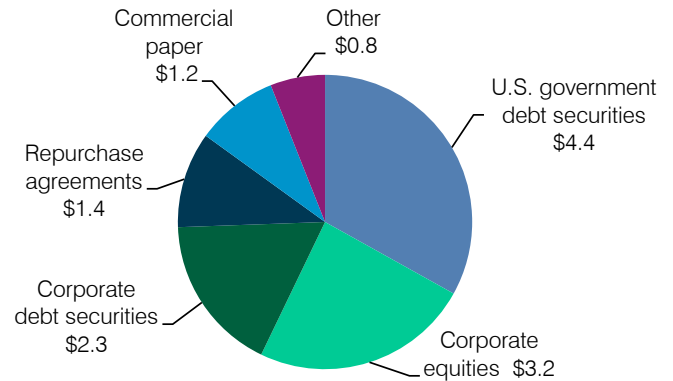
Investment trust funds consisted of the following:



Treasurer diversifies security types to reduce risk

Arizona law allows the Treasurer's Office to invest in only certain types of securities. As shown in the figure to the right, the Treasurer's Office invested in U.S. government debt securities, corporate equities, corporate debt securities, repurchase agreements, commercial paper, and other allowable investments, which at June 30, 2015, totaled \$13.3 billion.

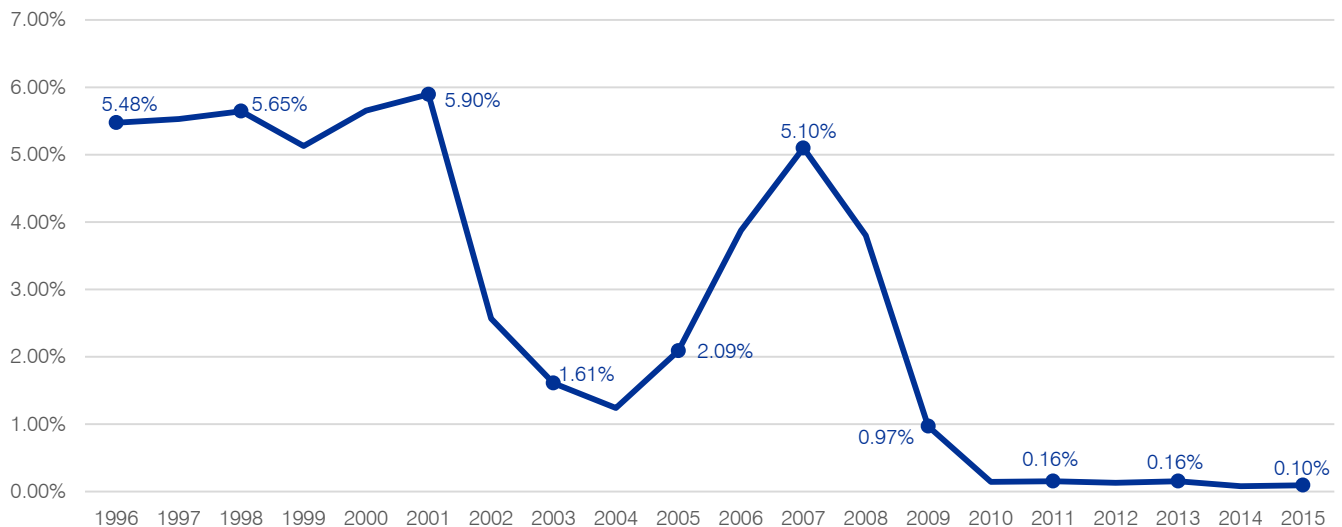
**Total investments by type totaling \$13.3 billion
June 30, 2015
(In billions)**



Investment yields flat from fiscal years 2010 through 2015

The figure below shows 20 years of the Treasurer's average investment yields for its two largest investment trust fund pools. These are the Local Government Investment Pool (LGIP) and Local Government Investment Pool—FF&C (LGIP-Gov), which as of June 30, 2015, totaled approximately \$2.2 billion in shorter-term investments with maturities not exceeding 18 months. The average maturities for these pools are generally 90 days or less. Since fiscal year 2009, when investment yields dropped below 1 percent, they have remained flat, reflecting the slow growth in the U.S. economy.

**Average yields
Fiscal years 1996 through 2015
(Unaudited)**



Source: Auditor General staff summary of information obtained from the Treasury's "LGIP Yields" reports and <http://aztreasury.gov>.