

Office of the Arizona State Treasurer

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 financial statements annually. Information in the Treasurer’s Office 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.

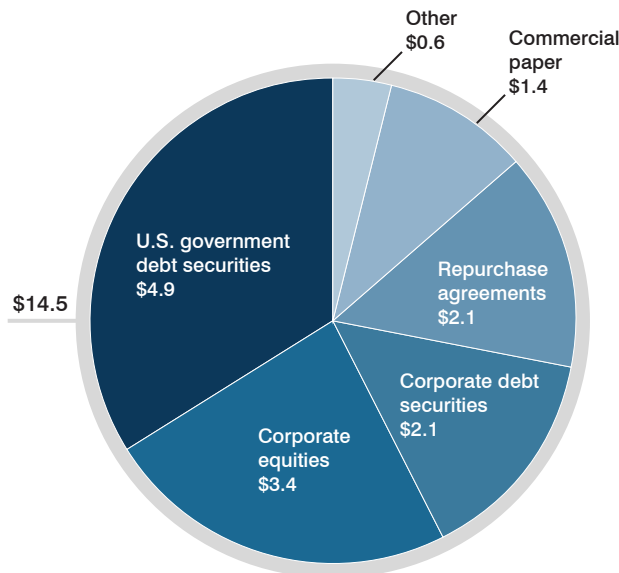
Based on our audit, we issued an opinion on the Treasurer’s Office financial statements and issued a report on its internal control and compliance over financial reporting. The information in the Treasurer’s Office fiscal year 2017 financial statements is reliable. Our report on internal control and compliance did not include any reported weaknesses in the Treasurer’s Office internal control or instances of noncompliance over financial reporting.

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

The Treasurer’s Office is responsible for holding and investing monies on behalf of state agencies and local governments such as cities and towns, special taxing districts, counties, and community colleges. As of June 30, 2017, the Treasurer’s Office held and invested approximately \$14.5 billion in various investment types, as explained below. Within its financial statements, investments totaling \$11.1 billion were reported as agency funds. These are held in an agency capacity and invested for custodial reasons for the State’s departments, agencies, commissions, and boards and for local governments. The remaining investments totaling \$3.4 billion were reported in investment trust funds, which are described on the following page.

Treasurer diversifies investment types to reduce risk—Arizona law allows the Treasurer’s Office to invest in only certain investment types. As shown in the figure below, 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, 2017, totaled \$14.5 billion.

Total investments by type
June 30, 2017
 (In billions)



Investment type definitions

- Other**
 Various investments allowed under state law, such as certificates of deposit or money market mutual funds.
- Commercial paper**
 Short-term borrowing instruments, like promissory notes, issued by a corporation or financial institution.
- Repurchase agreements**
 Short-term borrowing instruments where government debt securities are sold and repurchased and serve as collateral.
- Corporate debt securities**
 Borrowing instruments, such as bonds and notes, issued by a corporation and backed by its assets.
- Corporate equities**
 Stocks or shares that signify ownership in a corporation.
- U.S. government debt securities**
 Borrowing instruments, such as bonds or notes, issued by a U.S. government agency or authority, including U.S. Treasury securities.

Investment trust funds

A primary function of the Treasurer's Office is to manage external investment pools and an external individual account. These investments are reported in the Treasurer's Office investment trust funds and totaled \$3.4 billion as of June 30, 2017. The table below describes the investment trust funds investment pools and individual account:

Investment trust funds investment pools/individual account

June 30, 2017

(In billions)

Investment pools/individual account	Description	Total amount invested
Local Government Investment Pool (LGIP)	Short-term pooled investments with maturities not exceeding 18 months.	\$ 1.2
Local Government Investment Pool—Full Faith and Credit Gov (FF&C)	Short-term pooled investments, like the LGIP, except that debt securities must be limited to those the U.S. government explicitly guaranteed.	1.4
Individual Investment Account	Investments that generally mature within 5 years and were purchased on the Central Arizona Water Conservation District's behalf.	0.4
Local Government Investment Pool—Medium Term	Pooled investments that generally mature within 5 years.	0.2
Local Government Investment Pool—Medium Term FF&C	Pooled investments that generally mature within 5 years except that debt securities must be limited to those the U.S. government explicitly guaranteed.	0.2
Total investment trust funds investments		\$3.4

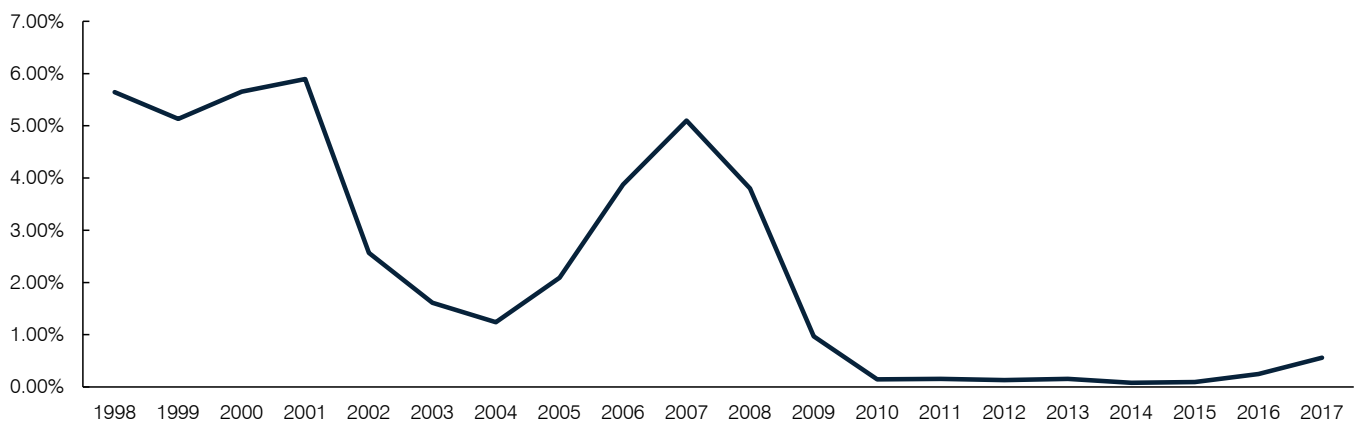
Investment yields increased during 2017

As shown in the figure below, the Treasurer's Office average investment yield for its two largest investment trust funds' investment pools increased during 2017. The two largest pools are the Local Government Investment Pool and Local Government Investment Pool—FF&C, which, as of June 30, 2017, totaled approximately \$2.6 billion in shorter-term investments with maturities not exceeding 18 months. The average maturities for these pools are generally 90 days or less.

Average yields

Fiscal years 1998 through 2017

(Unaudited)



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