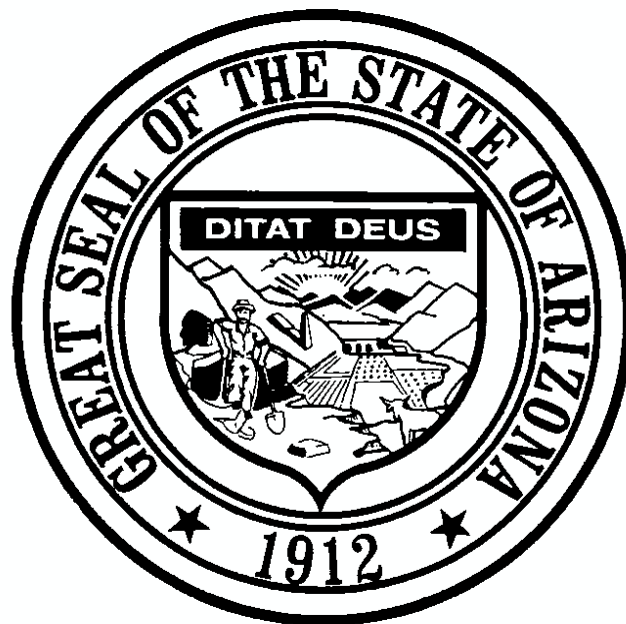


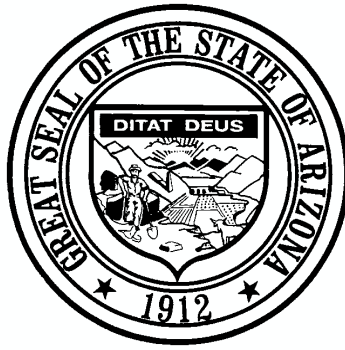
STATE OF ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023



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



**Elizabeth
Alvarado-Thorson**
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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November 7, 2024

The Honorable Katie Hobbs,
Governor of the State of Arizona;
Members of the Legislature;
Ann A. Scott Timmer, 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, 2023. 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. A.R.S. § 41-1279.03 requires at least an annual financial and 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.

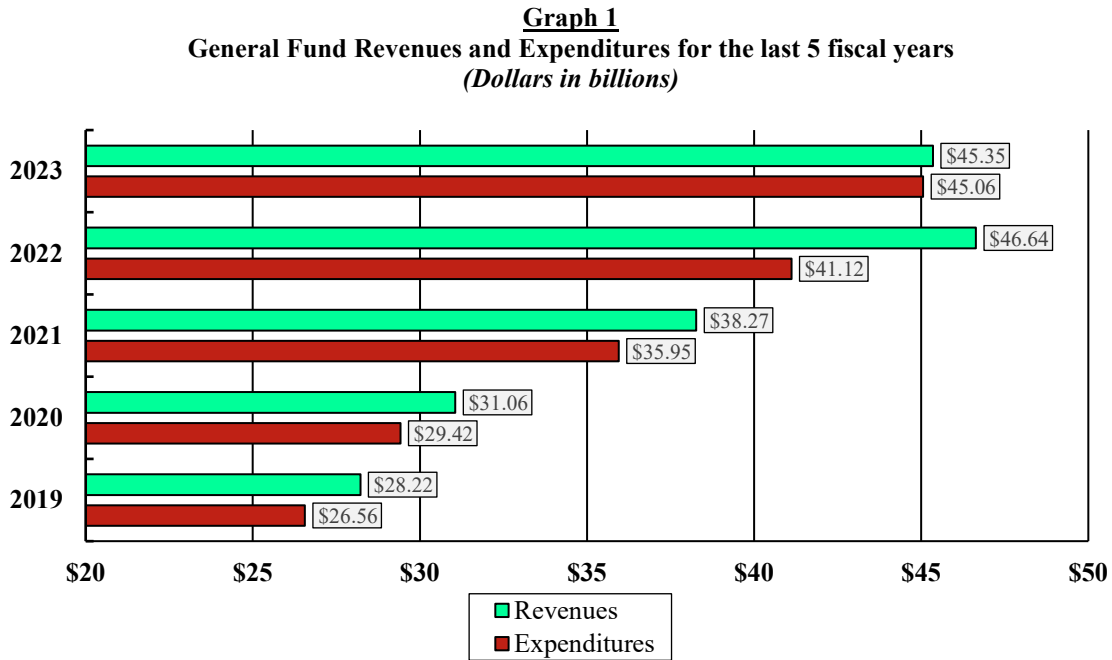
The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education,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

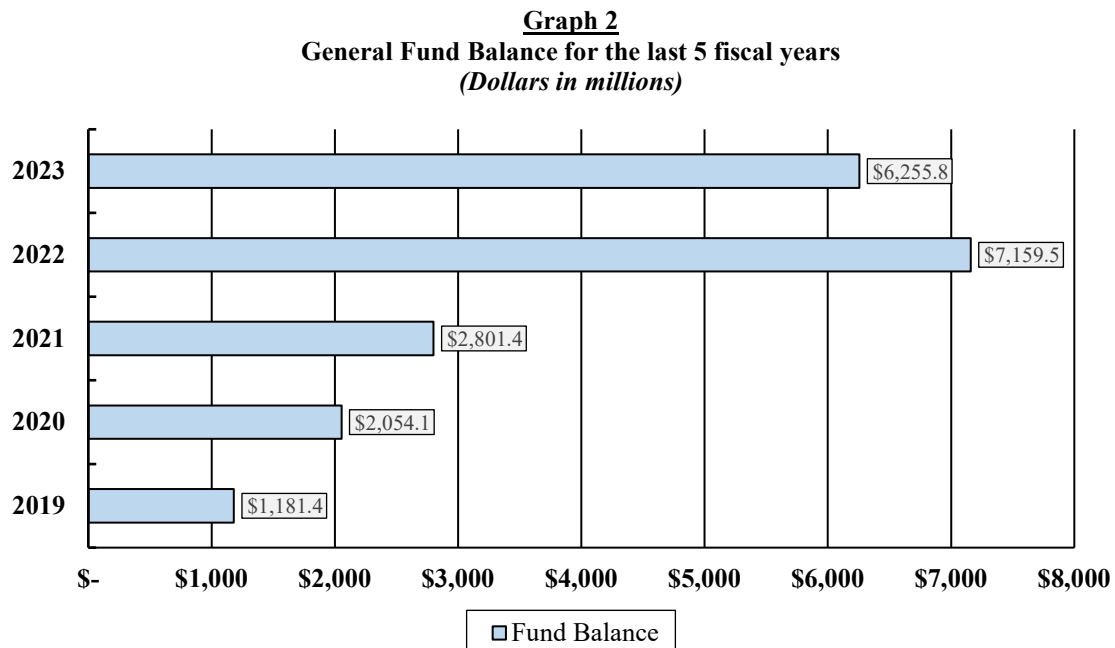
GENERAL FUND BALANCE

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.



The General Fund ended the June 30, 2023 fiscal year with a total fund balance of \$6.3 billion. This compares to the previous year's total fund balance of \$7.2 billion.

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



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is based on the Industry and Occupation Employment Projections released on February 22, 2024, by the Office of Economic Opportunity.

The employment projections estimation methodology is described below:

- The short-term employment projections are calculated for a period of eight quarters, or two years from a specified base period
 - Historic Quarter 2 2023 employment data are used as the base period
 - Employment was estimated for the Quarter 2 2025 projected period
- Projected employment estimates rely on historical employment trends, which are then refined through a review of current U.S. and Arizona economic trends
- The principal data source used to create the employment projections is the Quarterly Census of Employment and Wages (QCEW) data program
 - Near census of all employment subject to unemployment insurance tax law (92%-95% of total Arizona employment)
 - QCEW is more accurate than other data sources, though data is released less often and with a larger lag time (6-7 months after reference period ends)
- In the QCEW data series, government employment is categorized in the industry that best describes the business activity
 - For example, surgeons working at a public hospital are classified in the health care industry
- This differs slightly from the Current Employment Statistics (CES) monthly data series which categorizes government employment in the government industry sector, regardless of business activity
 - For example, surgeons working at a public hospital are classified in the government industry

Additional employment data is included from a number of different sources to capture employment not included in the QCEW data series

- Projection Estimates **Include**:
 - Nonfarm employment
 - Self-employed workers
 - Private household workers
 - Railway workers
 - Religious organization employees
 - Farm workers
- Projection 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 102,656 jobs or 1.5% annually, to 3,514,910 jobs in Quarter 2 2025 from 3,412,254 jobs in Quarter 2 2023
- Eleven of the twelve industry sectors are projected to add jobs
- Education and Health Services is projected to add the largest number of jobs (36,443 jobs, or 2.6% annualized growth)
- Construction is projected to record the largest percentage gain, growing 3.3% annually (14,288 jobs)
- Natural Resources and Mining is projected to record a loss (-217 jobs, or -0.2% annualized growth)

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

Arizona Supersector Employment (2023 to 2025)

Employment Supersectors	Numeric Change	Percentage Change
Education and Health Services	36,443	2.6%
Trade Transportation and Utilities	15,414	1.2%
Leisure and Hospitality	14,538	1.9%
Construction	14,288	3.3%
Professional and Business Services	7,952	0.8%
Manufacturing	4,985	1.3%
Self Employed	3,354	0.7%
Other Services	2,281	1.1%
Financial Activities	1,748	0.4%
Government	1,423	0.4%
Information	447	0.4%
Natural Resources and Mining	-217	-0.2%

MAJOR INITIATIVES

The Major Initiatives for the year ended June 30, 2023, were as follows:

Education

- Continued commitment to education funding
 - Raised per-pupil funding level to \$14,482 (\$6,846 in state funding)
 - Grew state investment in public education to \$10,900,000,000
- Used federal recovery monies to support student achievement
 - \$3,600,000,000 in federal aid via the American Rescue Plan Act (ARPA), Coronavirus Aid, Relief and Economic Security (CARES) Act, and the Governor's Emergency Education Relief I and II to schools, with over \$400,000,000 for use by the Arizona Department of Education (ADE) to address statewide education needs
 - \$163,000,000 for Education Plus-Up
 - \$10,000,000 for Educational Recovery Benefit Grants
 - \$8,800,000 for Project Momentum Schools
 - \$8,600,000 for Targeted Literacy Initiatives
 - \$3,500,000 for Black Mothers Forum Microschools
 - \$3,000,000 for A for Arizona Expansion and Innovation Fund
 - \$500,000 for Teach for America in Arizona

- School Choice
 - Student Transportation: \$20,000,000 to continue investments in remote and hard-to-reach communities
 - Open Enrollment: \$150,000 to enable State Board of Education to fulfill statutory requirements to promote and educate families on open enrollment options in education
 - Empowerment Scholarship Account Appeals: \$74,200 to expand State Board of Education's capacity to conduct hearings of appeals
- Accountability and Growth
 - Statewide Assessment: \$5,000,000 increase to address shortfall between the ADE and vendors to ensure statewide assessments meet state and federal requirements
 - Charter Schools: \$462,000 to provide salary increases to recruit, train, and retain skilled staff for the State Board of Charter Schools
- Investing in School Building Renewal
 - Building Renewal Grants (BRG)
 - \$183,300,000 in one-time funding to bring total BRG capacity to \$200,000,000
 - \$93,100,000 for a FY 2022 supplemental appropriation
 - New School Construction: \$89,500,000 for construction of 3 new and 4 in-progress schools

Higher Education

- Restoring Science, Technology, Engineering, and Mathematics (STEM) and Workforce Funding
 - \$10,800,000 ongoing funding to restore STEM and Workforce formula funding for Maricopa, Pima, and Pinal community colleges; making formula funding permanent
- State Support for Rural Community Colleges
 - \$7,000,000 in aid to the 10 rural community college districts to cover costs of maintenance, operations, and new initiatives
- Arizona Workforce Accelerators
 - \$30,000,000 in State and Local Fiscal Recovery Funds/ARPA funds to establish 6 advanced manufacturing training centers at community colleges statewide
- Expanding Accessibility to University Education
 - Arizona Promise Program: \$12,500,000 to expand the program to serve 3,300 additional students
 - Arizona Teacher's Academy: \$15,000,000 to sustain and grow the program, which supplies Arizona with skilled and talented teachers
 - Diversity of Thought and Instruction: \$5,000,000 to accommodate enrollment growth and new programs at freedom schools at the 3 Arizona universities; \$2,800,000 at the Arizona State University (ASU), \$365,000 at the Northern Arizona University (NAU), and \$1,800,000 at the University of Arizona (U of A)

Public Safety

- Law Enforcement
 - Fill Staff Positions: \$10,100,000 for the Department of Public Safety (DPS) to fill positions held vacant to cover various equipment and inflationary costs
 - Provided funding for 57 Full Time Equivalent (FTE) State Trooper positions and 12 FTE Forensic Scientist positions
 - Cadet Housing Costs: \$476,000 to pay for 7 months of housing for approximately 34 cadets while they are trained at the Phoenix Regional Police Academy
 - Vehicle Replacement: \$11,700,000 one-time funding for the DPS to replace at least 276 vehicles

- Border Security Fund Deposit
 - \$209,200,000 one-time distribution to the Department of Emergency and Military Affairs (DEMA) including the following key areas:
 - \$20,000,000 to Cochise County for jail construction costs
 - \$15,000,000 to reimburse counties for the Immigration and Customs Enforcement program participation costs
 - \$10,000,000 for deposit into the Antihuman Trafficking Grant Fund
 - \$2,000,000 for the DPS Arizona Counter Terrorism Information Center
 - \$8,000,000 for grants of up to \$500,000 to local law enforcement agencies engaging in human trafficking reduction programs
 - \$30,000,000 to distribute to cities, towns, and counties for costs of prosecuting and imprisoning individuals charged w/ border-related crimes
 - \$10,000,000 for costs incurred by the Arizona National Guard in the Southern Arizona Border Region
 - \$10,000,000 for emergency health care and testing for immigrants at the southern border
 - \$15,000,000 for transportation of individuals seeking asylum in other U.S. states
 - \$53,400,000 to distribute to the Arizona Department of Administration (ADOA) for deputy sheriff compensation
 - \$800,000 for the chain of command in the Arizona State Guard
 - \$15,000,000 to distribute to the DPS for construction of a southern border coordinated response center
- Border Drug Interdiction/Enhanced Border Security
 - Border Drug Interdiction
 - \$9,000,000 and 21.5 FTE positions ongoing for the DPS
 - \$11,000,000 for additional local border support to target drug and human trafficking organizations and activities along the Arizona-Mexico border
 - Helicopter Replacement: \$13,500,000 to support the DPS helicopter replacement and up-fitting
 - \$10,900,000 to purchase a new helicopter
 - \$2,600,000 to up-fit a recently purchased helicopter
- Public Safety Technology
 - The DPS Public Services Portal: \$3,000,000 to extend Public Services Portal to Applicant Processing Team, 30-Day Impounds, Criminal History Records, and Student Transportation; provide additional functionality

Corrections

- Inmate Health Care
 - \$70,000,000 to enhance health care for inmates via a new privately contracted vendor
- Operational Enhancements
 - \$116,700,000 to engage in Enterprise Compensation Strategy: Salary increases for key agency positions (such as Correctional Officers)
 - \$11,700,000 for the Department of Corrections, Rehabilitation and Reentry (DCRR):
 - Security Equipment: \$2,600,000 to purchase 21 body scanners to improve contraband detection and security
 - Fleet Replacement: \$9,100,000 (\$7,500,000 General Fund plus \$1,600,000 Other Funds) to purchase 50 vehicles for Community Corrections and to replace 10% of the oldest vehicles and equipment

- Infrastructure
 - Building Renewal: \$36,400,000 to fully fund DCRR building renewal formula
 - HVAC Replacement: \$47,600,000 to begin installing traditional A/C in state-owned complexes
 - Fire and Life Safety: \$20,400,000 for critical fire and life safety improvements at DCRR facilities
- Other Agencies
 - Courts: \$1,200,000 for 2.5% increase in adult and juvenile probation officer Personal Services and Employee Related Expenditures
 - Department of Liquor Licenses and Control: \$1,300,000 to expand investigations unit and improve investigator-to-license ratio
 - Arizona Criminal Justice Commission: \$6,200,000 (\$2,000,000 General Fund plus \$4,200,000 Other Funds) to increase support for Arizona crime victims
- Pension Liability
 - FY 2022 One-Time Deposit: \$1,200,000,000 deposit into Public Safety Personnel Retirement System (PSPRS) and pension reforms to improve accountability, actuarial assumptions, stress testing, and transparency
 - \$1,100,000,000 General Fund plus \$15,000,000 Game and Fish Fund

Health and Welfare

- Medicaid caseload and Federal Medical Assistance Percentage (FMAP) Changes
 - Arizona Health Care Cost Containment System (AHCCCS) Caseload Costs: \$319,200,000 ongoing to address:
 - 9.1% Medicaid population decrease in FY 2023
 - Per-member-per-month cost growth of 3.7% in FY 2022 and 4.6% in FY 2023
 - 76.2% FMAP in Quarters 1-3 FY 2022; 70% in Quarter 4 FY 2022; and 69.6% in federal FY 2023
- Home and Community-Based Services
 - AHCCCS: \$516,700,000 increase in federal expenditure authority in FY 2023; supplemental increase of \$396,300,000 for FY 2022
 - Department of Economic Security (DES): \$396,300,000 increase in federal expenditure authority in FY 2023; supplemental increase of \$246,500,000 for FY 2022 for:
 - Parents enrolled in Arizona Long Term Care System (ALTCS) as paid caregivers (plus creation of the “Parent University”)
 - Home and Community-Based Services (HCBS) improvement grants to providers, health systems, and vendors for programmatic improvements
 - Improving data collection on program performance
 - Workforce development initiatives, including a caregiver career pathway platform, Career and Technical Education for direct care workers, extra provider payments, incentive payments to providers, and a direct care worker credentialing process
 - Information Technology (IT) system upgrades for HCBS providers, ALTCS, Division of Developmental Disabilities (DDD), and AHCCCS
 - Expanding services for DDD members and HCBS providers
 - Other initiatives
- American Indian Health Programs: Serious Mental Illness (SMI) Integration
 - \$178,600 increase in ongoing funding for 7 FTE positions to support the transition of behavioral health services for American Indian SMI members from Regional Behavioral Health Authorities to the AHCCCS Division of Fee-for-Service Management
- Department of Health Services (DHS)
 - Arizona State Hospital (ASH)

- Operating Shortfall: \$7,200,000 (\$6,900,000 General Fund plus \$300,000 Other Funds) to:
 - Hire additional staff and address increases in contracted pharmaceutical, dietary, legal, and maintenance costs
 - Address ASH campus IT projects, including software operating licenses, ongoing hardware replacement, and WIFI expansion
 - \$5,600,000 General Fund FY 2023 supplemental appropriation included in the FY 2024 enacted budget to address operating shortfall attributable to higher-than-anticipated registry staffing and pharmacy costs
- Hiring Bonuses: \$705,000 from the General Fund to provide targeted hiring bonuses for nurses, behavioral technicians, and therapy specialists
- Surveillance System: \$7,100,000 to complete replacement of video surveillance systems and related equipment and to pay for ongoing audio-video storage
- Nursing Facility Projects: \$770,000 for special projects, training, and equipment purchases approved by the Federal Centers for Medicare and Medicaid Services and used to enhance care and services provided at nursing facilities statewide, including:
 - Patient Access Final Rule Compliance (\$270,000 General Fund plus \$2,000,000 federal authority)
 - Prepaid Medical Management Information System (PMMIS) Replacement (\$500,000 General Fund plus \$9,000,000 federal authority)
- Alzheimer's Disease research: \$3,600,000 General Fund to provide grant funding to the Arizona Alzheimer's Consortium (AAC), which provides grants to universities, hospitals, and centers researching causes of Alzheimer's and related diseases
- Assistance to Children, Families, and At-Risk Adults
 - Department of Child Safety (DCS)
 - Enhancing Foster and Kinship Care
 - Daily allowance: \$4,800,000 General Fund ongoing plus \$1,800,000 Other Funds to increase daily allowances (from \$1.41 to \$2.82) for children in out-of-home placements
 - Kinship Care stipend: \$19,800,000 General Fund in FY 2023 to increase the daily stipend for unlicensed kinship care from \$2.47 to \$10
 - Healthy Families AZ: \$10,000,000 General Fund for program expansion in FY 2023, increasing capacity by 1,500 families by the end of the fiscal year
 - Supplemental increase of \$3,300,000 for FY 2022 to fully fund adoption subsidies for 34,473 children
 - Court Appointed Special Advocate Volunteer Retention: \$959,000 Other Funds to support 14 FTE Volunteer Coordinator positions and 1 FTE Volunteer Retention Specialist
 - DES
 - Adult Protective Services reporting growth: \$11,200,000 General Fund and 95 FTE positions to reduce caseload numbers to sustainable levels
 - Arizona Early Intervention Program provider rate increase: \$3,400,000 General Fund and \$6,300,000 in federal funding to increase provider rates
 - Reducing Recidivism | Second Chance Centers: \$1,400,000 to continue reentry programs, namely, Therapeutic Communities and Prison in Reach
 - Friends of the Farm: \$500,000 to support this program, which creates new markets for small Arizona farmers and growers and supports families in need

Natural Resources

- Water
 - Drought Contingency
 - Assured and adequate water supply: \$317,200 General Fund to support 3 new positions in the Assured and Adequate Water Supply Program to meet increased demand
 - Water Quality
 - \$6,400,000 General Fund for the Water Quality Fee Fund to support surface-water protection, groundwater monitoring, and drinking water quality programs
 - Other Water initiatives
 - Floodplain management: \$91,600 and 1 FTE to add a position for the Arizona Department of Water Resources (ADWR) floodplain management activities
 - Game and Fish Drought Mitigation: \$1,500,000 Other Funds one-time to enhance preservation and protection of state wildlife challenged by drought conditions, redevelop critical water catchments, replace equipment, etc.
- Fire Management and Healthy Forests
 - Fire Suppression
 - \$730,000 General Fund to engage in Good Neighbor Authority agreements with the federal government
 - \$65,000,000 in additional funding to the Department of Forestry and Fire Management (DFFM) to prepare for and respond to wildfires and reimburse local firefighting partners
 - Biomass Recovery: \$1,000,000 transfer from the Department of Environmental Quality (DEQ) Recycling Fund to DFFM to provide grants to businesses to recover and process biomass waste
- Arizona State Parks and Trails (ASTP)
 - One-time transfer of \$38,200,000 in transaction privilege tax (TPT) to the ASTP Revenue Fund for FY 2023

Government that Works

- Cybersecurity
 - Homeland Security Cybersecurity Initiatives: \$4,200,000 of Other Funds and 4 FTE to expand the State's cybersecurity office, purchase software, and deploy tools to maximize cybersecurity
 - Statewide Cyber Readiness Grant Program: \$10,000,000 and 1 FTE at the Department of Homeland Security, and 1 FTE at the ADOA to provide cybersecurity tools and training to local governments and school districts
- Internal Technology Advancements
 - Agency System Upgrades:
 - Arizona Financial Information System (AFIS) Upgrade Phase II: \$1,500,000 to complete phase II of this project
 - Payroll System Modernization: one-time transfer of \$22,400,000 from the Personnel Division Fund to the Automation Projects Fund (APF) to begin phase I of this project, which replaces the State's legacy enterprise HR/Payroll system
 - Tax System Modernization: \$15,800,000 in one-time deposits from the General Fund and Integrated Tax System Project Fund to the APF to develop and implement Business Reengineering/Integrated Tax System (BRITS) replacement
 - Department of Revenue IT Staffing: \$3,500,000 General Fund to support salaries and equipment for 12 additional staff
 - Water Resources IT Projects: \$1,700,000 to modernize the ADWR IT infrastructure

- Licensing Initiatives: \$680,000 one-time and \$417,000 ongoing to facilitate board and commission transitions to the Thentia eLicensing platform
 - PMMIS Replacement | System Integration (SI) Provider: \$9,500,000 one-time (\$500,000 General Fund plus \$9,000,000 federal authority) for an SI provider to integrate modules and provide technical oversight for the PMMIS project
- Arizona Open for Business
 - I-10 Expansion: \$450,000,000 in state dedicated funds (\$50,000,000 provided in FY22, \$400,000,000 in new investments) to preserve and expand I-10 between Phoenix and Tucson
- Stewardship of Capital Assets
 - Building System Management
 - System-Wide Building Renewal
 - Fully fund building renewal for various agencies:
 - \$36,400,000 for the DCRR (\$27,000,000 from General Fund)
 - \$2,700,000 for ASPT
 - \$1,500,000 for the Arizona Game and Fish Department (GFD)
 - \$1,000,000 for the Arizona State Fair
 - \$176,400 for the State Lottery Commission
 - \$396,500 for the Pioneers' Home
 - Advancing Arizona's Connected Workforce Initiatives
 - \$1,600,000 for the ADOA to demolish buildings
 - \$52,200,000 (\$47,200,000 General Fund plus \$5,000,000 Other Funds) for ADOA to renovate/restore buildings
- DCRR
 - Fire and Life Safety: \$20,000,000 for critical projects at Lewis, Eyman, Tucson, and Perryville complexes, including replacement of fire alarm and suppression systems, doors, and locks
- DEMA
 - Fire Suppression: \$1,200,000 to upgrade fire suppression systems at state readiness centers; the DEMA leveraged this funding to draw down \$1,200,000 in matching federal funds
- DPS
 - Remote Housing Replacement: \$9,700,000 for the replacement of the DPS trooper housing units past their useful life and development of housing units in remote areas
- Arizona Department of Transportation (ADOT)
 - Building Renewal: \$18,600,000 for the ADOT to replace or repair infrastructure and major building systems
 - Renovate 206 Annex Building: \$9,300,000 to complete renovation
- Other Funding Initiatives
 - Enterprise Compensation Strategy
 - \$277,400,000 for an enterprise compensation package designed to improve recruitment and retention in key positions across the state including the following key areas:
 - \$116,700,000 for targeted salary adjustments at the DCRR
 - \$5,200,000 for salary increases at the Arizona Department of Juvenile Corrections
 - \$24,500,000 for salary increases at the DPS (troopers and targeted lab, IT, and communications division personnel)
 - \$21,300,000 to the DCS and \$18,600,000 to the DES for average increases of 10% for select positions experiencing high rates of turnover and low recruitment

- State Employee Health Insurance
 - \$172,800,000 increase in Health Insurance Trust Fund (HITF) premiums (\$103,200,000 General Fund)
 - \$40,000,000 to backfill tuition costs associated with FY 2023 employer health insurance premium increases at state universities
- Medicaid Fraud Control
 - \$418,400 Other Funds and 8 FTE to expand the Medicaid Fraud Control unit, with agreements in place to secure federal matching funds
- Victims Services
 - \$198,400 and 2 FTE to create additional positions in the Attorney General's Victims Services Program to reduce caseloads, enhance service quality, and reduce turnover
- Elections
 - \$8,000,000 to enable the Secretary of State to:
 - Reimburse counties for costs of producing and mailing sample ballots to households with a registered voter
 - Reimburse counties for costs of certifying petition and referendum signatures
 - For every initiative or referendum, to print and mail publicity pamphlets to households with a registered voter
 - Review and process initiative and referendum signatures

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, 2023, as it did not complete the ACFR within the 12 months after fiscal year end, due to late receipt of external 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.

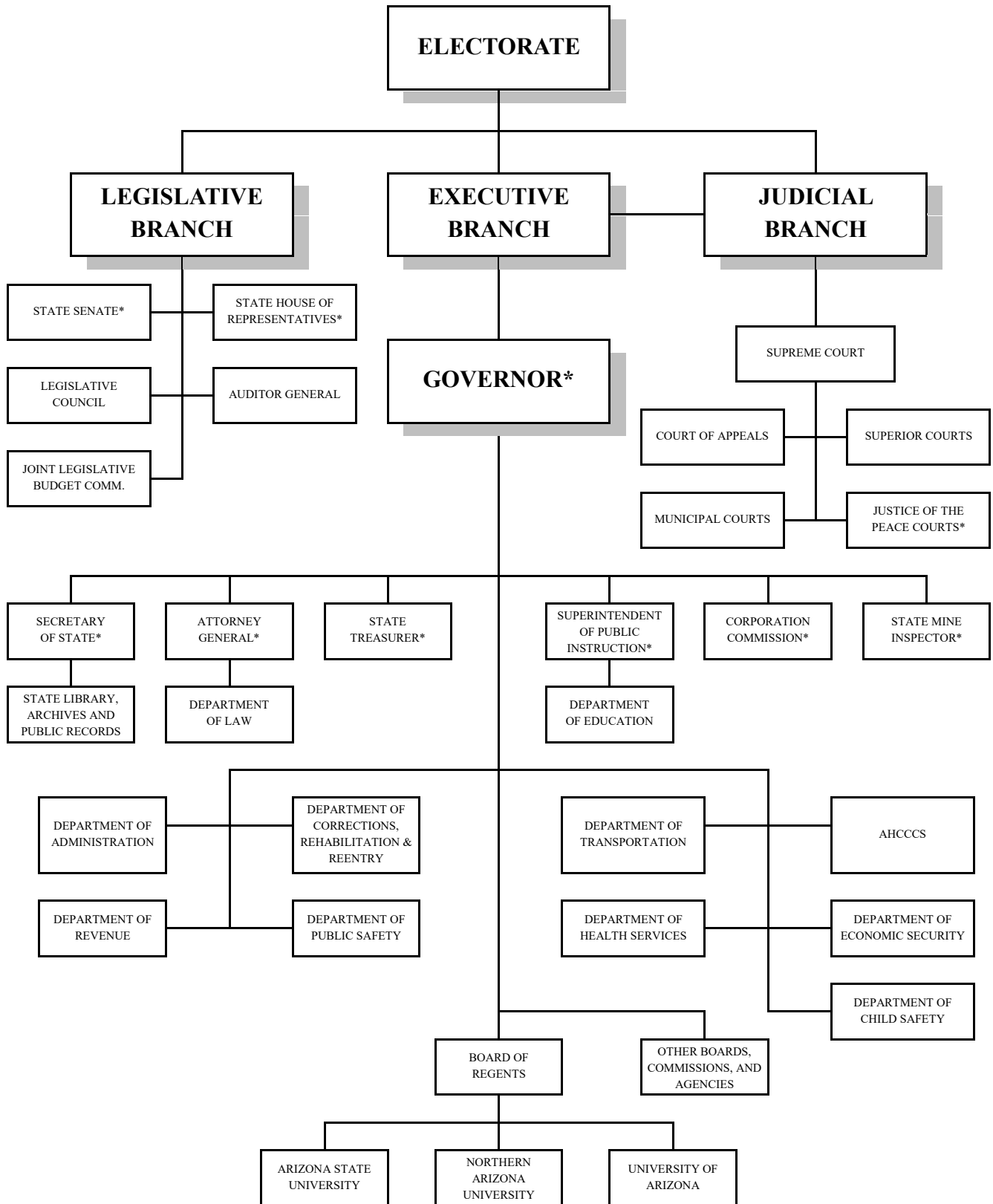


Elizabeth Alvarado-Thorson
Director



Michael Wischart
Deputy Director/State Comptroller

ARIZONA STATE GOVERNMENT ORGANIZATION



*ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2023

ELECTED OFFICIALS – as of June 30, 2023

Katie Hobbs, Governor	Tom Horne, Superintendent of Public Instruction
Senator Warren Petersen, President of the Senate	Jim O'Connor, Chairman – Corporation Commission
Representative Ben Toma, Speaker of the House	Lea Márquez Peterson, Commissioner – Corporation Commission
Adrian Fontes, Secretary of State	Nick Myers, Commissioner – Corporation Commission
Kris Mayes, Attorney General	Kevin Thompson, Commissioner – Corporation Commission
Paul D. Marsh, State Mine Inspector	Anna Tovar, Commissioner – Corporation Commission
Kimberly Yee, State Treasurer	

APPOINTED OFFICIALS – as of June 30, 2023

Executive Officials

Elizabeth Alvarado-Thorson, Director – Department of Administration
Ryan Thornell, Director – Department of Corrections, Rehabilitation & Reentry
Angie Rodgers, 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, Director – Department of Health Services
Carmen Heredia, Director – Arizona Health Care Cost Containment System
Jennifer Toth, Director – Department of Transportation

Judicial Officials

Robert M. Brutinel, Chief Justice – Supreme Court – to July, 2024
Ann A. Scott Timmer, Chief Justice – Supreme Court - current

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council - to July, 2024
Steve Primack, Executive Director – Legislative Council - current
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



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 Ann Timmer, Chief Justice
Arizona Supreme Court

Report on the audit of the financial statements

Qualified and unmodified 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, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Summary of opinions

Opinion Unit	Type of Opinion
Governmental activities	Qualified
Business-type activities	Qualified
Aggregate discretely presented component units	Unmodified
Major fund—General Fund	Qualified
Major fund—Transportation and Aviation Planning, Highway Maintenance and Safety Fund	Unmodified
Major fund—Land Endowments Fund	Unmodified
Major fund—Universities Fund	Unmodified
Aggregate remaining fund information	Qualified

Qualified opinions on the governmental activities, business-type activities, general fund, and aggregate remaining fund information

In our opinion, based on our audit and the reports of the other auditors, except for the possible effects of the matter described in the basis for qualified and unmodified opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, general fund and aggregate remaining fund information of the State as of June 30, 2023, 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.

Unmodified opinions on each of the other opinion units

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 aggregate discretely presented component units and each major fund except the general fund of the State as of June 30, 2023, 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	47.59%	10.24%
Arizona Health Care Cost Containment System	8.48%	37.17%
Early Childhood Development and Health Board	0.51%	0.32%
Business-type activities		
Arizona Correctional Industries	0.31%	0.58%
Arizona State Lottery	1.65%	16.68%
Aggregate discretely presented component units		
Arizona Commerce Authority	3.01%	6.15%
Arizona Department of Insurance and Financial Institutions		
Guaranty Funds	5.13%	0.05%
Arizona Power Authority	0.50%	1.19%
Greater Arizona Development Authority	0.19%	0.02%
Rio Nuevo Multipurpose Facilities District	2.83%	1.14%
Universities—Affiliated Component Units	64.45%	56.09%
Water Infrastructure Finance Authority	22.49%	35.29%

Opinion units affected	Assets and deferred outflows of resources	Revenues, additions, and other financing sources
Fund statements		
Major fund—General Fund		
Arizona Health Care Cost Containment System	28.15%	41.65%
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%	0.20%
Arizona Department of Transportation	0.12%	1.45%
Arizona Health Care Cost Containment System	0.18%	3.69%
Arizona State Lottery	0.29%	5.81%
Arizona State Retirement System	59.60%	26.57%
AZ529	2.20%	0.22%
Corrections Officer Retirement Plan	5.00%	2.33%
Early Childhood Development and Health Board	0.35%	0.68%
Elected Officials' Retirement Plan	0.50%	0.60%
Public Safety Personnel Retirement System	17.65%	9.53%

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 qualified and unmodified 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.

Matters giving rise to the qualified opinions on governmental activities and the general fund

In May 2023, the Arizona Health Care Cost Containment System (AHCCCS) announced its initial findings of credible and willful fraud by sober-living providers across the State. Since then, AHCCCS has suspended more than 300 providers while it and law enforcement agencies complete an investigation. A determination of the amount of fraud or improper payments, potential recovery from the providers, or amount that may be due back to the federal government cannot be made at this time as AHCCCS is still in the process of investigating and working with the Arizona Attorney General's Office for prosecution of substantiated claims, which is a highly complex and manual process and can take many years to finalize. See note 12.G. to the financial statements for further information. As a result of these matters, we and the other auditors were unable to obtain sufficient appropriate audit evidence for AHCCCS' activity included in the State's governmental activities for the other receivables, due to U.S. government, and operating grants and contributions line items and general fund for other receivables, due to U.S. government, and intergovernmental revenue line items as of and for the year ended June 30, 2023. AHCCCS did not make

any financial statement adjustments for potential recoveries because it lacked evidence to complete the determinations necessary to support the amount of monies it would be required to return to the U.S. government. Consequently, we and the other auditors were unable to determine whether any adjustments of these amounts or additional disclosures were necessary.

Matters giving rise to the qualified opinions on business-type activities and the aggregate remaining fund information

The Arizona Department of Economic Security (Department) did not maintain accurate records, such as bank listings and reconciliations, to support cash reported in the State of Arizona's financial statements as of June 30, 2023. Specifically, the Department could not support why its reported cash balance was \$231.1 million less than bank records, and did not determine whether the financial statements needed to be adjusted and if it would be required to return additional monies to the federal government. As a result of these matters, we were unable to obtain sufficient appropriate audit evidence for the Unemployment Compensation Fund activity included in the State's business-type activities and aggregate remaining fund information for cash, due to U.S. government, and net position line items as of and for the year ended June 30, 2023. The Department did not make any related financial statement adjustments because it lacked evidence to reconcile its cash balances to bank records and did not determine whether the financial statements needed to be adjusted and the amount of additional monies, if any, it may be required to return to the U.S. government. Consequently, we were unable to determine whether any adjustments to these amounts or additional disclosures were necessary.

Emphasis of matter

As discussed in Note 1.H and P., Note 4 and Note 8 to the financial statements, for the year ended June 30, 2023, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

As discussed in Note 1.P. and Note 8 to the financial statements, for the year ended June 30, 2023, the State restated beginning net position of the Other Enterprise Funds within the Aggregate Remaining Fund Information opinion unit and the Unemployment Compensation Fund 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	27 - 39
Budgetary comparison schedules	177 - 197
Infrastructure assets	198 - 201
Schedules of the State's proportionate share of the net pension liability—cost-sharing pension plans	202 - 205
Schedules of changes in the State's net pension liability and related ratios—agent pension plans	206 - 209
Schedules of State pension contributions	210 - 215
Notes to required supplementary information—pension plan schedules	216 - 217
Schedule of changes in the State's total OPEB liability and related ratios	218 - 219

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.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

November 7, 2024

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, 2023. 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 \$49.0 billion (reported as net position). Of this amount, a surplus of \$6.7 billion exists for unrestricted net position, \$14.4 billion is restricted for specific purposes (restricted net position), and \$27.9 billion is net investment in capital assets.
- Beginning net position has been restated (increased) by \$9.0 million due to a change in reporting entity, correction of errors, and changes in accounting principle during the current fiscal year as described further in Note 8. After adjustments, the State's total net position increased in fiscal year 2023 by \$2.5 billion. Net position of governmental activities increased by \$1.9 billion, while net position of the business-type activities increased by \$582.2 million.

Fund Level:

- Beginning fund balance has been restated (increased) for governmental funds by \$16.6 million due to a change in accounting principle and a correction of an error as described further in Note 8. After adjustments, the State's governmental funds reported combined ending fund balances of \$19.2 billion, an increase of \$945.2 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$7.9 billion, \$3.1 billion, and \$3.4 billion, respectively, the State's unassigned fund balance had a surplus of \$4.7 billion, or 24.4% of combined fund balances.
- The Land Endowments Fund beginning fund balance has been restated (increased) by \$18.4 million due to a correction of an error as described further in Note 8. After adjustments, the reported fund balance at fiscal year-end was \$7.9 billion, an increase of \$769.1 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 (decreased) for enterprise funds by \$2.6 million due to a change in reporting entity and a correction of an error as described further in Note 8. After adjustments, the enterprise funds reported net position at fiscal year-end of \$5.6 billion, an increase of \$541.7 million during the year.

Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to \$6.4 billion, a decrease of \$410.4 million or (6.0%). Changes during the year included the addition of revenue bonds for \$189.4 million. The State retired \$293.9 million of revenue bonds, \$48.9 million of certificates of participation (COPs), and \$67.3 million of direct placements. The State also defeased \$79.0 million of COPs and \$4.0 million of direct placements. Net issuance premiums increases and decreases were \$19.8 million and \$83.2 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 43**.

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 43-45) 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 47) 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 48-50) 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 Water Infrastructure Finance Authority (WIFA), the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Arizona Finance Authority (AFA), the Arizona Public School Credit Enhancement, the Arizona Commerce Authority, and the Department of Insurance and Financial Institutions Guaranty Funds 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 (ASUEP), the University of Arizona Foundation (U of A 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 47**) and a statement of activities (**page 50**). See **pages 75-80 and 157-173** for more information on discretely presented component units.

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

The fund financial statements begin on **page 52** 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 224** 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 54 and 58-59**) 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 52-53 and 56-57 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 61-62**.

Proprietary fund financial statements can be found on pages 60-65 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 66**. 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 66 and 67 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 75 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 177 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 224 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, 2023 and 2022 (expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 20,308,186	\$ 20,063,611	\$ 3,803,052	\$ 3,485,611	\$ 24,111,238	\$ 23,549,222
Capital assets	27,468,395	26,862,820	7,763,478	7,347,610	35,231,873	34,210,430
Other non-current assets	11,789,026	10,816,578	3,482,200	3,352,007	15,271,226	14,168,585
Total Assets	59,565,607	57,743,009	15,048,730	14,185,228	74,614,337	71,928,237
Deferred outflows of resources	1,114,288	2,181,767	441,968	604,453	1,556,256	2,786,220
Current liabilities	10,160,678	9,912,897	1,768,780	1,531,223	11,929,458	11,444,120
Non-current liabilities	5,484,073	6,322,980	7,210,839	7,018,056	12,694,912	13,341,036
Total Liabilities	15,644,751	16,235,877	8,979,619	8,549,279	24,624,370	24,785,156
Deferred inflows of resources	1,765,807	2,376,079	828,935	1,137,823	2,594,742	3,513,902
Net position:						
Net investment in capital assets	25,282,245	24,388,905	2,595,747	2,422,730	27,877,992	26,811,635
Restricted	11,854,934	11,085,171	2,496,833	2,277,559	14,351,767	13,362,730
Unrestricted	6,132,158	5,838,744	589,564	402,290	6,721,722	6,241,034
Total Net Position	\$ 43,269,337	\$ 41,312,820	\$ 5,682,144	\$ 5,102,579	\$ 48,951,481	\$ 46,415,399

For the year ended June 30, 2023, the State's combined net position totaled \$49.0 billion reflecting an increase of \$2.5 billion during the current fiscal year.

The largest portion of the State's net position (57.0%) represents net investment in capital assets of \$27.9 billion. Additions to land, roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$893.3 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 \$14.4 billion (29.3%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of \$769.8 million is largely a result of a \$675.1 million increase in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund. The business-type activities increase in restricted net position of \$219.3 million is primarily due to an increase of \$170.2 million in the amount restricted for the Unemployment Compensation fund and an increase of \$41.2 million for capital projects. The Unemployment Compensation Fund experienced a higher change in net position than the prior fiscal year due to higher operating revenues relative to operating expenses. The capital projects restricted net position increase is due to the U of A receiving \$41.2 million in non-appropriated revenues from the State for capital improvements.

After accounting for the above net position restrictions, the State has a remaining surplus of \$6.7 billion (13.7%) reported as unrestricted net position.

More detailed information regarding beginning net position restatements is on page 147.

State of Arizona-Primary Government
Changes in Net Position for Fiscal Years Ended June 30, 2023 and 2022
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,738,697	\$ 1,972,826	\$ 5,533,732	\$ 5,157,675	\$ 7,272,429	\$ 7,130,501
Operating grants and contributions	29,289,266	27,058,660	2,325,723	3,351,694	31,614,989	30,410,354
Capital grants and contributions	825,402	780,045	49,338	76,455	874,740	856,500
General revenues:						
Sales taxes	11,352,957	10,981,317	92,055	130,456	11,445,012	11,111,773
Income taxes	7,145,710	8,678,628	—	—	7,145,710	8,678,628
Tobacco taxes	253,326	287,539	—	—	253,326	287,539
Property taxes	37,667	43,278	—	—	37,667	43,278
Motor vehicle and fuel taxes	2,532,374	2,497,258	—	—	2,532,374	2,497,258
Other taxes	995,873	904,528	—	—	995,873	904,528
Unrestricted investment earnings	483,524	(55,401)	132,103	(83,975)	615,627	(139,376)
Unrestricted grants and contributions	29,690	37,860	—	—	29,690	37,860
Gain on sale of trust land	291,245	663,197	—	—	291,245	663,197
Gain (loss) on in-substance defeasance	1,800	(24,475)	—	—	1,800	(24,475)
Gain on termination of lease	23	—	—	—	23	—
Miscellaneous revenue	124,144	167,051	131,467	91,616	255,611	258,667
Total Revenues	<u>55,101,698</u>	<u>53,992,311</u>	<u>8,264,418</u>	<u>8,723,921</u>	<u>63,366,116</u>	<u>62,716,232</u>
Expenses:						
General government	2,051,618	1,295,921	—	—	2,051,618	1,295,921
Health and welfare	29,000,707	26,566,010	—	—	29,000,707	26,566,010
Inspection and regulation	306,417	249,665	—	—	306,417	249,665
Education	11,281,256	9,792,491	—	—	11,281,256	9,792,491
Protection and safety	2,279,959	1,935,823	—	—	2,279,959	1,935,823
Transportation	1,494,140	1,143,401	—	—	1,494,140	1,143,401
Natural resources	485,810	292,800	—	—	485,810	292,800
Intergovernmental revenue sharing	5,356,346	4,844,422	—	—	5,356,346	4,844,422
Interest on long-term debt	49,524	56,581	—	—	49,524	56,581
Universities	—	—	6,805,999	6,244,746	6,805,999	6,244,746
Unemployment compensation (1)	—	—	—	542,802	—	542,802
Other business-type activities	—	—	1,704,063	1,211,075	1,704,063	1,211,075
Total Expenses	<u>52,305,777</u>	<u>46,177,114</u>	<u>8,510,062</u>	<u>7,998,623</u>	<u>60,815,839</u>	<u>54,175,737</u>
Excess (deficiency) before special items, contributions, and transfers	2,795,921	7,815,197	(245,644)	725,298	2,550,277	8,540,495
Special item: Transfer of operations	—	—	67,948	—	67,948	—
Special item: Impairment loss of capital assets	(93,785)	—	—	—	(93,785)	—
Contributions to permanent endowments	—	—	2,623	4,490	2,623	4,490
Transfers	(757,257)	(785,620)	757,257	785,620	—	—
Change in Net Position	1,944,879	7,029,577	582,184	1,515,408	2,527,063	8,544,985
Net Position - Beginning, as restated (2)	41,324,458	34,283,243	5,099,960	3,587,171	46,424,418	37,870,414
Net Position - Ending	<u>\$ 43,269,337</u>	<u>\$ 41,312,820</u>	<u>\$ 5,682,144</u>	<u>\$ 5,102,579</u>	<u>\$ 48,951,481</u>	<u>\$ 46,415,399</u>

(1) The Unemployment Compensation fund was reclassified from a major enterprise fund to a non-major enterprise fund in fiscal year 2023. See Note 8 for further information.

(2) For additional information on the difference between fiscal year 2022 ending net position and fiscal year 2023 beginning net position, see Note 8.

Change in Net Position

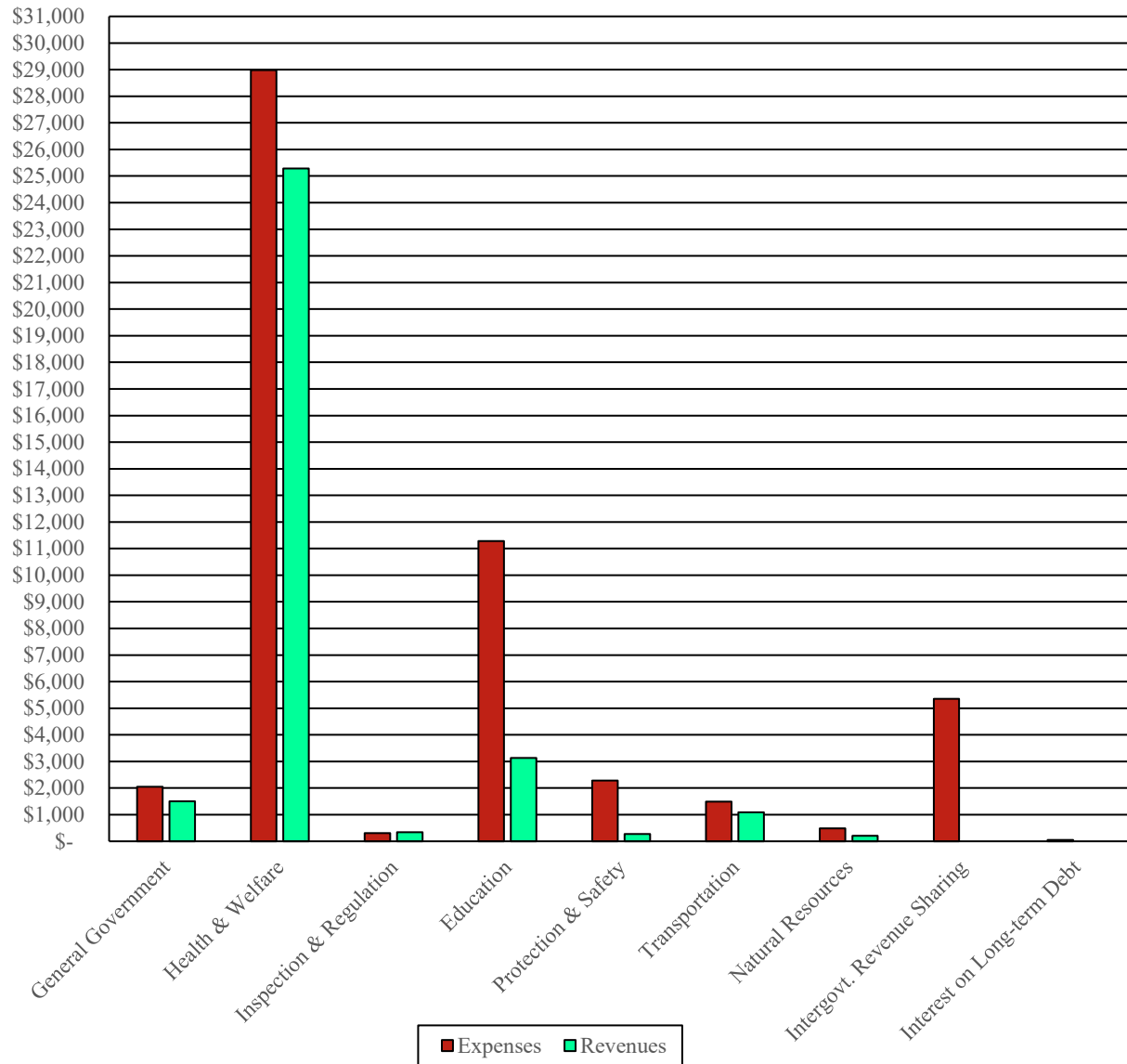
Governmental Activities — Net Position increased by \$1.9 billion representing a 5% increase from fiscal year 2022 due to the State favorably managing its expenses relative to revenues. Reported sales tax revenues grew by \$371.6 million, or 3%, while income tax revenues decreased by \$1.5 billion, or (18%), from fiscal year 2022, respectively. Net taxable sales rose by 7% from fiscal year 2022, resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2023 were in contracting, retail, and restaurants and bars. Overall, income tax revenue declined for the State during fiscal year 2023 due to decreased withholding and individual tax collections as a result of Laws 2021, Chapter 412 which reduced the individual income tax brackets from four (2.59%, 3.34%, 4.17%, and 4.50%) to two (2.55% and 2.98%) in tax year 2022; further, the new single flat tax of 2.50% became effective for the tax year 2023. This decrease was partially offset with an increase for corporate tax collections. The Permanent Fund investment portfolio experienced an increase of \$659.3 million in the fair value of investments. Furthermore, operating grants and contributions increased by \$2.2 billion, or 8% compared to fiscal year 2022. This increase is mostly attributable to the rise in Federal government grants received by the AHCCCS due to the temporary increase of 10% FMAP for home and community-based services from the ARPA signed into law March 11, 2021 and also increases in funding due to State, county and miscellaneous funding sources received by the AHCCCS related to the public health emergency, utilization, capitation rate increases, increases in hospital assessments and opioid substance use disorders. The increase in health and welfare expenses of \$2.4 billion, or 9% is mostly due to AHCCCS utilization, capitation rate increases, the COVID-19 behavioral health grants, the Hospital Enhanced Access Leading to Health Improvements Initiative, and ARPA directed payments. The increase in education expenses of \$1.5 billion, or 15% was primarily due to increased aid to school districts and charter schools which included funds for ongoing increases in the per pupil additional assistance as well as increases for free and reduced-price lunches. The increase in general government expenses of \$755.7 million or 58% is primarily due to reclassification of fiscal year 2022 expenses of \$1.1 billion to deferred outflows of resources related to pensions for one-time funding for deposits to eliminate unfunded accrued liabilities in the PSPRS (\$551.9 million) and CORP (\$555.2 million) retirement plans offset by increased expenses in fiscal year 2023 of \$88.5 million aid to individuals in the Homeowner Assistance Fund and \$239.5 million aid to counties in the Building Renewal Grant Fund and New School Facilities Fund.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2022 and 2023. 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	
	2023	2022	2023	2022
Functions/Programs:				
General government	\$ 2,051,618	\$ 1,295,921	\$ 545,813	\$ (2,141,159)
Health and welfare	29,000,707	26,566,010	3,694,197	3,742,498
Inspection and regulation	306,417	249,665	(30,207)	(57,230)
Education	11,281,256	9,792,491	8,140,567	7,980,433
Protection and safety	2,279,959	1,935,823	2,009,670	1,725,149
Transportation	1,494,140	1,143,401	404,427	112,050
Natural resources	485,810	292,800	282,075	102,839
Intergovernmental revenue sharing	5,356,346	4,844,422	5,356,346	4,844,422
Interest on long-term debt	49,524	56,581	49,524	56,581
Total Governmental Activities	<u>\$ 52,305,777</u>	<u>\$ 46,177,114</u>	<u>\$ 20,452,412</u>	<u>\$ 16,365,583</u>

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2023
(in millions of dollars)



Business-type Activities — Net Position increased by \$582.2 million from fiscal year 2022, or 11%. This increase is primarily due to increases in net position for the Universities and the Unemployment Compensation fund of \$300.8 million and \$170.2 million, respectively. Non-operating revenues and transfers from the General Fund more than offset the Universities’ operating loss of \$2.0 billion. The Universities’ operating revenues increased by \$399.2 million over fiscal year 2022 mostly due to an increase in tuition and fee revenues primarily as a result of increased enrollment and tuition rates as well as an increase in grants. The Unemployment Compensation fund’s assessments, intergovernmental revenues, and investment income were greater than the payment of benefits by \$172.7 million. The fund’s operating revenues and operating expenses decreased by \$1.1 billion and \$174.3 million, respectively as compared to the prior fiscal year reflecting that the COVID pandemic effects are nearly ending as the fund experienced a significant reduction in federal funds, and a decrease in payment of benefits as the unemployment rate dropped from 3.9% in July 2022 to 3.5% in June 2023.

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 2022 and 2023. 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)				
Functions/Programs:	Total Cost of Services		Net Cost (Income) of Services	
	2023	2022	2023	2022
Universities	\$ 6,805,999	\$ 6,244,746	\$ 1,078,522	\$ 809,893
Unemployment compensation (1)	—	542,802	—	(1,114,503)
Other	1,704,063	1,211,075	(477,253)	(282,591)
Total Business-type Activities	\$ 8,510,062	\$ 7,998,623	\$ 601,269	\$ (587,201)

(1) The Unemployment Compensation fund was reclassified from a major enterprise fund to a non-major enterprise fund in fiscal year 2023. See Note 8 for further information.

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, 2023, the non-spendable, restricted and committed fund balances were: \$12.2 million, \$1.1 billion, and \$447.9 million, respectively.

The fund balance of the State's General Fund decreased \$903.7 million during the fiscal year. Revenues exceeded expenditures by \$297.0 million, before other financing sources and uses. However, other financing sources and uses offset this excess by \$1.2 billion, which consisted primarily of transfers to the Universities in support of higher education in the amount of \$1.0 billion, offset by legislative transfers from other funds to the General Fund. Revenues decreased by \$1.3 billion (3%) from fiscal year 2022 which was mostly caused by reduced income tax collections. Expenditures increased by \$3.9 billion (10%) from fiscal year 2022 primarily as a result of increased health and welfare, and education expenditures. The significant increases and decreases were discussed in the government-wide financial analysis beginning on **page 31**.

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 \$1.2 billion during fiscal year 2023. Revenues exceeded expenditures by \$1.4 billion offset by transfers to non-major governmental funds of \$325.3 million primarily to pay debt service. Overall, revenues increased by \$1.2 billion (30%) and expenditures increased by \$419.8 million (13%), as compared to the prior fiscal year. The primary driver of increased revenue was due to Laws 2022, Chapter 321, Section 20, which required the State Treasurer to distribute approximately \$946.0 million of transaction privilege tax revenues to the ADOT for transportation and road projects.

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 2023, the Land Endowments Fund total fund balance

increased by \$769.1 million. Endowment investments increased by \$731.6 million at fiscal year-end, mainly due to a net increase in the fair value of investments of \$659.3 million and realized gains of \$132.8 million which was offset by decreased land sales of \$160.7 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 31**.

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 \$7.7 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- An \$862.3 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$4.9 billion increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for Proposition 204 services for \$2.5 billion, traditional Medicaid services for \$1.8 billion, and ACA Adult Expansion services for \$592.4 million.
- The \$1.1 billion increase to the ADE's original budget is primarily due to the basic state aid deferred payment from fiscal year 2022 for \$865.7 million, which was appropriated as a supplemental appropriation in the fiscal year 2023 budget, as well as funding for formula costs for \$180.6 million, and additional funding for school districts and charter schools for \$75.0 million.
- The \$271.0 million increase to the DCS's original budget is primarily due to supplemental appropriations from the Federal Temporary Assistance for Needy Families Block Grant and the Child Safety Expenditure authority as well as a technical adjustment for a total of \$208.4 million to be used for adoption services; a supplemental appropriation transfer to realign Federal Medical Assistance Percentage funding to proper line items as an operating lump sum for \$28.9 million; and a supplemental appropriation to increase the monthly kinship care stipend for \$24.3 million.
- The \$114.4 million increase to the ADOA, General Accounting Office's original budget is primarily due to the supplemental appropriation for transfers to the School Facilities Board to fund new school construction for \$48.0 million; to the ASU, U of A, and NAU capital infrastructure funds to be used exclusively for either the costs of, or paying debt service on debt financing for, capital projects for \$28.9 million; supplemental appropriations from State agencies to the ADOA's Automation Project Fund to fund the implementation, upgrade, or maintenance of automation and information technology projects for \$28.7 million; to the Elected Officials' Retirement Plan (EORP) fund to supplement the normal pension costs plus an amount to amortize the unfunded accrued liability for \$5.0 million; and to the Law Enforcement Crime Victim Notification Fund for \$3.8 million.

The actual expenditures were less than the final budget by \$6.0 billion. Of this amount, \$2.2 billion will continue as legislative multiple fiscal year spending authority for fiscal years 2024 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$3.8 billion represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 177-193 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, 2023 totaled \$35.2 billion, net of accumulated depreciation and amortization. The total primary government increase in capital assets for the current period was 3%, with a 2% increase in capital assets used for governmental activities and a 6% increase for business-type activities. Depreciation and amortization charges of the governmental and business-type activities for the fiscal year totaled \$730.1 million.

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

- The ADOT started or completed roads and bridges totaling \$477.9 million during the fiscal year.
- The Universities' additions to capital assets totaled \$1.0 billion and included projects to provide needed space for university academic programs, offices, leasable retail space, and a new utility plant.

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 assets are amortized from the start of the lease or subscription 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 for the governmental and business-type activities as of June 30, 2023 and 2022 are presented below (expressed in thousands):

Capital Assets	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,898,567	\$ 3,811,853	\$ 314,017	\$ 301,932	\$ 4,212,584	\$ 4,113,785
Collections	—	—	53,429	28,163	53,429	28,163
Infrastructure	16,967,566	16,882,405	811,451	766,983	17,779,017	17,649,388
Construction in progress	4,276,859	3,974,624	415,121	426,408	4,691,980	4,401,032
Development in progress	46	9,764	145,009	85,708	145,055	95,472
Buildings	2,623,059	2,561,988	9,040,966	8,619,452	11,664,025	11,181,440
Improvements other than buildings	225,080	219,507	26,021	26,012	251,101	245,519
Equipment	1,069,347	1,008,964	2,061,932	1,939,222	3,131,279	2,948,186
Intangible Capital Assets:						
Software and other intangibles	464,616	605,459	227,490	163,075	692,106	768,534
Intangible Right-to-use Lease Assets:						
Land	2,167	2,167	—	—	2,167	2,167
Buildings	393,939	367,583	698,599	658,300	1,092,538	1,025,883
Equipment	—	—	6,033	4,643	6,033	4,643
Intangible Right-to-use Subscription Assets:						
Development in progress	17,654	—	122	—	17,776	—
Subscriptions	195,281	—	119,427	—	314,708	—
Total Capital Assets	30,134,181	29,444,314	13,919,617	13,019,898	44,053,798	42,464,212
Less: accumulated depreciation/amortization	(2,665,786)	(2,581,494)	(6,156,139)	(5,672,288)	(8,821,925)	(8,253,782)
Total Capital Assets, Net	\$ 27,468,395	\$ 26,862,820	\$ 7,763,478	\$ 7,347,610	\$ 35,231,873	\$ 34,210,430

See Note 4 for more detail on beginning net position restatements of capital assets.

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 9,435 center lane miles of roads (22,472 travel lane miles) and 4,930 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 2023.

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 classified as poor for fiscal year 2023.

More detailed information regarding capital assets is on pages 110-113.

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 ADOT retired \$169.1 million in revenue bonds, \$21.8 million in grant anticipation notes, and \$54.7 million in direct placements.
- The ADOA partially defeased \$79.0 million in refunding COPs, retired \$8.6 million in refunding COPs, and defeased \$4.0 million in direct placements.
- The GFD retired \$0.9 million in COPs.
- The Arizona State University issued system revenue bonds for \$189.4 million primarily to fund construction, improvements, renovations, and the purchase of capital facilities. The Universities also retired \$124.8 million in revenue bonds and revenue refunding bonds.

State of Arizona-Primary Government Outstanding Major Long-Term Debt as of June 30, 2023 and 2022 (expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue bonds	\$ 1,196,535	\$ 1,365,585	\$ 3,741,510	\$ 3,676,945	\$ 4,938,045	\$ 5,042,530
Grant anticipation notes	141,905	163,705	—	—	141,905	163,705
Certificates of participation	128,945	217,410	205,660	245,145	334,605	462,555
Direct placements	14,670	73,320	221,615	234,280	236,285	307,600
Total	\$ 1,482,055	\$ 1,820,020	\$ 4,168,785	\$ 4,156,370	\$ 5,650,840	\$ 5,976,390

More detailed information regarding long-term debt can be found on pages 128-145

ECONOMIC CONDITION AND OUTLOOK

The Office of Economic Opportunity within the ADOA is forecasting the State to gain a projected 102,656 jobs, representing an annual growth rate of 1.5% over the two-year projected employment period of 2023 (quarter 2) to 2025 (quarter 2).

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

The State's fiscal year 2024 General Fund budget is based on \$17.8 billion in revenue and \$17.8 billion in spending. The budget includes decreased revenue as compared to fiscal year 2023, primarily due to the second year of the two-year phase down of the income tax rate to a flat 2.5%, an increase in the cities' share of income tax collections from 15% to 18%, and a one-time individual income tax rebate. The budget includes increased spending for the ADE (\$656.6 million), the AHCCCS (\$219.4 million), the DES (\$132.4 million), and the WIFA (\$244.2 million). The General Fund fiscal year 2024 cash balance is projected to be \$10.0 million. The ending cash balance estimate does not reflect the Budget Stabilization Fund reserve amount that is expected to have a balance of \$1.5 billion in fiscal year 2024.

The General Appropriation Act delineates the revenue and expenditure estimates for the budget year and the following two years (the expenditure estimates are based on statutory revenue and funding requirements): (1) 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; and (2) The State's fiscal year 2026 revenues are projected to be \$17.3 billion compared to spending of \$16.6 billion with an ending cash balance of \$745.1 million.

The following budgetary information is based on the State of Arizona's Fiscal Year 2025 Appropriations Report.

The State's fiscal year 2024 General Fund budget has been revised to increase revenue projections from \$17.8 billion to \$17.9 billion based on a one-time revenue gain of \$843.3 million associated with fund transfers from various agency funds, with an offset of a projected decrease of 2.5% change in base ongoing revenue. Additionally, the spending projections have been adjusted downwards from \$17.8 billion to \$17.3 billion based on supplemental adjustments made in the fiscal year 2025 budget process. Based on these changes, the fiscal year 2024 ending balance is expected to be \$638.9 million.

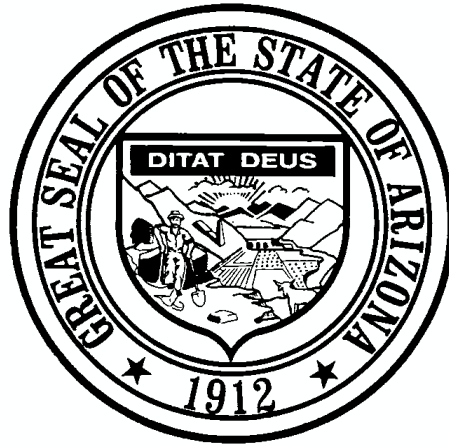
The fiscal year 2025 enacted budget has projected total General Fund revenue of \$16.3 billion compared to spending of \$16.2 billion with an ending cash balance of \$95.7 million.

The General Appropriation Act delineates the revenue and expenditure estimates for the budget year and the following two years (the expenditure estimates are based on statutory revenue and funding requirements): (1) The State's fiscal year 2026 revenues are projected to be \$16.5 billion compared to spending of \$16.4 billion with an ending cash balance of \$20.0 million; and (2) The State's fiscal year 2027 revenues are projected to be \$17.1 billion compared to spending of \$17.1 billion with an ending cash balance of \$7.0 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 76**.



BASIC FINANCIAL STATEMENTS

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	\$ 6,778	\$ 434,645	\$ 441,423	\$ 84,153
Cash with U.S. Treasury	—	1,645,966	1,645,966	—
Cash and pooled investments with State Treasurer	13,291,875	529,978	13,821,853	967,766
Restricted cash and pooled investments with State Treasurer	225,398	—	225,398	—
Cash held by trustee	—	—	—	39,432
Short-term investments	—	294,054	294,054	156,940
Restricted investments held by trustee	—	—	—	1,193
Receivables, net of allowances:				
Taxes	1,394,571	68,616	1,463,187	—
Interest	105,659	1,518	107,177	2,961
Leases	10,271	13,605	23,876	—
Loans and notes	6,359	2,843	9,202	63,835
Prescription drug rebate receivable	580,542	—	580,542	—
Managed care organization receivable	1,772,594	—	1,772,594	—
Opioid settlement	425,353	—	425,353	—
Other	175,945	529,453	705,398	13,896
Internal balances	70,489	(70,489)	—	—
Due from U.S. Government	1,922,008	282,153	2,204,161	—
Due from local governments	126,951	—	126,951	—
Due from others	577	—	577	—
Due from primary government	—	—	—	3,870
Custodial securities in safekeeping	158,728	—	158,728	1,622
Inventories, at cost	17,028	29,701	46,729	—
Other current assets	17,060	41,009	58,069	8,582
Total Current Assets	20,308,186	3,803,052	24,111,238	1,344,250
Noncurrent Assets:				
Restricted assets:				
Cash	82	29,637	29,719	—
Cash and pooled investments with State Treasurer	1,885,773	—	1,885,773	11,965
Cash held by trustee	69,914	258,801	328,715	19,168
Investments	3,959	47,609	51,568	—
Investments held by trustee	—	288,320	288,320	1,814
Receivables, net of allowances:				
Leases	1,127,357	196,957	1,324,314	1,182
Loans and notes	692,539	30,961	723,500	657,679
Other	—	—	—	112,500
Securities held in escheat	95,361	—	95,361	—
Equity interest in joint venture	—	3,065	3,065	—
Investments	—	1,833,245	1,833,245	86,511
Endowment investments	7,796,746	773,616	8,570,362	—
Net OPEB asset	117,295	6,565	123,860	—
Other noncurrent assets	—	13,424	13,424	20,267
Capital assets, net	27,468,395	7,763,478	35,231,873	152,418
Total Noncurrent Assets	39,257,421	11,245,678	50,503,099	1,063,504
Total Assets	59,565,607	15,048,730	74,614,337	2,407,754

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 925,580	\$ 241,250	\$ 1,166,830	\$ 591
Related to OPEB	151,943	142,439	294,382	33
Loss on debt refundings	36,765	55,378	92,143	20,495
Interest rate swap	—	2,901	2,901	—
Total Deferred Outflows of Resources	1,114,288	441,968	1,556,256	21,119
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	700,328	249,259	949,587	7,738
Payable for securities purchased	—	38,170	38,170	—
Accrued liabilities	2,216,791	198,437	2,415,228	10,806
Tax refunds payable	8,571	—	8,571	—
Due to U.S. Government	1,616,405	140,653	1,757,058	—
Due to local governments	2,047,949	—	2,047,949	—
Due to others	729,557	135,686	865,243	1,622
Due to component units	3,870	—	3,870	—
Unearned revenue	2,041,904	587,435	2,629,339	870
Current portion of accrued insurance losses	180,716	9,695	190,411	13,284
Current portion of net OPEB liability	16,204	11,061	27,265	3
Current portion of long-term debt	314,167	303,020	617,187	36,264
Current portion of other long-term liabilities	284,216	95,364	379,580	1,207
Total Current Liabilities	10,160,678	1,768,780	11,929,458	71,794
Noncurrent Liabilities:				
Unearned revenue	50,673	—	50,673	1,564
Accrued insurance losses	375,646	191,172	566,818	201,387
Funds held for others	—	29,731	29,731	—
Net pension liability	2,372,118	1,482,299	3,854,417	2,400
Net OPEB liability	574,373	340,224	914,597	118
Derivative instrument - interest rate swap	—	2,901	2,901	—
Long-term debt	1,469,573	4,343,166	5,812,739	373,753
Other long-term liabilities	641,690	821,346	1,463,036	5,890
Total Noncurrent Liabilities	5,484,073	7,210,839	12,694,912	585,112
Total Liabilities	15,644,751	8,979,619	24,624,370	656,906
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	118,099	68,081	186,180	418
Related to OPEB	480,264	355,632	835,896	55
Related to leases	1,126,419	207,783	1,334,202	3,369
Related to public-private partnerships	1,770	—	1,770	—
Resources received before time requirements met	—	194,730	194,730	—
Gain on debt refundings	39,255	2,709	41,964	—
Total Deferred Inflows of Resources	1,765,807	828,935	2,594,742	3,842

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
NET POSITION				
Net investment in capital assets	\$ 25,282,245	\$ 2,595,747	\$ 27,877,992	\$ 55,643
Restricted for:				
General government	624,169	—	624,169	—
Health and welfare	1,068,124	—	1,068,124	—
Inspection and regulation	14,499	—	14,499	—
Education	484,532	—	484,532	—
Protection and safety	21,965	—	21,965	—
Natural resources	27,832	—	27,832	—
Unemployment Compensation	—	1,592,188	1,592,188	—
Capital projects	823,341	80,812	904,153	—
Debt service	—	32,496	32,496	57,190
Permanent funds and University funds:				
Expendable	137,070	459,658	596,728	—
Nonexpendable	8,484,497	323,627	8,808,124	—
Loans and other financial assistance:				
Expendable	168,905	—	168,905	1,491,608
Other	—	8,052	8,052	134,631
Unrestricted	6,132,158	589,564	6,721,722	29,053
Total Net Position	<u>\$ 43,269,337</u>	<u>\$ 5,682,144</u>	<u>\$ 48,951,481</u>	<u>\$ 1,768,125</u>

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, 2023
(Expressed in Thousands)

ASSETS

Cash and cash equivalent investments	\$ 303,842
Receivables:	
Pledges receivable	298,713
Other receivables	97,277
Total receivables	<u>395,990</u>
Investments:	
Investments in securities	3,354,316
Other investments	87,243
Total investments	<u>3,441,559</u>
Net direct financing leases	45,681
Lease assets	4,217
Property and equipment, net of accumulated depreciation	157,209
Intangible assets, net	1,333
Other assets	<u>54,528</u>
Total Assets	<u>4,404,359</u>

LIABILITIES

Accounts payable and accrued liabilities	56,680
Liability under endowment trust agreements	689,139
Long-term debt	261,285
Lease liability	4,327
Deferred revenue	19,431
Other liabilities	<u>63,505</u>
Total Liabilities	<u>1,094,367</u>

NET ASSETS

With donor restrictions	2,935,171
Without donor restrictions	<u>374,821</u>
Total Net Assets	<u>\$ 3,309,992</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, 2023
(Expressed in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 2,051,618	\$ 347,525	\$ 1,158,280	\$ —
Health and welfare	29,000,707	781,491	24,524,598	421
Inspection and regulation	306,417	271,729	64,895	—
Education	11,281,256	83,712	3,056,977	—
Protection and safety	2,279,959	105,696	164,593	—
Transportation	1,494,140	71,247	193,485	824,981
Natural resources	485,810	77,297	126,438	—
Intergovernmental revenue sharing	5,356,346	—	—	—
Interest on long-term debt	49,524	—	—	—
Total Governmental Activities	52,305,777	1,738,697	29,289,266	825,402
Business-type Activities:				
Universities	6,805,999	3,517,775	2,160,364	49,338
Other	1,704,063	2,015,957	165,359	—
Total Business-type Activities	8,510,062	5,533,732	2,325,723	49,338
Total Primary Government	\$ 60,815,839	\$ 7,272,429	\$ 31,614,989	\$ 874,740
COMPONENT UNITS:				
Water Infrastructure Finance Authority	\$ 29,142	\$ 17,296	\$ 28,899	\$ —
Other Component Units	110,980	39,750	41,734	—
Total Component Units	\$ 140,122	\$ 57,046	\$ 70,633	\$ —

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

Gain on in-substance defeasance

Loss on forgiveness of receivables

Gain on termination of lease

Miscellaneous

Special item: Transfer of operations

Special item: Impairment loss of capital assets

Contributions to permanent endowments

Transfers

Total General Revenues, Special Items, 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
\$ (545,813)		\$ (545,813)	
(3,694,197)		(3,694,197)	
30,207		30,207	
(8,140,567)		(8,140,567)	
(2,009,670)		(2,009,670)	
(404,427)		(404,427)	
(282,075)		(282,075)	
(5,356,346)		(5,356,346)	
(49,524)		(49,524)	
(20,452,412)		(20,452,412)	
	\$ (1,078,522)	(1,078,522)	
	477,253	477,253	
	(601,269)	(601,269)	
(20,452,412)	(601,269)	(21,053,681)	
			\$ 17,053
			(29,496)
			(12,443)
11,352,957	92,055	11,445,012	—
7,145,710	—	7,145,710	—
253,326	—	253,326	—
37,667	—	37,667	—
2,532,374	—	2,532,374	—
995,873	—	995,873	—
483,524	132,103	615,627	6,523
29,690	—	29,690	175
291,245	—	291,245	—
—	—	—	568,002
1,800	—	1,800	—
—	—	—	(2,722)
23	—	23	—
124,144	131,467	255,611	204
—	67,948	67,948	—
(93,785)	—	(93,785)	—
—	2,623	2,623	—
(757,257)	757,257	—	—
22,397,291	1,183,453	23,580,744	572,182
1,944,879	582,184	2,527,063	559,739
41,324,458	5,099,960	46,424,418	1,208,386
\$ 43,269,337	\$ 5,682,144	\$ 48,951,481	\$ 1,768,125

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES			
Contributions	\$ 25,722	\$ 429,549	\$ 455,271
Rental revenue	45,920	—	45,920
Sales and services	96,277	157	96,434
Net investment income	32,743	148,238	180,981
Grants and aid	65,962	7,176	73,138
Other revenues	42,382	3,504	45,886
Net assets released from restrictions	287,207	(287,207)	—
Total Revenues	596,213	301,417	897,630
EXPENSES			
Program services:			
Payments to Universities	262,098	—	262,098
Leasing related expenses	13,138	—	13,138
Payments on behalf of Universities	17,244	—	17,244
Other program services	19,446	—	19,446
Management and general expenses	196,741	—	196,741
Fundraising expenses	19,543	—	19,543
Interest	7,925	—	7,925
Depreciation and amortization	12,018	—	12,018
Other expenses	35,382	—	35,382
Total Expenses	583,535	—	583,535
Increase in Net Assets, before losses	12,678	301,417	314,095
Loss of uncollectible pledges	—	(484)	(484)
Loss on sale of capital assets	(1,082)	—	(1,082)
Increase in Net Assets	11,596	300,933	312,529
Net Assets - Beginning, as restated	363,335	2,634,128	2,997,463
Transfers	(110)	110	—
Net Assets - Ending	\$ 374,821	\$ 2,935,171	\$ 3,309,992

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

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STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
ASSETS			
Cash	\$ 156	\$ —	\$ 28
Cash and pooled investments with State Treasurer	9,451,392	1,635,521	168,410
Receivables, net of allowances:			
Taxes	1,192,793	76,821	—
Interest	10	—	101,233
Leases	647	22,909	751,999
Loans and notes	50,250	349	648,299
Prescription drug rebate receivable	580,542	—	—
Managed care organization receivable	984,169	—	—
Opioid settlement	—	—	—
Other	77,183	10,656	3,692
Due from U.S. Government	1,695,022	200,081	—
Due from local governments	126,951	—	—
Due from others	—	—	—
Due from other funds	154,343	41,367	143
Custodial securities in safekeeping	30,442	—	—
Inventories, at cost	12,186	475	—
Restricted assets:			
Cash	82	—	—
Cash and pooled investments with State Treasurer	314,490	1,567,177	—
Cash held by trustee	175	1,898	—
Investments	3,959	—	—
Securities held in escheat	95,361	—	—
Endowment investments	—	—	7,796,746
Total Assets	<u>\$ 14,770,153</u>	<u>\$ 3,557,254</u>	<u>\$ 9,470,550</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 465,500	\$ 147,630	\$ 6,694
Accrued liabilities	1,628,178	6,141	885
Tax refunds payable	16	8,555	—
Due to U.S. Government	961,725	—	—
Due to local governments	1,488,241	215,549	—
Due to component units	3,870	—	—
Due to others	561,884	—	22,845
Due to other funds	216,589	19,649	12,475
Unearned revenue	2,002,052	27,482	61,497
Total Liabilities	<u>7,328,055</u>	<u>425,006</u>	<u>104,396</u>
Deferred Inflows of Resources:			
Unavailable revenue	1,185,675	25,783	719,810
Related to leases	642	22,287	744,855
Related to public-private partnerships	—	—	—
Total Deferred Inflows of Resources	<u>1,186,317</u>	<u>48,070</u>	<u>1,464,665</u>
Fund Balances:			
Nonspendable	12,186	475	7,901,489
Restricted	1,116,867	1,329,795	—
Committed	447,896	1,753,908	—
Unassigned	4,678,832	—	—
Total Fund Balances	<u>6,255,781</u>	<u>3,084,178</u>	<u>7,901,489</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,770,153</u>	<u>\$ 3,557,254</u>	<u>\$ 9,470,550</u>

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

OTHER GOVERNMENTAL FUNDS		TOTAL	
\$	6,594	\$	6,778
	1,683,492		12,938,815
	124,957		1,394,571
	4,416		105,659
	362,073		1,137,628
	—		698,898
	—		580,542
	—		984,169
	425,353		425,353
	52,855		144,386
	26,905		1,922,008
	—		126,951
	577		577
	190,428		386,281
	128,286		158,728
	866		13,527
	—		82
	229,504		2,111,171
	67,841		69,914
	—		3,959
	—		95,361
	—		7,796,746
<u>\$</u>	<u>3,304,147</u>	<u>\$</u>	<u>31,102,104</u>
\$	31,826	\$	651,650
	65,617		1,700,821
	—		8,571
	—		961,725
	344,159		2,047,949
	—		3,870
	144,828		729,557
	21,244		269,957
	1,546		2,092,577
<u></u>	<u>609,220</u>	<u></u>	<u>8,466,677</u>
	415,499		2,346,767
	358,635		1,126,419
<u></u>	<u>1,770</u>	<u></u>	<u>1,770</u>
	775,904		3,474,956
	866		7,915,016
	693,801		3,140,463
	1,224,356		3,426,160
	—		4,678,832
<u></u>	<u>1,919,023</u>	<u></u>	<u>19,160,471</u>
<u>\$</u>	<u>3,304,147</u>	<u>\$</u>	<u>31,102,104</u>

STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)

Total fund balances - governmental funds \$ 19,160,471

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. 27,349,224

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. 2,346,767

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. (372,013)

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. (52,602)

Accrued receivable for AHCCCS programmatic costs' reimbursements are not available in the current period and, therefore, are not reported in the governmental funds. 788,424

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. 115,639

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	36,765	
Related to pensions	918,056	
Related to OPEB	149,413	1,104,234

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	(2,326,020)	
Net OPEB	(581,746)	
Accrued interest on certificates of participation	(2,197)	
Accrued interest on subscription-based information technology arrangements	(459)	
Revenue bonds	(1,196,535)	
Grant anticipation notes	(141,905)	
Certificates of participation	(128,945)	
Direct placements	(14,670)	
Financed purchases	(86,948)	
Premiums and discounts on debt	(214,737)	
Leases	(317,715)	
Subscription-based information technology arrangements	(81,529)	
Compensated absences	(186,984)	
Pollution remediation obligations	(80,145)	
Utility/railroad settlement accrual and accrued relocation costs	(27,342)	(5,387,877)

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. (1,156,097)

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	(39,255)	
Related to pensions	(115,263)	
Related to OPEB	(472,315)	(626,833)

Net position of governmental activities \$ 43,269,337

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, 2023
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
REVENUES			
Taxes:			
Sales	\$ 8,828,764	\$ 1,433,456	\$ —
Income	7,014,085	—	—
Tobacco	49,519	—	—
Property	24,830	12,837	—
Motor vehicle and fuel	4,656	2,460,062	—
Other	810,122	41,613	—
Intergovernmental	27,642,420	1,024,916	—
Licenses, fees, and permits	140,075	38,654	9,631
Hospital and nursing facility assessments	—	—	—
Earnings on investments	408,528	47,292	680,700
Interest revenues - leases	20	543	9,354
Amortization revenues - leases	36	2,039	15,270
Sales and charges for services	130,840	30,011	34,641
Fines, forfeitures, and penalties	96,156	—	—
Gaming	11,027	—	—
Tobacco settlement	98,981	—	—
Proceeds from sale of trust land	—	—	358,733
Other	92,541	24,523	17,844
Total Revenues	<u>45,352,600</u>	<u>5,115,946</u>	<u>1,126,173</u>
EXPENDITURES			
Current:			
General government	1,860,857	—	—
Health and welfare	27,664,372	—	8,359
Inspection and regulation	107,505	—	—
Education	9,485,638	—	330,983
Protection and safety	1,820,696	—	9,075
Transportation	—	1,470,580	—
Natural resources	165,180	—	7,116
Intergovernmental revenue sharing	3,577,470	1,766,988	—
Debt service:			
Principal	71,279	729	—
Interest and other fiscal charges	12,575	76	—
Capital outlay	290,023	498,444	465
Total Expenditures	<u>45,055,595</u>	<u>3,736,817</u>	<u>355,998</u>
Excess (Deficiency) Revenues Over Expenditures	<u>297,005</u>	<u>1,379,129</u>	<u>770,175</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	430,574	142,934	—
Transfers out	(1,680,253)	(325,267)	(1,075)
Lease proceeds	48,937	—	—
Proceeds from sale of capital assets	—	952	—
Total Other Financing Sources (Uses)	<u>(1,200,742)</u>	<u>(181,381)</u>	<u>(1,075)</u>
Net Change in Fund Balances	<u>(903,737)</u>	<u>1,197,748</u>	<u>769,100</u>
Fund Balances - Beginning, as restated	<u>7,159,518</u>	<u>1,886,430</u>	<u>7,132,389</u>
Fund Balances - Ending	<u>\$ 6,255,781</u>	<u>\$ 3,084,178</u>	<u>\$ 7,901,489</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	
\$	1,081,122	\$	11,343,342
	—		7,014,085
	203,807		253,326
	—		37,667
	67,656		2,532,374
	144,138		995,873
	337,397		29,004,733
	411,505		599,865
	605,056		605,056
	137,558		1,274,078
	4,504		14,421
	7,352		24,697
	32,147		227,639
	205,691		301,847
	179,714		190,741
	—		98,981
	—		358,733
	42,108		177,016
	<u>3,459,755</u>		<u>55,054,474</u>
	193,327		2,054,184
	1,223,172		28,895,903
	200,083		307,588
	1,461,469		11,278,090
	387,270		2,217,041
	3,481		1,474,061
	315,206		487,502
	11,888		5,356,346
	343,629		415,637
	69,770		82,421
	50,969		839,901
	<u>4,260,264</u>		<u>53,408,674</u>
	<u>(800,509)</u>		<u>1,645,800</u>
	853,675		1,427,183
	(171,118)		(2,177,713)
	—		48,937
	—		952
	<u>682,557</u>		<u>(700,641)</u>
	<u>(117,952)</u>		<u>945,159</u>
	<u>2,036,975</u>		<u>18,215,312</u>
\$	<u>1,919,023</u>	\$	<u>19,160,471</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, 2023
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 945,159

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/amortization expense and infrastructure adjustments in the current period.

Capital outlay	839,901	
Infrastructure adjustments	(21,861)	
Depreciation and amortization expense	<u>(230,118)</u>	587,922

The adjusted change in net position of the internal service funds allocable to governmental activities is included in the Statement of Activities.		73,249
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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	9,615	
Income taxes	131,625	
Opioid settlement	(35,739)	
Operating grants	(4,933)	
Capital grants	(6,450)	
Other revenue	<u>762</u>	94,880

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 2023, mortgage payments received exceeded gains resulting from current year land sales. 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 mortgage receipts over gains on sale of land	(67,488)	
Accrued interest on land sales' contracts	<u>23,966</u>	(43,522)

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 2023	417,204	
Pension expense and pension-related grant expense	<u>(422,749)</u>	(5,545)
OPEB contributions during fiscal year 2023	19,557	
OPEB expense	<u>(15,583)</u>	3,974

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	16,190	
ADOT accrued programmatic costs	115	
Compensated absences	(23,490)	
Pollution remediation obligation	(7,579)	
Interest on long-term debt	1,449	
Interest on other long-term liabilities	(459)	
Other expenses	<u>13</u>	(13,761)

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, 2023
(Expressed in Thousands)

Lease proceeds provide current financial resources to the governmental funds; however, issuing leases increases long-term liabilities in the Statement of Net Position.	(48,937)
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Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term debt 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	415,637	
Debt premium/discount amortization	35,419	
Amortization of deferred gains/losses on refundings	<u>(3,511)</u>	447,545
Gain on in-substance defeasance		1,800
Gain on termination of lease		127
Loss on disposal of capital assets		(4,227)
Special item: Impairment loss of capital assets		<u>(93,785)</u>
Change in net position of governmental activities		<u><u>\$ 1,944,879</u></u>

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

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	
ASSETS				
Current Assets:				
Cash	\$ 369,558	\$ 65,087	\$ 434,645	\$ —
Cash with U.S. Treasury	—	1,645,966	1,645,966	—
Cash and pooled investments with State Treasurer	203,618	326,360	529,978	353,060
Short-term investments	294,054	—	294,054	—
Receivables, net of allowances:				
Taxes	—	68,616	68,616	—
Interest	480	1,038	1,518	—
Leases	13,421	184	13,605	—
Loans and notes	2,843	—	2,843	—
Other	351,337	178,116	529,453	31,559
Due from U.S. Government	282,153	—	282,153	—
Due from other funds	—	—	—	6,861
Inventories, at cost	9,070	20,631	29,701	3,501
Other current assets	40,870	139	41,009	17,060
Total Current Assets	1,567,404	2,306,137	3,873,541	412,041
Noncurrent Assets:				
Restricted assets:				
Cash	29,637	—	29,637	—
Cash held by trustee	258,801	—	258,801	—
Investments	47,609	—	47,609	—
Investments held by trustee	288,320	—	288,320	—
Receivables, net of allowances:				
Leases	196,680	277	196,957	—
Loans and notes	30,961	—	30,961	—
Equity interest in joint venture	3,065	—	3,065	—
Investments	1,459,937	373,308	1,833,245	—
Endowment investments	773,616	—	773,616	—
Net OPEB asset	5,929	636	6,565	1,656
Other noncurrent assets	3,306	10,118	13,424	—
Capital assets, net	7,685,970	77,508	7,763,478	119,171
Total Noncurrent Assets	10,783,831	461,847	11,245,678	120,827
Total Assets	12,351,235	2,767,984	15,119,219	532,868
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	235,900	5,350	241,250	7,524
Related to OPEB	139,907	2,532	142,439	2,530
Loss on debt refundings	55,378	—	55,378	—
Interest rate swap	2,901	—	2,901	—
Total Deferred Outflows of Resources	434,086	7,882	441,968	10,054

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, 2023
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
			TOTAL	ACTIVITIES -
	UNIVERSITIES	OTHER	ENTERPRISE	INTERNAL
			FUNDS	SERVICE FUNDS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 236,614	\$ 12,645	\$ 249,259	\$ 48,678
Payable for securities purchased	—	38,170	38,170	—
Accrued liabilities	52,002	146,435	198,437	1,002
Due to U.S. Government	—	140,653	140,653	10,894
Due to others	38,112	97,574	135,686	—
Due to other funds	—	123,091	123,091	94
Unearned revenue	560,132	27,303	587,435	—
Current portion of accrued insurance losses	—	9,695	9,695	180,716
Current portion of net OPEB liability	10,860	201	11,061	160
Current portion of long-term debt	303,020	—	303,020	—
Current portion of other long-term liabilities	92,350	3,014	95,364	24,004
Total Current Liabilities	1,293,090	598,781	1,891,871	265,548
Noncurrent Liabilities:				
Accrued insurance losses	—	191,172	191,172	375,646
Funds held for others	29,731	—	29,731	—
Net pension liability	1,457,995	24,304	1,482,299	46,098
Net OPEB liability	333,116	7,108	340,224	8,671
Derivative instrument - interest rate swap	2,901	—	2,901	—
Long-term debt	4,343,166	—	4,343,166	—
Other long-term liabilities	819,503	1,843	821,346	208,187
Total Noncurrent Liabilities	6,986,412	224,427	7,210,839	638,602
Total Liabilities	8,279,502	823,208	9,102,710	904,150
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	66,537	1,544	68,081	2,836
Related to OPEB	349,405	6,227	355,632	7,949
Related to leases	207,355	428	207,783	—
Resources received before time requirements met	194,730	—	194,730	—
Gain on debt refundings	2,709	—	2,709	—
Total Deferred Inflows of Resources	820,736	8,199	828,935	10,785
NET POSITION				
Net investment in capital assets	2,520,478	75,269	2,595,747	76,253
Restricted for:				
Unemployment compensation	—	1,592,188	1,592,188	—
Capital projects	80,812	—	80,812	—
Debt service	32,496	—	32,496	—
Universities fund:				
Expendable	459,658	—	459,658	—
Nonexpendable	323,627	—	323,627	—
Other	—	8,052	8,052	—
Unrestricted (deficit)	268,012	268,950	536,962	(448,266)
Total Net Position	\$ 3,685,083	\$ 1,944,459	\$ 5,629,542	\$ (372,013)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			52,602	
Net position of business-type activities			\$ 5,682,144	

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, 2023
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
			TOTAL	ACTIVITIES -
	UNIVERSITIES	OTHER	ENTERPRISE	INTERNAL
			FUNDS	SERVICE FUNDS
OPERATING REVENUES				
Sales and charges for services:				
Student tuition and fees, net of				
scholarship allowances of \$1,112,517	\$ 2,802,799	\$ —	\$ 2,802,799	\$ —
Auxiliary enterprises, net of				
scholarship allowances of \$39,889	551,591	—	551,591	—
Educational department	163,385	—	163,385	—
Other	—	1,634,800	1,634,800	1,289,383
Assessments	—	377,944	377,944	—
Intergovernmental	846,839	138,524	985,363	—
Nongovernmental grants and contracts	299,822	—	299,822	—
Fines, forfeitures, and penalties	—	2,379	2,379	—
Settlement income	—	834	834	—
Other	65,016	2,784	67,800	5,018
Total Operating Revenues	<u>4,729,452</u>	<u>2,157,265</u>	<u>6,886,717</u>	<u>1,294,401</u>
OPERATING EXPENSES				
Cost of sales and benefits	1,979,480	1,583,525	3,563,005	924,289
Scholarships and fellowships	394,723	—	394,723	—
Personal services	3,842,438	35,054	3,877,492	95,180
Contractual services	—	28,945	28,945	40,340
Depreciation and amortization	465,400	10,554	475,954	24,003
Insurance	—	730	730	67,465
Other	—	24,920	24,920	21,289
Total Operating Expenses	<u>6,682,041</u>	<u>1,683,728</u>	<u>8,365,769</u>	<u>1,172,566</u>
Operating Income (Loss)	<u>(1,952,589)</u>	<u>473,537</u>	<u>(1,479,052)</u>	<u>121,835</u>
NON-OPERATING REVENUES (EXPENSES)				
Share of State sales tax revenues	92,055	—	92,055	—
Intergovernmental	601,502	—	601,502	—
Gifts and donations	394,166	90	394,256	—
Loss on sale of capital assets	(254)	(1,352)	(1,606)	(2,150)
Investment income	98,184	60,664	158,848	66
Endowment earnings on investments	18,035	—	18,035	—
Gain on extinguishment of debt	—	—	—	2,142
Other non-operating revenue	24,253	41,020	65,273	—
Distributions	—	(15,009)	(15,009)	—
Interest expense	(164,450)	(12)	(164,462)	—
Other non-operating expense	—	(5,314)	(5,314)	(10,476)
Total Non-Operating Revenues (Expenses)	<u>1,063,491</u>	<u>80,087</u>	<u>1,143,578</u>	<u>(10,418)</u>
Income (Loss) Before Special Items,				
Contributions and Transfers	(889,098)	553,624	(335,474)	111,417
Special Items:				
Transfer of operations	67,948	—	67,948	—
Capital grants and contributions	49,338	—	49,338	9,051
Contributions to permanent endowments	2,623	—	2,623	—
Transfers in	1,070,029	3,753	1,073,782	27,376
Transfers out	—	(316,525)	(316,525)	(34,103)
Change in Net Position	300,840	240,852	541,692	113,741
Total Net Position - Beginning, as restated	<u>3,384,243</u>	<u>1,703,607</u>	<u>5,087,850</u>	<u>(485,754)</u>
Total Net Position - Ending	<u>\$ 3,685,083</u>	<u>\$ 1,944,459</u>	<u>\$ 5,629,542</u>	<u>\$ (372,013)</u>
Change in net position of enterprise funds			\$ 541,692	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			40,492	
Change in net position of business-type activities			<u>\$ 582,184</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, 2023
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
			TOTAL	ACTIVITIES -
	UNIVERSITIES	OTHER	ENTERPRISE	INTERNAL
			FUNDS	SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ —	\$ 765,110	\$ 765,110	\$ —
Receipts from assessments	—	405,823	405,823	—
Receipts from student tuition and fees	2,753,022	—	2,753,022	—
Receipts from sales and services of auxiliary enterprises	548,981	—	548,981	—
Receipts from sales and services of educational departments	167,759	—	167,759	—
Receipts from interfund services / premiums	—	—	—	1,284,372
Receipts from grants and contracts	1,247,672	7,539	1,255,211	—
Receipts from student loans collected	31,300	—	31,300	—
Receipts from settlement income	—	833	833	—
Receipts from custodial funds	403,172	—	403,172	—
Proceeds from transfer of operations	44,342	—	44,342	—
Payments to suppliers, prize winners, claimants, or insurance companies	(1,986,623)	(612,799)	(2,599,422)	(1,004,378)
Payments to employees	(3,922,042)	(69,553)	(3,991,595)	(93,682)
Payments to retirees	—	—	—	(15,326)
Payments for scholarships and fellowships	(386,440)	—	(386,440)	—
Payments for student loans issued	(33,782)	—	(33,782)	—
Custodial funds disbursed	(412,276)	—	(412,276)	—
Other receipts	92,963	45,135	138,098	7,122
Other payments	—	(39)	(39)	(10,476)
Net Cash Provided (Used) by Operating Activities	(1,451,952)	542,049	(909,903)	167,632
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts from share of State sales tax	83,745	—	83,745	—
Receipts from grants and contributions	2,088,080	—	2,088,080	—
Transfers from other funds	921,121	3,753	924,874	27,376
Grants and contributions disbursed	(1,079,421)	—	(1,079,421)	—
Distributions	—	(15,009)	(15,009)	—
Transfers to other funds	—	(271,558)	(271,558)	(34,103)
Net Cash Provided (Used) by Non-capital Financing Activities	2,013,525	(282,814)	1,730,711	(6,727)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	9,995	—	9,995	2,054
Proceeds from capital debt	209,698	—	209,698	—
Receipts from federal subsidy	1,851	—	1,851	—
Receipts from capital grants and contributions	39,669	90	39,759	—
Transfers from other funds	129,450	—	129,450	—
Acquisition and construction of capital assets	(621,649)	(7,142)	(628,791)	(13,538)
Interest paid on capital debt, leases, and subscriptions	(208,336)	(345)	(208,681)	(899)
Principal paid on capital debt, leases, and subscriptions	(246,875)	(69)	(246,944)	(9,067)
Net Cash (Used) by Capital and Related Financing Activities	(686,197)	(7,466)	(693,663)	(21,450)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	561,784	471,041	1,032,825	—
Interest and dividends from investments	104,347	34,880	139,227	66
Purchase of investments	(594,844)	(477,984)	(1,072,828)	—
Net Cash Provided by Investing Activities	71,287	27,937	99,224	66
Net Increase (Decrease) in Cash and Cash Equivalents	(53,337)	279,706	226,369	139,521
Cash and Cash Equivalents - Beginning, as restated	914,951	1,757,707	2,672,658	213,539
Cash and Cash Equivalents - Ending	\$ 861,614	\$ 2,037,413	\$ 2,899,027	\$ 353,060

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, 2023
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
			TOTAL	ACTIVITIES -
	UNIVERSITIES	OTHER	ENTERPRISE	INTERNAL
			FUNDS	SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,952,589)	\$ 473,537	\$ (1,479,052)	\$ 121,835
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	465,400	10,554	475,954	24,003
Proceeds from transfer of operations	44,342	—	44,342	—
Miscellaneous income (expense)	37,528	36,814	74,342	(7,435)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(30,566)	(12,929)	(43,495)	1,991
(Increase) in due from U.S. Government	—	(3)	(3)	—
(Increase) decrease in due from other funds	—	1	1	(6,313)
(Increase) decrease in inventories, at cost	(3,135)	(2,737)	(5,872)	11
(Increase) decrease in other assets	(3,406)	(113)	(3,519)	3,288
(Increase) decrease in net OPEB asset	—	200	200	(169)
Decrease in equity interest in joint venture	1,928	—	1,928	—
Decrease in deferred outflows of resources related to pensions	94,747	1,085	95,832	2,410
Decrease in deferred outflows of resources related to OPEB	33,997	852	34,849	449
Increase (decrease) in accounts payable	(52,775)	1,543	(51,232)	12,196
Increase (decrease) in accrued liabilities	(30,634)	49,130	18,496	350
Increase in due to U.S. Government	—	15,900	15,900	7,784
(Decrease) in due to other funds	—	—	—	(836)
Increase in due to others	11,803	1,504	13,307	—
Increase (decrease) in unearned revenue	94,970	(5,125)	89,845	—
Increase (decrease) in accrued insurance losses	—	(13,695)	(13,695)	19,503
Increase (decrease) in net pension liability	221,970	(2,953)	219,017	7,708
(Decrease) in net OPEB liability	(90,244)	(3,159)	(93,403)	(1,351)
Increase (decrease) in other liabilities	—	299	299	(9,681)
(Decrease) in deferred inflows of resources related to pensions	(352,263)	(8,855)	(361,118)	(9,748)
Increase in deferred inflows of resources related to OPEB	58,041	354	58,395	1,637
(Decrease) in deferred inflows of resources related to leases	(1,066)	(155)	(1,221)	—
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,451,952)</u>	<u>\$ 542,049</u>	<u>\$ (909,903)</u>	<u>\$ 167,632</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other funds	\$ —	\$ —	\$ —	\$ 9,051
Gifts and conveyances of capital assets	25,971	—	25,971	—
Acquisition of capital assets through accounts payable	17,056	—	17,056	—
Increase in fair value of investments	26,492	24,788	51,280	—
Increase in fair value of investments held by trustee	10,707	—	10,707	—
Amortization of bond premium	35,752	—	35,752	—
State contribution to pension plan	23,372	—	23,372	—
Intangible right-to-use lease and subscription asset additions	47,159	—	47,159	—
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ 186,509</u>	<u>\$ 24,788</u>	<u>\$ 211,297</u>	<u>\$ 9,051</u>

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, 2023
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ASSETS			
Cash	\$ 1,355,472	\$ 2,854	\$ 28,412
Cash and pooled investments with State Treasurer	—	10,509	52,384
Receivables, net of allowances:			
Accrued interest and dividends	66,641	170	10,844
Securities sold	152,268	13,301	—
Futures contracts	35,533	—	—
Contributions	121,811	—	—
Court fees	23	—	—
Due from other funds	20,964	—	—
Distributions	—	1,173	—
Other	11,067	—	1
Total receivables	408,307	14,644	10,845
Investments, at fair value:			
Short-term investments	827,637	119,867	—
Fixed income securities	14,485,880	—	6,137,294
Equity	38,803,606	—	—
Core bonds	1,338,058	—	—
Private credit	2,665,092	—	—
Real estate	9,559,465	—	—
Diversifying strategies	1,471,488	—	—
Collateral investment pool	831,697	—	—
Mutual funds	—	1,546,115	—
Exchange traded funds	—	192,957	—
Guaranteed investment contracts	—	56,944	—
Other investments	672,480	391	—
Total investments	70,655,403	1,916,274	6,137,294
Due from others	—	—	68,260
Custodial securities in safekeeping	—	—	296,746
Prepaid benefits	307,557	—	—
Net OPEB Asset	328	—	—
Property and equipment, net of accumulated depreciation	13,758	—	—
Total Assets	72,740,825	1,944,281	6,593,941
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,186	—	—
Related to OPEB	38	—	—
Total Deferred Outflows of Resources	2,224	—	—
LIABILITIES			
Accounts payable and other current liabilities	104,769	—	—
Securities purchased payable	22,626	15,604	—
Management fee payable	—	717	299
Capital shares redeemed payable	—	580	—
Obligation under securities loan agreements	831,697	—	—
Futures contracts payable	35,634	—	—
Due to others	—	983	675
Due to other funds	20,964	—	—
Net pension liability	9,738	—	—
Total Liabilities	1,025,428	17,884	974
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	257	—	—
Related to OPEB	214	—	—
Total Deferred Inflows of Resources	471	—	—
NET POSITION			
Restricted for:			
Pension benefits	68,827,013	—	—
Other post-employment benefits	2,890,137	—	—
Pool participants	—	—	6,149,779
Individuals, organizations, and other governments	—	1,926,397	443,188
Total Net Position	\$ 71,717,150	\$ 1,926,397	\$ 6,592,967

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, 2023
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE-PURPOSE TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS:			
Member contributions	\$ 1,745,510	\$ —	\$ —
Employer contributions	3,150,335	—	—
Health insurance contributions	6,047	—	—
Non-employer entity contributions	66,000	—	—
Contributions from other plans	682	—	—
Tribal contributions	—	11,375	—
Other contributions	—	13,236	—
Member purchase of service credit	22,196	—	—
Court fees	11,032	—	—
Investment income:			
Net increase (decrease) in fair value of investments	4,594,497	(69,545)	(8,444)
Interest, dividends, and other	875,006	67,880	217,164
Securities lending income	42,896	—	303
Total investment income	5,512,399	(1,665)	209,023
Less investment expenses:			
Investment activity expenses	299,474	7,651	3,377
Securities lending expenses	29,747	—	196
Net investment income	5,183,178	(9,316)	205,450
Capital share and individual account transactions:			
Shares sold	—	263,399	6,046,321
Reinvested distributions	—	—	219,337
Shares redeemed	—	(197,028)	(5,971,635)
Net capital share and individual account transactions	—	66,371	294,023
Other additions:			
Collections for restitutions	—	—	10,506
Collections for inmates	—	—	83,149
Collections for child support	—	—	621,806
Deposits from applicants	—	—	161,527
Collections from condemnation proceedings	—	—	4,432
Tax collections for other governments	—	—	6,537,668
Other revenues	1,057	—	210
Total other additions	1,057	—	7,419,298
Total Additions	10,186,037	81,666	7,918,771
DEDUCTIONS:			
Retirement, disability, and survivor benefits	5,106,889	—	—
Health insurance subsidy	125,592	—	—
Refunds to withdrawing members, including interest	317,183	—	—
Administrative expense	48,643	—	—
Allocation to pool participants	—	—	204,543
Other deductions	1,483	13,061	—
Distributions to individuals, organizations, and other governments	—	2,500	7,427,154
Total Deductions	5,599,790	15,561	7,631,697
Net increase in Fiduciary Net Position	4,586,247	66,105	287,074
Net Position - Beginning, as restated	67,130,903	1,860,292	6,305,893
Net Position - Ending	\$ 71,717,150	\$ 1,926,397	\$ 6,592,967

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, 2023
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
ASSETS			
Current Assets:			
Cash	\$ —	\$ 84,153	\$ 84,153
Cash and pooled investments with State Treasurer	722,959	244,807	967,766
Cash held by trustee	39,432	—	39,432
Short-term investments	—	156,940	156,940
Restricted investments held by trustee	—	1,193	1,193
Receivables, net of allowances:			
Interest	2,961	—	2,961
Loans and notes	63,795	40	63,835
Other	4,718	9,178	13,896
Due from primary government	597	3,273	3,870
Custodial securities in safekeeping	—	1,622	1,622
Other current assets	—	8,582	8,582
Total Current Assets	834,462	509,788	1,344,250
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	—	11,965	11,965
Cash held by trustee	—	19,168	19,168
Investments held by trustee	—	1,814	1,814
Loans and notes receivable, net of allowances	649,808	7,871	657,679
Investments	18,538	67,973	86,511
Lease receivables	—	1,182	1,182
Other receivables, net of allowances	—	112,500	112,500
Other noncurrent assets	—	20,267	20,267
Capital assets, net	—	152,418	152,418
Total Noncurrent Assets	668,346	395,158	1,063,504
Total Assets	1,502,808	904,946	2,407,754
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	341	250	591
Related to OPEB	—	33	33
Loss on debt refundings	18,801	1,694	20,495
Total Deferred Outflows of Resources	19,142	1,977	21,119

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, 2023
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 671	\$ 7,067	\$ 7,738
Accrued liabilities	2,222	8,584	10,806
Due to others	—	1,622	1,622
Unearned revenue	—	870	870
Current portion of accrued insurance losses	—	13,284	13,284
Current portion of net OPEB liability	—	3	3
Current portion of long-term debt	27,910	8,354	36,264
Current portion of other long-term liabilities	171	1,036	1,207
Total Current Liabilities	<u>30,974</u>	<u>40,820</u>	<u>71,794</u>
Noncurrent Liabilities:			
Unearned revenue	1,564	—	1,564
Accrued insurance losses	—	201,387	201,387
Net pension liability	1,443	957	2,400
Net OPEB liability	—	118	118
Long-term debt	176,663	197,090	373,753
Other long-term liabilities	—	5,890	5,890
Total Noncurrent Liabilities	<u>179,670</u>	<u>405,442</u>	<u>585,112</u>
Total Liabilities	<u>210,644</u>	<u>446,262</u>	<u>656,906</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	70	348	418
Related to OPEB	—	55	55
Related to leases	—	3,369	3,369
Total Deferred Inflows of Resources	<u>70</u>	<u>3,772</u>	<u>3,842</u>
NET POSITION			
Net investment in capital assets	—	55,643	55,643
Restricted for:			
Debt service	34,256	22,934	57,190
Loans and other financial assistance	1,292,086	199,522	1,491,608
Other	—	134,631	134,631
Unrestricted (deficit)	<u>(15,106)</u>	<u>44,159</u>	<u>29,053</u>
Total Net Position	<u>\$ 1,311,236</u>	<u>\$ 456,889</u>	<u>\$ 1,768,125</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, 2023
 (Expressed in Thousands)

	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<u>FUNCTIONS/PROGRAMS</u>			
Water Infrastructure Finance Authority	\$ 29,142	\$ 17,296	\$ 28,899
Other Component Units	110,980	39,750	41,734
Total	<u>\$ 140,122</u>	<u>\$ 57,046</u>	<u>\$ 70,633</u>

General Revenues:
 Unrestricted investment earnings
 Unrestricted grants and contributions
 Payments from primary government
 Loss on forgiveness of receivables
 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

WATER INFRASTRUCTURE FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
\$ 17,053	\$ —	\$ 17,053
—	(29,496)	(29,496)
5,367	1,156	6,523
—	175	175
502,345	65,657	568,002
—	(2,722)	(2,722)
—	204	204
524,765	34,974	559,739
786,471	421,915	1,208,386
<u>\$ 1,311,236</u>	<u>\$ 456,889</u>	<u>\$ 1,768,125</u>

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2023
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	OTHER COMPONENT UNITS	TOTAL
ASSETS				
Cash and cash equivalent investments	\$ 19,936	\$ 226,917	\$ 56,989	\$ 303,842
Receivables:				
Pledges receivable, net of allowances	217,203	42,824	38,686	298,713
Other receivables	8,120	—	89,157	97,277
Total receivables	<u>225,323</u>	<u>42,824</u>	<u>127,843</u>	<u>395,990</u>
Investments:				
Investments in securities	1,778,195	1,269,924	306,197	3,354,316
Other investments	71,874	—	15,369	87,243
Total investments	<u>1,850,069</u>	<u>1,269,924</u>	<u>321,566</u>	<u>3,441,559</u>
Net direct financing leases	15,775	—	29,906	45,681
Lease assets	—	—	4,217	4,217
Property and equipment, net of accumulated depreciation	12,580	1,313	143,316	157,209
Intangible assets, net	—	—	1,333	1,333
Other assets	<u>31,168</u>	<u>4,318</u>	<u>19,042</u>	<u>54,528</u>
Total Assets	<u>2,154,851</u>	<u>1,545,296</u>	<u>704,212</u>	<u>4,404,359</u>
LIABILITIES				
Accounts payable and accrued liabilities	25,803	6,303	24,574	56,680
Liability under endowment trust agreements	405,997	240,280	42,862	689,139
Long-term debt	75,554	—	185,731	261,285
Lease liability	—	—	4,327	4,327
Deferred revenue	—	—	19,431	19,431
Other liabilities	<u>43,274</u>	<u>—</u>	<u>20,231</u>	<u>63,505</u>
Total Liabilities	<u>550,628</u>	<u>246,583</u>	<u>297,156</u>	<u>1,094,367</u>
NET ASSETS				
With donor restrictions	1,387,956	1,277,064	270,151	2,935,171
Without donor restrictions	<u>216,267</u>	<u>21,649</u>	<u>136,905</u>	<u>374,821</u>
Total Net Assets	<u>\$ 1,604,223</u>	<u>\$ 1,298,713</u>	<u>\$ 407,056</u>	<u>\$ 3,309,992</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, 2023
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	OTHER COMPONENT UNITS	TOTAL
REVENUES				
Contributions	\$ 245,992	\$ 163,906	\$ 45,373	\$ 455,271
Rental revenue	2,681	—	43,239	45,920
Sales and services	64,225	5,956	26,253	96,434
Net investment income	69,198	85,241	26,542	180,981
Grants and aid	—	—	73,138	73,138
Other revenues	4,123	11,773	29,990	45,886
Total Revenues	386,219	266,876	244,535	897,630
EXPENSES				
Program services:				
Payments to Universities	143,725	93,877	24,496	262,098
Leasing related expenses	—	—	13,138	13,138
Payments on behalf of Universities	—	13,996	3,248	17,244
Other program services	—	—	19,446	19,446
Management and general expenses	65,995	9,470	121,276	196,741
Fundraising expenses	—	13,925	5,618	19,543
Interest	1,054	—	6,871	7,925
Depreciation and amortization	1,171	—	10,847	12,018
Other expenses	34,503	—	879	35,382
Total Expenses	246,448	131,268	205,819	583,535
Increase in Net Assets, before losses	139,771	135,608	38,716	314,095
Loss of uncollectible pledges	—	—	(484)	(484)
Loss on sale of capital assets	—	—	(1,082)	(1,082)
Increase in Net Assets	139,771	135,608	37,150	312,529
Net Assets - Beginning, as restated	1,464,452	1,163,105	369,906	2,997,463
Net Assets - Ending	\$ 1,604,223	\$ 1,298,713	\$ 407,056	\$ 3,309,992

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
NOTES TO THE FINANCIAL STATEMENTS
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STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, and the California College of ASU which has a March 31 year-end. The State's fiduciary component units have a June 30 year-end, with the exception of the AZ529 which has both a March 31 year-end and a June 30 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), the Arizona State University Athletic Facilities District (ASUAFD), and the California College of ASU (CCASU) 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

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all controlled and managed by the ASU and used to support the ASU's research and academic programs. The Thunderbird primarily exists to benefit the ASU by providing a platform for global education programming. The ASUAFD was formed pursuant to the provisions of Arizona Revised Statutes (A.R.S.) Title 48, Chapter 26 and Maricopa County Resolution No. C-20-12-017-M-00. The ASUAFD 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 CCASU, a California nonprofit corporation, is a higher education learning community that promotes creativity, innovation and growth through instruction and collaboration with programs that provide a challenging liberal arts education. The CCASU primarily exists to collaborate with the ASU to create and implement programs that are compatible with the ASU programs, provide license to and use of CCASU IP rights, and to strengthen the ASU's profile and presence in the California market.

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>.

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The State reports the following fiduciary component unit, which is aggregated within the State's fiduciary fund:

The AZ529 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. Two of the appointed 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 West Washington Street, Phoenix, AZ 85007, and at (602) 542-7800.

The State reports the following discretely presented component units:

Major Component Unit:

The Water Infrastructure Finance Authority (WIFA) was established pursuant to A.R.S. § 49-1202. The WIFA is authorized to finance the construction, rehabilitation, acquisition and improvement of water infrastructure throughout Arizona. The WIFA also administers 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. 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 WIFA is governed by its board consisting of nine voting members appointed by the Governor and legislative leadership and nine non-voting ex-officio members representing legislative leadership and relevant agency heads. The State provides financial support to the WIFA and can access its resources; thus, a financial benefit/burden relationship exists between the State and the WIFA. Complete financial statements of the WIFA may be obtained from the administrative office at 100 North 7th Avenue, Suite 130, Phoenix, AZ 85007, (602) 329-7826.

Non-major Component Units:

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 WIFA, 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. In the Fifty-fifth Legislature – Second Regular Session (2022), the State Legislature passed into law Senate Bill 1740 that transferred the powers and duties for the State's water infrastructure from the AFA board to a new WIFA board of directors. As a result, the WIFA is no longer part of the AFA and was reestablished as a stand-alone State agency. The AFA is governed by a five-member board of directors that also governs the AFA's 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 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 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 AIDA at 1802 West Jackson Street, Suite 66, Phoenix, AZ 85007.

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>.

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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.

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.

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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.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for use by students of the ASU or the 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 the 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.

The University of Arizona Applied Research Corporation (ARC) was established to further the educational, research and development objectives of the university through conducting applied multidisciplinary research and development in the areas of optics, hypersonics, quantum information science, artificial intelligence cyber security, and space related research. The U of A President and Provost appoint all ARC board members and can remove any member at will; thus the U of A can impose its will on the ARC.

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, may be obtained as follows:

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

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

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

ARC - The University of Arizona Applied Research Corporation, 1600 East Idea Lane, Suite 401, Tucson, AZ 85713-0011

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

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

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 North Cherry Avenue., 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

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- operating grants and contributions
- capital grants and contributions, including special assessments

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 fund:

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

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 – account 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 three 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

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beneficiary, (2) the Developmental Disabilities Client Investment fund where the State acts as a representative payee for members, and (3) Compact Trust Fund provides economic benefits to beneficiary tribes, including those with an effective gaming compact that includes the 2021 amendments and do not engage in gaming.

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 and an individual investment account related to an external participant that is not held in trust. The custodial funds also include funds related to restitutions, inmate accounts, child support payments, applicant deposits, condemnation proceedings, and tax collections for other governments.

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 to the extent that their repayment will require the use of available expendable financial resources, 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 and subscription-based information technology arrangements (SBITAs) 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”, and “Cash held by trustee”. 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 undeposited 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.

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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 evaluated 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 contract, 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 estimated current values based on acceptable industry practices. 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 and exchange traded 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, 2023. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2023, 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/amortized 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/amortization, 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

Capitalization thresholds and estimated useful lives of intangible capital 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)
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

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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.

Capitalization thresholds and estimated useful lives for right-to-use subscription 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 subscription assets	\$5,000,000	Varied	\$1,000,000-\$5,000,000	Varied

The right-to-use subscription asset is initially measured as the initial subscription liability amount, plus payments associated with the SBITA contract made to the SBITA vendor before commencement of the subscription term, plus capitalizable initial implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

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.

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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 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.

See Note 12.C. for sick leave policy.

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.

For SBITAs, the State recognizes a right-to-use subscription asset and a corresponding subscription liability. The State's threshold for SBITA accounting is for all arrangements where the undiscounted total fixed subscription payments is \$5.0 million or more. The subscription liability is measured at the commencement of the subscription term based on the present value of the future minimum subscription payments expected to be made less any SBITA vendor incentives.

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In the absence of a stated interest rate provided in the lease or SBITA 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 and subscription 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, SBITAs, 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.

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.

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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, 2023, was \$1.4 billion.

P. NEW ACCOUNTING PRONOUNCEMENTS AND CHANGE IN REPORTING ENTITY

GASB Statement No. 91, *Conduit Debt Obligations*, requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including aggregate outstanding principal amount of the issuer's conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The statement is effective for reporting periods beginning after December 15, 2021, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The implementation of this standard had no significant effect in the financial statements.

GASB Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, provides guidance for accounting and financial reporting for Public-Private and Public-Public Partnership arrangements (P3s) and Availability Payment Arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The State has implemented the requirements of this standard.

GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. The State has implemented the requirements of this standard.

GASB Statement No. 99, *Omnibus 2022 (except paragraphs 4-10)*, establishes accounting and financial reporting requirements for specific issues related to leases, P3s, SBITAs, London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenues by pledging governments, provisions related to the focus of the government-wide financial statements, and terminology updates. Some of the requirements were effective on issuance and others are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. The State has implemented the requirements of this standard.

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The Unemployment Compensation Fund, reported as a major enterprise fund in fiscal year 2022, did not meet the GASB major fund criteria in fiscal year 2023 and, as a result, is reported as a non-major enterprise fund.

The AZ529, a fiduciary component unit, changed from multiple year ends of September 30, December 31, and March 31 to March 31 and June 30 year-ends. The multiple year ends are due to the different year ends of the financial institutions holding the assets.

In fiscal year 2023, the CCASU was added as a blended component unit of the Universities. The Universities also completed a transfer of operations from the University of Arizona Global Campus (UAGC) which was previously reported as a discretely presented component unit of the Universities.

See Note 8 for further information about the changes to the State's reporting entity and the impact on the 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.

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 \$12.0 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, 2023, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.0 million and \$39.0 thousand, respectively. There was a distribution to participants in June 2023 for receipts from the trustee during fiscal year 2023. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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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 pool 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 external investment pools and the Central Arizona Water Conservation District - an individual investment account, are reported as custodial funds in the accompanying fiduciary fund statements.

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 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.

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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 changing allocation portfolios to accommodate beneficiaries of similar ages, static allocation portfolios, single underlying mutual funds to include equity funds, bond funds and specialty funds, and a stable value 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 State Treasurer, the PSPRS, the EORP, the CORP, and the Universities must be at least 102% of the bank balance required to be collateralized (100% for the ASRS). 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, 2023, the State had \$79.0 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.

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 pools 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

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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, 2023 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	\$ 481,269	5.81
Certificates of deposit (negotiable)	107,013	0.10
Commercial mortgage backed securities	106,461	11.72
Commercial paper	3,159,283	0.15
Commingled funds – fixed income	742,418	7.80
Corporate notes & bonds	5,737,971	2.75
Government bonds	2,180,395	8.21
Money market mutual funds	2,498,829	0.02
Private market fixed income	12,035,943	*
Repurchase agreements	6,611,000	0.02
U.S. agency mortgage-backed securities	432,654	16.47
U.S. agency mortgage-backed securities – full faith	474,028	29.37
U.S. agency securities	1,572,359	3.39
U.S. agency securities – full faith	188,036	1.53
U.S. Treasury securities	6,181,419	1.25
Total	<u>\$ 42,509,078</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 regards to interest rate risk. The PSPRS, the EORP, and the CORP utilize effective duration to identify and manage their interest rate risk.

The following table presents the PSPRS', the EORP's, and the CORP's effective duration by investment type as of June 30, 2023 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Corporate notes & bonds	\$ 734	3.65
U.S. agency mortgage-backed securities	5,920	6.30
U.S. fixed income	550,023	—
U.S. Treasury securities	781,195	0.36
Other	186	—
Total	<u>\$ 1,338,058</u>	

The U of A does not have a formal policy in regards 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.

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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, 2023 (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)	\$ 3,897	\$ 3,659	\$ 238	\$ —	\$ —
Corporate notes & bonds	518,228	152,890	364,516	822	—
Government bonds	2,106	1,865	—	241	—
Money market mutual funds	110,082	110,082	—	—	—
U.S. agency securities	60,953	9,440	51,390	123	—
U.S. Treasury securities	68,149	26,958	32,900	8,291	—
Other	1,805	19	—	1,251	535
Total	\$ 765,220	\$ 304,913	\$ 449,044	\$ 10,728	\$ 535

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, 2023 (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.	\$ 944,182	\$ 65,004	\$ —	\$ 1,009,186
Asset backed securities with coupon tied to the LIBOR or SOFR plus/minus a fixed basis point amount which resets from monthly to quarterly.	55,104	—	—	55,104
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.	73,488	933,020	—	1,006,508
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.	—	—	34,998	34,998
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.	208,388	129,099	—	337,487
Other investments (including full faith) with high sensitivity to rate changes.	—	138,092	—	138,092
Total	\$ 1,281,162	\$ 1,265,215	\$ 34,998	\$ 2,581,375

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.

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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, 2023. 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	\$ 388,494	\$ 344,303	\$ 10,736	\$ —	\$ 2,084	\$ —	\$ 5,349	\$ 26,022
Certificates of deposit (negotiable)	5,395	—	499	1,999	—	—	—	2,897
Commercial mortgage-backed securities	106,461	77,485	—	—	—	—	—	28,976
Commercial paper	3,159,283	—	1,959	—	—	—	3,144,900	12,424
Commingled funds – fixed income	742,418	741,750	—	—	—	—	—	668
Corporate notes & bonds	6,276,213	96,622	635,403	3,325,901	2,087,775	14,472	54,631	61,409
Government bonds	2,153,434	1,870,737	259,766	19,882	—	—	—	3,049
Money market mutual funds	2,608,911	667,935	1,940,976	—	—	—	—	—
Private market fixed income	12,035,943	—	—	—	—	—	—	12,035,943
Repurchase agreements	3,776,000	—	3,776,000	—	—	—	—	—
U.S. agency mortgage-backed securities	436,447	5,920	430,364	—	—	—	—	163
U.S. agency securities	1,633,312	—	1,633,312	—	—	—	—	—
U.S. fixed income	550,023	—	—	—	—	—	—	550,023
Other	52,853	—	—	—	—	—	—	52,853
Total	\$ 33,925,187	\$ 3,804,752	\$ 8,689,015	\$ 3,347,782	\$ 2,089,859	\$ 14,472	\$ 3,204,880	\$ 12,774,427

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, 2023, no investments in any one issuer exceeded more than 5% of the primary government's total investments.

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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.

The following table summarizes the State's foreign currency risk as of June 30, 2023 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value				
Currency	Short Term	Equities	Other Investments	Total
Australian Dollar	\$ 2,385	\$ 896,075	\$ —	\$ 898,460
Brazilian Real	—	46,121	—	46,121
British Pound Sterling	24,960	1,935,983	—	1,960,943
Canadian Dollar	9,097	1,422,042	—	1,431,139
Chilean Peso	—	4,127	—	4,127
Chinese Yuan Renminbi	—	37,072	—	37,072
Columbian Peso	—	766	—	766
Czech Koruna	—	181	—	181
Danish Krone	248	364,786	—	365,034
Egyptian Pound	—	154	—	154
Euro Currency	55,256	4,053,473	1,117,838	5,226,567
Hong Kong Dollar	1,895	469,686	—	471,581
Hungarian Forint	—	1,829	—	1,829
Indian Rupee	—	99,189	—	99,189
Indonesian Rupiah	—	17,918	—	17,918
Japanese Yen	28,415	2,867,050	—	2,895,465
Malaysian Ringgit	—	14,066	—	14,066
Mexican Peso	—	23,511	—	23,511
New Israeli Shekel	1,373	77,370	—	78,743
New Taiwan Dollar	—	128,555	—	128,555
New Zealand Dollar	4,235	32,540	—	36,775
Norwegian Krone	761	100,238	185	101,184
Philippine Peso	—	5,938	—	5,938
Polish Zloty	—	6,100	—	6,100
Qatari Riyal	—	15,778	—	15,778
Singapore Dollar	554	160,482	—	161,036
South African Rand	—	26,869	—	26,869
South Korean Won	—	98,869	—	98,869
Swedish Krona	808	423,952	—	424,760
Swiss Franc	3,975	1,151,731	—	1,155,706
Thai Baht	—	13,369	—	13,369
Turkish Lira	—	5,112	—	5,112
UAE Dirham	—	15,997	—	15,997
Total	\$ 133,962	\$ 14,516,929	\$ 1,118,023	\$ 15,768,914

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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.

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, 2023, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2023	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	\$ 379,791	\$ —	\$ 379,791	\$ —
Commercial mortgage-backed securities	86,467	—	86,467	—
Commercial paper	3,144,900	—	3,144,900	—
Corporate notes & bonds	5,203,438	—	5,203,438	—
Equities	5,051,919	5,051,919	—	—
Government bonds	546,133	—	546,133	—
Money market mutual funds	1,952,141	11,165	1,940,976	—
Repurchase agreements	6,611,000	—	6,611,000	—
U.S. agency mortgage-backed securities	458,992	—	458,992	—
U.S. agency mortgage-backed securities – full faith	474,028	—	474,028	—
U.S. agency securities	1,479,967	—	1,479,967	—
U.S. agency securities – full faith	188,036	—	188,036	—
U.S. Treasury securities	5,803,733	—	5,803,733	—
Total investments by fair value level	31,380,545	\$ 5,063,084	\$ 26,317,461	\$ —
Investments Measured at the Net Asset Value (NAV)				
Bank loan partnership fund	15,386			
Commercial mortgage-backed securities	210			
Foreign large value fund	32,536			
High yield short term duration bond fund	22,471			
Short term investment fund	8,296			
Total investments measured at the NAV	78,899			
Total investments measured at fair value	\$ 31,459,444			

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.

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b. Investments Measured at the NAV

The investments held at June 30, 2023, 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	\$ 15,386	—	N/A	N/A
Commercial mortgage-backed securities	210	—	N/A	N/A
Foreign large value fund	32,536	—	N/A	N/A
High yield short term duration bond fund	22,471	—	N/A	N/A
Short term investment fund	8,296	—	N/A	N/A
Total	<u>\$ 78,899</u>			

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2. Universities

a. Investments Classified in Fair Value Hierarchy

The investments held by the Universities at June 30, 2023, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2023	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	\$ 101,478	\$ —	\$ 101,478	\$ —
Certificates of deposit (negotiable)	6,895	—	6,895	—
Commercial mortgage-backed securities	19,784	—	19,784	—
Commercial paper	14,383	—	14,383	—
Corporate notes & bonds	955,973	—	955,973	—
Equities	6,044	4,966	591	487
Equity mutual funds	76,179	75,633	—	546
Fixed income mutual funds	1,805	1,805	—	—
Government bonds	23,201	—	23,201	—
Money market mutual funds	656,456	104,230	552,226	—
Mutual funds – asset allocation	1,438	952	—	486
Real estate	78,190	—	—	78,190
U.S. agency securities	152,974	6,972	146,002	—
U.S. Treasury securities	445,835	445,835	—	—
Total investments by fair value level	2,540,635	\$ 640,393	\$ 1,820,533	\$ 79,709
Other Investments at Fair Value				
ASU Foundation Endowment Pool	405,997			
ASU BIOS Endowment Funds	14,065			
NAU Foundation Investment Pool	42,566			
U of A – Academic Enhancement Fund Trust	222,030			
U of A Foundation	223,369			
U of A – Split Interest Endowment	11,161			
Total other investments at fair value	919,188			
Investments Measured at the NAV				
Equity mutual funds	9,138			
Total investments measured at the NAV	9,138			
Total investments measured at fair value	\$ 3,468,961			

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, 2023, 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	\$ 9,138	—	Quarterly	90 days
Total	<u>\$ 9,138</u>			

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

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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, 2023, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2023	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)
Corporate notes & bonds	\$ 95,327	\$ —	\$ 95,327	\$ —
Government bonds	1,612,926	1,612,926	—	—
Non U.S. diversifying strategies	129,343	129,343	—	—
Non U.S. equities	8,830,429	8,830,429	—	—
Real estate	83,433	54,457	—	28,976
U.S. agency mortgage-backed securities	5,920	—	5,920	—
U.S. equities	16,201,068	16,201,034	—	34
U.S. fixed income	445,168	445,168	—	—
U.S. Treasury securities	781,195	781,195	—	—
Other	186	185	1	—
Total investments by fair value level	28,184,995	\$ 28,054,737	\$ 101,248	\$ 29,010
Investments Measured at the NAV				
Commingled funds – interest rate sensitive	742,418			
Commingled funds – international emerging markets	2,072,401			
Credit funds	12,035,943			
Diversifying strategies	1,342,145			
Global private equities	4,472,095			
Non U.S. public equities	8,478			
Private credit	2,665,092			
Private equity funds	6,710,050			
Real estate funds	9,476,032			
U.S. fixed income	104,855			
U.S. public equities	509,085			
Other – capital appreciation	140,249			
Other – contractual income	532,231			
Total investments measured at the NAV	40,811,074			
Cash and short term instruments	827,637			
Securities lending collateral	831,697			
Total investments measured at fair value	\$ 70,655,403			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified as Level 2 are 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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b. Investments Measured at the NAV

The investments held by the ASRS, PSPRS, EORP, and CORP at June 30, 2023, 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	\$ 742,418	\$ —	Daily	2 days
Commingled funds – international emerging markets	2,072,401	—	Daily	1 - 2 days
Credit funds	12,035,943	7,082,045	N/A	N/A
Diversifying strategies	1,342,145	—	Monthly, Quarterly, Annually	5 - 180 days
Global private equities	4,472,095	2,906,659	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	8,478	—	Daily, Monthly	1 day - 1 month
Private credit	2,665,092	2,151,355	N/A	N/A
Private equity funds	6,710,050	2,279,633	N/A	N/A
Real estate funds	9,476,032	4,667,819	N/A	N/A
U.S. fixed income	104,855	—	Daily	2 - 5 days
U.S. public equities	509,085	—	Daily, Monthly	1 day - 1 month
Other – capital appreciation	140,249	73,402	N/A	N/A
Other – contractual income	532,231	136,487	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	\$ 40,811,074	\$ 19,297,400		

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.

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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 two different investment companies with different fiscal year ends, March 31, 2023 and June 30, 2023. The investments, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	Fiscal year ending June 30, 2023 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)
ETFs – bonds	\$ 44,683	\$ 44,683	\$ —	\$ —
ETFs – non U.S. equities	41,960	41,960	—	—
ETFs – U.S. equities	95,830	95,830	—	—
ETFs – U.S. Treasury securities	10,484	10,484	—	—
Government money market mutual funds	41,480	41,480	—	—
Mutual funds – bonds	566,977	566,977	—	—
Mutual funds – government bonds	4,448	4,448	—	—
Mutual funds – liquid alternatives	19,192	19,192	—	—
Mutual funds – non U.S. equities	383,494	383,494	—	—
Mutual funds – short term securities	51,764	51,764	—	—
Mutual funds – U.S. equities	520,621	520,621	—	—
Mutual funds – U.S. Treasury securities	78,006	78,006	—	—
Other	391	—	391	—
Total investments by fair value level	\$ 1,859,330	\$ 1,858,939	\$ 391	\$ —
Investments at Contract Value				
Guaranteed investment contracts	56,944			—
Total investments	\$ 1,916,274			

Mutual funds are valued at the net asset value (NAV) each business day. Exchange traded funds (ETFs) are reported at fair value as of the close of the New York Stock Exchange on the reporting date. The fair values of both the mutual funds and the ETFs are determined using Level 1 inputs. The guaranteed investment contracts are fixed-income contracts issued by insurance companies. These contracts are fully benefit-responsive and are reported at contract value, which is equal to contributions plus interest credited at a guaranteed rate, less withdrawals and any applicable fees and expenses. Interest is accrued as it is earned. These are reported at contract value, rather than fair value. Other investments classified as Level 2 are wrap contracts that are fair valued using a model that considers recent fee bids as determined by recognized dealers, discount rate, crediting rate, yield to maturity, and the duration of the underlying portfolio securities.

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.

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,

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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, 2023, the fair value of securities on loan was \$1.9 billion, of which \$114.0 million was cash collateralized loans. Cash of \$117.8 million received as collateral for securities loaned was reinvested and had a net asset value of \$117.8 million as of June 30, 2023. The securities lending payable at June 30, 2023 was \$117.8 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, 2023, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$563.3 million, \$15.7 million, and \$159.6 million, respectively. At June 30, 2023, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$544.5 million, \$15.2 million, and \$154.3 million, respectively. At June 30, 2023, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$33.5 million, \$934.4 thousand, and \$9.5 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 exposure because the associated value of the collateral held exceeds 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. During March 2023 the Treasurer temporarily suspended the securities lending program and all loaned securities were recalled by the end of April 2023. As of June 30, 2023, the State Treasurer had no securities on loan.

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*.

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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, 2023, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2023 financial statements were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value (1)		Fair Value at June 30, 2023		
	Classification	Amount	Classification	Amount	Notional
Foreign currency forwards	Net (decrease) in fair value of investments	\$ (1,164)	Cash & short term investments	\$ (116)	\$ —
Index futures long	Net increase in fair value of investments	85,310	Equity securities	8,540	785,693
Total		<u>\$ 84,146</u>		<u>\$ 8,424</u>	<u>\$ 785,693</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 WM/Refinitiv 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.

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, 2023, investing activity in derivative futures consisted of exchange-traded futures contracts. The ASRS did not have any over-the-counter investment derivative instruments as of June 30, 2023. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2023.

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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, 2023.

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, 2023, 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, 2023 were as follows (expressed in thousands):

Investment Derivatives by Type					
Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2023		
	Classification	Amount	Classification	Amount	Notional
U.S. equity futures	Net increase in fair value of investments	\$ 56,256	U.S. & non U.S. equity futures	\$ 11,536	\$ 461,901
Total		\$ 56,256		\$ 11,536	\$ 461,901

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 West Washington Street, Phoenix, AZ 85007, (602) 542-7800, or their website at <https://aztreasury.gov>.

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NOTE 3. RECEIVABLES/UNAVAILABLE REVENUE/UNEARNED REVENUE

A. TAXES RECEIVABLE

At June 30, 2023, taxes receivable were as follows (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Other Governmental Funds	Other Enterprise Funds	Total Government-wide
Sales	\$ 909,736	\$ —	\$ 100,978	\$ —	\$ 1,010,714
Income – individual and corporate	639,196	—	—	—	639,196
Property tax	541	—	—	—	541
Motor vehicle and fuel	—	76,821	—	—	76,821
Luxury	6,882	—	16,408	—	23,290
Unemployment	—	—	—	68,616	68,616
Other	—	—	7,571	—	7,571
Gross taxes receivable	1,556,355	76,821	124,957	68,616	1,826,749
Allowance for uncollectible taxes	(363,562)	—	—	—	(363,562)
Net Taxes Receivable	\$ 1,192,793	\$ 76,821	\$ 124,957	\$ 68,616	\$ 1,463,187

B. LEASES RECEIVABLE

1. Governmental Activities

At June 30, 2023, 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	\$ 647	\$ 22,909	\$ 751,999	\$ 362,073	\$ 1,137,628

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.

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2. Business-Type Activities

At June 30, 2023, leases receivable for Business-Type Activities were as follows (expressed in thousands):

	Universities	Other Enterprise Funds	Total Business-Type Activities
Leases Receivable	\$ 210,101	\$ 461	\$ 210,562

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, 2023, the Universities recorded 1) \$78.4 million, \$32.2 million, and \$99.5 million in lease receivables, and 2) \$4.6 million, \$1.1 million, and \$12.7 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, 2023, the Parks Board recorded \$0.5 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, 2023, 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	\$ 259,841	\$ —	\$ —	\$ —	\$ 259,841
Delinquent income tax	364,859	—	—	—	364,859
Tobacco settlement	51,000	—	—	—	51,000
Child support administrative reimbursements	3,592	—	—	—	3,592
Grants	428,965	25,783	—	—	454,748
Drug rebates	75,542	—	—	—	75,542
Land sales receivable	—	—	717,159	—	717,159
Land leases receivable (non-GASB 87)	—	—	2,651	—	2,651
Opioid settlement	—	—	—	415,106	415,106
Other	1,876	—	—	393	2,269
Total Unavailable Revenue for Governmental Funds	\$ 1,185,675	\$ 25,783	\$ 719,810	\$ 415,499	\$ 2,346,767

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D. UNEARNED REVENUE

At June 30, 2023, 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	\$ 61,149	\$ —	\$ 61,149
Advance county acute and long-term care payments	34,791	—	34,791
American Rescue Plan Act – Housing Assistance	55,351	—	55,351
Coronavirus State and Local Fiscal Recovery Fund	1,850,761	—	1,850,761
Transportation & Aviation Planning, Highway			
Maintenance & Safety Fund:			
Magazine subscriptions	1,520	—	1,520
Motor vehicle customer accounts	—	25,962	25,962
Land Endowments Fund:			
Advance land lease payments (non-GASB 87)	10,824	50,673	61,497
Other Governmental Funds:			
Advance renewal of contractors' license assessment	703	—	703
Other	843	—	843
Total Unearned Revenue for Governmental Funds	<u>\$ 2,015,942</u>	<u>\$ 76,635</u>	<u>\$ 2,092,577</u>
Unearned Revenue for Proprietary Funds:	Current		
Universities:			
Unexpended cash advances received	\$ 327,299		
Auxiliary sales and services	51,062		
Student tuition and fees	174,985		
Deposits	1,775		
Other	5,011		
Other Enterprise Funds:			
CARES Act	26,031		
Other	1,272		
Total Unearned Revenue for Proprietary Funds	<u>\$ 587,435</u>		

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NOTE 4. CAPITAL ASSETS

A. GOVERNMENTAL ACTIVITIES

Capital asset activity for Governmental Activities for the fiscal year ended June 30, 2023 were as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable Capital Assets:					
Land	\$ 3,811,853	\$ 107,287	\$ (20,573)	\$ —	\$ 3,898,567
Infrastructure	16,856,742	—	—	86,086	16,942,828
Construction in progress	3,974,624	415,274	(1,798)	(111,241)	4,276,859
Development in progress	9,764	46	—	(9,764)	46
Total Non-depreciable Capital Assets	24,652,983	522,607	(22,371)	(34,919)	25,118,300
Depreciable Capital Assets:					
Buildings	2,561,988	16,865	(130)	44,336	2,623,059
Improvements other than buildings	219,507	4,679	(31)	925	225,080
Equipment (2)	1,008,964	231,080	(182,065)	11,368	1,069,347
Infrastructure	25,663	—	—	(925)	24,738
Total Depreciable Capital Assets	3,816,122	252,624	(182,226)	55,704	3,942,224
Less accumulated depreciation for:					
Buildings	(1,284,856)	(58,984)	126	(1,106)	(1,344,820)
Improvements other than buildings	(160,764)	(5,362)	31	(11)	(166,106)
Equipment (2)	(706,588)	(78,027)	58,838	3,229	(722,548)
Infrastructure	(11,330)	(537)	—	42	(11,825)
Total Accumulated Depreciation	(2,163,538)	(142,910)	58,995	2,154	(2,245,299)
Total Depreciable Capital Assets, Net	1,652,584	109,714	(123,231)	57,858	1,696,925
Intangible Capital Assets:					
Software and other intangibles (1)	455,215	—	(327)	9,728	464,616
Total Intangible Capital Assets	455,215	—	(327)	9,728	464,616
Less accumulated amortization for:					
Software and other intangibles (1)	(272,526)	(31,392)	259	—	(303,659)
Total Accumulated Amortization	(272,526)	(31,392)	259	—	(303,659)
Total Intangible Capital Assets, Net	182,689	(31,392)	(68)	9,728	160,957
Intangible Right-to-use Lease Assets:					
Land	2,167	—	—	—	2,167
Buildings	367,583	48,937	(22,581)	—	393,939
Total Intangible Right-to-use Lease Assets	369,750	48,937	(22,581)	—	396,106
Less accumulated amortization for:					
Land	(77)	(76)	—	—	(153)
Buildings	(43,394)	(45,468)	6,461	1	(82,400)
Total Accumulated Amortization	(43,471)	(45,544)	6,461	1	(82,553)
Total Intangible Right-to-use Lease Assets, Net	326,279	3,393	(16,120)	1	313,553
Intangible Right-to-use Subscription Assets:					
Development in progress subscription assets	—	17,654	—	—	17,654
Subscription assets (1)	195,281	—	—	—	195,281
Total Intangible Right-to-use Subscription Assets	195,281	17,654	—	—	212,935
Less accumulated amortization for:					
Subscription assets	—	(34,275)	—	—	(34,275)
Total Accumulated Amortization	—	(34,275)	—	—	(34,275)
Total Intangible Right-to-use Subscription Assets, Net	195,281	(16,621)	—	—	178,660
Total Capital Assets, Net	\$ 27,009,816	\$ 587,701	\$ (161,790)	\$ 32,668	\$ 27,468,395

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- (1) As a result of the implementation of GASB 96, there was a restatement of beginning intangible capital assets and associated accumulated amortization and right-to-use subscription assets at July 1, 2022. The impact of the restatement was a net increase of \$147.0 million to beginning balance for Total Capital Assets, Net.
- (2) In fiscal year 2023, Equipment Additions and Retirements include shipping containers capitalized at \$98.8 million which were acquired for an improvised border wall at the Arizona/Mexico border but were removed from service in the same fiscal year and sent to surplus property for auction. The equipment asset along with its associated accumulated depreciation was adjusted from its carrying value of \$98.0 million to its fair value of \$4.2 million. The impairment loss of \$93.8 million is presented in the Government-wide Statement of Activities as a Special Item: Impairment loss of capital asset. The remaining \$4.2 million fair value was written off due to immateriality.

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

General government	\$	39,619
Health and welfare		88,301
Inspection and regulation		1,992
Education		3,167
Protection and safety		81,214
Transportation		28,868
Natural resources		<u>10,960</u>
Total Governmental Activities	\$	<u>254,121</u>

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B. BUSINESS-TYPE ACTIVITIES

Capital asset activity for Business-type Activities for the fiscal year ended June 30, 2023 were as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable Capital Assets:					
Land (1)	\$ 302,952	\$ 12,085	\$ (1,020)	\$ —	\$ 314,017
Collections	28,163	25,266	—	—	53,429
Construction in progress	426,408	344,069	(171,333)	(184,023)	415,121
Development in progress	85,708	59,301	—	—	145,009
Total Non-depreciable Capital Assets	843,231	440,721	(172,353)	(184,023)	927,576
Depreciable capital assets:					
Buildings (1)	8,623,336	253,742	(7,935)	171,823	9,040,966
Improvements other than buildings	26,012	10	—	(1)	26,021
Equipment (1)	1,947,615	161,714	(48,111)	714	2,061,932
Infrastructure	766,983	30,847	(10)	13,631	811,451
Total Depreciable Capital Assets	11,363,946	446,313	(56,056)	186,167	11,940,370
Less accumulated depreciation for:					
Buildings (1)	(3,645,176)	(263,356)	4,443	50	(3,904,039)
Improvements other than buildings	(20,067)	(341)	—	(13)	(20,421)
Equipment (1)	(1,439,076)	(109,180)	45,232	(79)	(1,503,103)
Infrastructure	(356,954)	(23,480)	5	—	(380,429)
Total Accumulated Depreciation (3)	(5,461,273)	(396,357)	49,680	(42)	(5,807,992)
Total Depreciable Capital Assets, Net	5,902,673	49,956	(6,376)	186,125	6,132,378
Intangible Capital Assets:					
Software and other intangibles (1)	166,275	61,584	(369)	—	227,490
Total Intangible Capital Assets	166,275	61,584	(369)	—	227,490
Less accumulated amortization for:					
Software and other intangibles (1)	(152,513)	(48,672)	364	—	(200,821)
Total Accumulated Amortization (3)	(152,513)	(48,672)	364	—	(200,821)
Total Intangible Capital Assets, Net	13,762	12,912	(5)	—	26,669
Intangible Right-to-use Lease Assets:					
Buildings	658,300	38,007	2,291	1	698,599
Equipment	4,643	1,410	(20)	—	6,033
Total Intangible Right-to-use Lease Assets	662,943	39,417	2,271	1	704,632
Less accumulated amortization for:					
Buildings	(67,819)	(51,686)	9	(1)	(119,497)
Equipment	(1,209)	(1,605)	—	—	(2,814)
Total Accumulated Amortization (3)	(69,028)	(53,291)	9	(1)	(122,311)
Total Intangible Right-to-use Lease Assets, Net	593,915	(13,874)	2,280	—	582,321
Intangible Right-to-use Subscription Assets:					
Development in progress subscription assets	—	122	—	—	122
Subscription assets (2)	90,390	29,037	—	—	119,427
Total Intangible Right-to-use Subscription Assets	90,390	29,159	—	—	119,549
Less accumulated amortization for:					
Subscription assets	—	(25,015)	—	—	(25,015)
Total Accumulated Amortization (3)	—	(25,015)	—	—	(25,015)
Total Intangible Right-to-use Subscription Assets, Net	90,390	4,144	—	—	94,534
Total Capital Assets, Net	\$ 7,443,971	\$ 493,859	\$ (176,454)	\$ 2,102	\$ 7,763,478

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- (1) As a result of the inclusion of the CCASU as a blended component unit of the Universities, there was a restatement of beginning capital assets and associated accumulated depreciation/accumulated amortization at July 1, 2022. The impact of the restatement was a net increase of \$6.0 million to beginning balances for the Total Capital Assets, Net.
- (2) As a result of the implementation of GASB 96, there was a restatement of beginning capital assets at July 1, 2022. The impact of the restatement was an increase of \$90.4 million to beginning Intangible Right-to-use Subscription Assets.
- (3) Total Accumulated Depreciation and Total Accumulated Amortization additions differ from depreciation and amortization expense within the Statement of Revenues, Expenses and Changes in Fund Net Position, Proprietary Funds as the UAGC transferred operations to the Universities which included in an increase of \$47.4 million to Total Accumulated Depreciation and Total Accumulated Amortization categories. See Note 8 for further information on the transfer of operations.

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

Universities	\$	465,400
Other		10,554
Total Business-Type Activities	\$	<u>475,954</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. Plan descriptions of these systems are disclosed in Note 1.A. 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, 2023, were as follows (expressed in thousands):

	Pension		OPEB	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Beginning balance	\$ 2,743,975	\$ 1,261,523	\$ 596,538	\$ 437,923
Increases	1,700,863	599,248	541,137	76,844
Decreases	(2,072,720)	(378,472)	(664,393)	(170,047)
Ending Balance	<u>\$ 2,372,118</u>	<u>\$ 1,482,299</u>	<u>\$ 473,282</u>	<u>\$ 344,720</u>

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For the year ended June 30, 2023, the State recognized pension expense for all plans to which it contributes of \$613.4 million, \$4.8 million of grant expense for EORP, and \$25.0 million of OPEB expense. Also, the State reported \$368.9 million of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$48.3 million of grant expenditures related to EORP, and \$19.6 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, 2023, statute required active ASRS members to contribute for retirement at the actuarially determined rate of 12.03 percent of the members' annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 11.92 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 9.62 percent of annual covered payroll of retired members who worked during fiscal year 2023 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, 2023, were \$337.8 million.

During fiscal year 2023, the State paid for ASRS pension contributions from governmental funds as follows: 72.55 percent from the General Fund, 13.07 percent from major funds, and 14.38 percent from other funds.

Pension Liability – At June 30, 2023, the State reported a liability of \$3.4 billion for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The State's proportion measured as of June 30, 2022, was 21.12 percent, which was a decrease of 0.26 from its proportion measured as of June 30, 2021.

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Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2023, the State recognized pension expense for ASRS of \$356.0 million. At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,370	\$ —
Changes of assumptions or other inputs	171,080	—
Net difference between projected and actual earnings on pension plan investments	—	90,797
Changes in proportion and differences between State contributions and proportionate share of contributions	40,334	66,589
State contributions subsequent to the measurement date	337,834	—
Total	<u>\$ 578,618</u>	<u>\$ 157,386</u>

The \$337.8 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, 2024. 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):

Year ending June 30	
2024	\$ 149,743
2025	(54,010)
2026	(157,645)
2027	145,310
2028	—
Thereafter	—

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

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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. 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%	3.90%
Fixed income – credit	20%	5.30%
Fixed income – interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
Total	100%	

Discount Rate – At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. 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	\$ 5,085,915	\$ 3,446,979	\$ 2,080,362

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, 2023, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS – DPS	CORP – DCRR
Retirees or beneficiaries currently receiving benefits	1,492	4,064
Inactive employees entitled to but not yet receiving benefits	182	1,398
Active employees	993	4,695
Total	2,667	10,157

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, 2023, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member – Pension	State – Pension
PSPRS – DPS Tiers 1 & 2	7.65% - 11.65%	61.73%
PSPRS – DPS Tier 3	10.43%	57.62%
CORP – DCRR	8.41%	18.79%

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 2023 for the State in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	Pension
PSPRS – DPS	48.19%
CORP – DCRR	13.82%

The State's contributions to the pension plan for the year ended June 30, 2023, were (expressed in thousands):

	Pension
PSPRS – DPS Tiers 1 & 2	\$ 53,151
PSPRS – DPS Tier 3	9,747
CORP – DCRR	61,844

During fiscal year 2023, the State paid for PSPRS and CORP pension contributions as follows: 57.58 percent from the General Fund and 42.42 percent from other funds.

Pension Liability – At June 30, 2023, the State reported the following net pension liabilities (expressed in thousands):

	Net Pension Liability
PSPRS – DPS	\$ 45,768
CORP – DCRR	78,169

The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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

PSPRS and CORP – Pension	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0% - 6.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 Tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2021.

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The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.2 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%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35)%
Total	100%	

Discount Rate – At June 30, 2022, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
PSPRS – DPS			
Balances at June 30, 2022	\$ 1,348,554	\$ 1,003,969	\$ 344,585
Changes for the year:			
Service cost	17,880	—	17,880
Interest on the total pension liability	96,565	—	96,565
Differences between expected and actual experience in the measurement of the pension liability	57,259	—	57,259
Changes of assumptions or other inputs	13,710	—	13,710
Contributions – employer	—	516,247	(516,247)
Contributions – employee	—	8,967	(8,967)
Net investment income	—	(40,244)	40,244
Benefit payments, including refunds of employee contributions	(87,254)	(87,254)	—
Administrative expense	—	(727)	727
Other changes	—	(12)	12
Net changes	98,160	396,977	(298,817)
Balances at June 30, 2023	\$ 1,446,714	\$ 1,400,946	\$ 45,768

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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, 2022	\$ 2,180,470	\$ 1,815,018	\$ 365,452
Changes for the year:			
Service cost	34,793	—	34,793
Interest on the total pension liability	157,350	—	157,350
Differences between expected and actual experience in the measurement of the pension liability	11,938	—	11,938
Changes of assumptions or other inputs	23,073	—	23,073
Contributions – employer	—	567,957	(567,957)
Contributions – employee	—	20,016	(20,016)
Net investment income	—	(68,946)	68,946
Benefit payments, including refunds of employee contributions	(119,565)	(119,565)	—
Administrative expense	—	(1,267)	1,267
Other changes	—	(3,323)	3,323
Net changes	107,589	394,872	(287,283)
Balances at June 30, 2023	\$ 2,288,059	\$ 2,209,890	\$ 78,169

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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate (expressed in thousands):

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
PSPRS – DPS net pension liability	\$ 223,122	\$ 45,768	\$ (100,629)
CORP – DCRR net pension liability	\$ 393,492	\$ 78,169	\$ (178,551)

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, 2023, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS – DPS	\$ 62,643
CORP – DCRR	\$ 66,002

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Deferred Outflows/Inflows of Resources – At June 30, 2023, 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	\$ 63,396	\$ 1,267
Changes of assumptions or other inputs	15,232	—
Net difference between projected and actual earnings on pension plan investments	75,701	—
State contributions subsequent to the measurement date	62,898	—
Total	<u>\$ 217,227</u>	<u>\$ 1,267</u>

CORP – DCRR	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,927	\$ 23,908
Changes of assumptions or other inputs	34,236	—
Net difference between projected and actual earnings on pension plan investments	80,307	—
State contributions subsequent to the measurement date	61,844	—
Total	<u>\$ 238,314</u>	<u>\$ 23,908</u>

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, 2024. 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
2024	\$ 46,644	\$ 47,383
2025	39,505	48,793
2026	26,821	5,685
2027	40,092	50,701
2028	—	—
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 \$5.0 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. As part of the 2022 Fifty-fifth Legislature, Second Regular Session, Senate Bill 1002, the State appropriated \$60.0 million to reduce the unfunded accrued liability for the EORP which is also reflected in the tables below. For the year ended June 30, 2023, 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 70.42 percent of active EORP members' annual covered payroll. Also, statute required the State to contribute 58.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42 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 48.58 percent of annual covered payroll of retired members who worked during fiscal year 2023 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, 2023, were \$77.1 million, including \$48.3 million related to State support, as a nonemployer contributing entity.

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During fiscal year 2023, the State paid for EORP pension contributions as follows: 99.11 percent from the General Fund and 0.89 percent from other funds. In addition, during fiscal year 2023, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

Pension Liability – At June 30, 2023, 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	\$ 190,102
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	43,036
Total	<u>\$ 233,138</u>

The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 to 1.85 percent.

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, 2022. The State's proportion measured as of June 30, 2022, was 28.16 percent, which was an increase of 1.10 from its proportion measured as of June 30, 2021. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2022, was 6.37 percent, which was a decrease of 0.29 from its proportion measured as of June 30, 2021.

Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2023, the State recognized a pension expense for EORP of \$39.4 million and revenue of \$3.0 million for the designated court fees. In addition, the State recognized a grant expense of \$4.8 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2023, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 1,716	\$ —	\$ 389	\$ —
Changes in proportion and differences between State contributions and proportionate share of contributions	3,476	237	—	607
State contributions subsequent to the measurement date	28,720	—	48,348	—
Total	<u>\$ 33,912</u>	<u>\$ 237</u>	<u>\$ 48,737</u>	<u>\$ 607</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, 2024. 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):

Year ending June 30	The State	The State, as a nonemployer contributing entity
2024	\$ 3,584	\$ (528)
2025	16	4
2026	(809)	(183)
2027	2,164	489
2028	—	—
Thereafter	—	—

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

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 Tables

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.2 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%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35)%
Total	100%	

Discount Rate – At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2 percent, which was a decrease of 0.1 from the discount rate used at June 30, 2021. 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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate (expressed in thousands):

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
State's proportionate share of the net pension liability	\$ 217,014	\$ 190,102	\$ 167,038
State's proportionate share of the net pension liability, as a nonemployer contributing entity	49,096	43,036	37,815

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, 2023, was \$27.3 million.

Employees Covered by Benefit Terms – For the plan's fiscal year end of June 30, 2022, the following employees were covered by the ADOA OPEB plan's benefit terms:

Retirees or beneficiaries currently receiving benefits	6,148
Active employees	53,073
Total	<u>59,221</u>

OPEB Liability – At June 30, 2023, the State reported a liability of \$983.0 million for the ADOA total OPEB liability. The total OPEB liability measured as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021.

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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	3.69% as of June 30, 2022
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, 2022	\$ 1,197,905
Changes for the year:	
Service cost	120,565
Interest on the total OPEB liability	25,077
Changes of assumptions or other inputs	(335,950)
Benefit payments	(24,577)
Net changes	(214,885)
Balance at June 30, 2023	\$ 983,020

The total OPEB liability as of June 30, 2022 reflects an increase in the discount rate due to changes in the bond index.

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 3.69 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 (2.69 percent) or 1 percentage point higher (4.69 percent) than the current rate (expressed in thousands):

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 1,155,415	\$ 983,020	\$ 846,382

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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):

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 815,849	\$ 983,020	\$ 1,201,154

OPEB Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2023, the State recognized OPEB expense of \$50.4 million. At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,849	\$ 365,691
Changes of assumptions or other inputs	233,651	384,247
State benefit payments subsequent to the measurement date	27,266	—
Total	<u>\$ 279,766</u>	<u>\$ 749,938</u>

The \$27.3 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, 2024. 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):

Year Ending June 30	
2024	\$ (89,750)
2025	(70,712)
2026	(48,686)
2027	(68,514)
2028	(95,859)
Thereafter	(123,917)

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

1. Governmental Activities

a. Department of Administration

In August 2021, the State defeased, in advance of maturity, Lottery Revenue Refunding Bonds Series 2019 (Series 2019 Bonds) with an outstanding principal balance of \$223.1 million using its own resources. Sufficient assets were placed in an irrevocable trust that together with interest earned thereon will provide amounts to pay all principal and interest on the bonds. As of June 30, 2023, the outstanding principal balance of the defeased Series 2019 Bonds was \$199.7 million. Accordingly, the trust account assets and liabilities for the defeased Series 2019 Bonds are not included in the accompanying financial statements.

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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 \$988.1 million.

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 \$943.5 million in outstanding Highway Revenue Bonds issued since 2015. 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 \$1.2 billion. Principal and interest paid for the current year and total pledged revenues were \$82.4 million and \$829.7 million, respectively. The annual principal and interest payments on the bonds required 9.9% of the pledged revenues. The pledged revenues of \$829.7 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 \$377.5 million.

The ADOT has pledged future transportation excise taxes to repay \$253.1 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2014. 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 \$271.9 million. Principal and interest paid for the current year and total pledged revenues were \$143.3 million and \$481.7 million, respectively. The annual principal and interest payments on the bonds required 29.7% of the pledged revenues. The pledged revenues of \$481.7 million also apply to the ADOT's direct placement Transportation Excise Tax Revenue Bonds discussed within Note 6.D.1.b.

2. Business-Type Activities

a. Universities

i. Arizona State University

As of June 30, 2023, the ASU had issued fixed and variable rate bonds, of which \$2.1 billion is outstanding. The ASU's long-term obligations generally are structured with semi-annual interest and call options at a prescribed date.

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, 2023. 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, 2023, pledged revenues totaled \$2.4 billion, of which 6.1% (\$146.7 million, net of federal direct payments) was required to cover current year debt service.

In May 2023, the ASU issued \$189.4 million of system revenue bonds, Series 2023A, B, and C, with an average maturity of 15.3 years and an average interest rate of 3.96%. The bonds were issued to fund the construction and improvements to the Mill Avenue Parking Structure, IT infrastructure, Research Lab Renovations, Classroom and Academic Renovations, a new Classroom Office Building and the Tempe Campus Academic and Office Space project.

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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 \$65.1 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2023 was 4.05% for the Series 2008A bonds and 4.10% 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 \$3.2 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. 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 Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2023, the ASU recorded Federal Direct Payments totaling \$2.7 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.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2023 totaled \$114.3 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 \$64.8 million notional amount at June 30, 2023 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, 2023 was 4.01%.

At June 30, 2023, 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	(4.01)
Net interest rate swap payments		(0.10)
Variable-rate bond coupon payments	Spread to SIFMA	4.07
Synthetic fixed interest rate on bonds		3.97

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.

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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, 2023, 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 Aa1 by Moody's as of June 30, 2023. 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, 2023, the swap had a fair value of \$(2.9) million, which represents the cost to the ASU to terminate the swap. The June 30, 2022 fair value was \$(5.8) 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. 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).

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 SPEED Revenue Bonds Series 2013. At June 30, 2023, 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 \$17.6 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, 2023. 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, 2023, pledged revenues totaled \$1.5 billion of which 6.7% (\$103.1 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.8% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$1.9 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

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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, 2023, 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 \$15.1 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, 2023, the outstanding principal balance of the 2013 refunded bonds was \$32.2 million, which will be paid by investments held in the trust with a fair value of \$32.7 million. The serial and term bonds with an optional redemption date of June 1, 2023, were called on that date and subsequently settled in August 2023. 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, 2023. 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 \$308.3 million for the prior five years. For fiscal year 2023, pledged revenues totaled \$305.1 million of which 10% (\$31.7 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.4% 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 \$535.0 million.

3. Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2023 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2023
Governmental Activities:				
Department of Transportation	2014 - 2020	2024 - 2038	1.96 - 5.00%	\$ 1,196,535
Business-type Activities:				
University Revenue Bonds	2008 - 2022	2024 - 2054	0.52 - 5.99%	3,741,510

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Principal and interest payments on revenue bonds outstanding at June 30, 2023 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
2024	\$ 232,975	\$ 48,790	\$ 281,765	\$ 143,095	\$ 167,310	\$ (60)	\$ 310,345
2025	217,605	39,466	257,071	157,950	159,250	(56)	317,144
2026	88,690	30,581	119,271	165,515	152,195	(51)	317,659
2027	83,485	27,657	111,142	175,175	144,516	(47)	319,644
2028	86,685	24,448	111,133	176,905	136,633	(42)	313,496
2029 - 2033	369,105	70,902	440,007	864,665	561,457	(127)	1,425,995
2034 - 2038	117,990	11,794	129,784	836,380	366,223	(7)	1,202,596
2039 - 2043	—	—	—	786,420	175,490	—	961,910
2044 - 2048	—	—	—	357,785	40,534	—	398,319
2049 - 2053	—	—	—	68,700	5,864	—	74,564
2054	—	—	—	8,920	—	—	8,920
Total	\$ 1,196,535	\$ 253,638	\$ 1,450,173	\$ 3,741,510	\$ 1,909,472	\$ (390)	\$ 5,650,592

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 \$163.7 million.

The ADOT has pledged federal revenues to repay \$141.9 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 \$174.6 million. Principal and interest paid for the current year and total pledged revenues were \$30.0 million and \$909.3 million, respectively. The annual principal and interest payments on the GANs required 3.3% of the pledged revenues.

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

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2023
Governmental Activities:				
Department of Transportation	2016 - 2019	2024 - 2034	5.00%	\$ 141,905

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Principal and interest payments on GANs outstanding at June 30, 2023 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Governmental Activities		
	Total Principal	Total Interest	Total Debt Service
2024	\$ 22,875	\$ 7,095	\$ 29,970
2025	24,020	5,951	29,971
2026	25,220	4,751	29,971
2027	8,610	3,490	12,100
2028	9,040	3,059	12,099
2029 - 2033	46,405	8,040	54,445
2034	5,735	287	6,022
Total	\$ 141,905	\$ 32,673	\$ 174,578

C. CERTIFICATES OF PARTICIPATION

1. Governmental Activities

a. Department of Administration

The State has issued COPs 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 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 and parking structures. 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 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, in advance of maturity, COP Series 2016 (Series 2016 COP) with an outstanding principal balance of \$60.0 million using its own resources. Sufficient assets were placed in an irrevocable trust that together with interest earned thereon will provide amounts to pay all principal and interest on the COP. As of June 30, 2023, the outstanding principal balance of the defeased Series 2016 COP was \$29.5 million. Accordingly, the trust account assets and liabilities for this defeased COP is not included in the accompanying financial statements.

In August 2021, the State defeased, in advance of maturity, COP Refunding Series 2019A (Series 2019A COP) with an outstanding principal balance of \$389.2 million using its own resources. Sufficient assets were placed in an irrevocable trust that together with interest earned thereon will provide amounts to pay all principal and interest on the COP. As of June 30, 2023, the outstanding principal balance of the defeased Series 2019A COP was \$317.2 million. Accordingly, the trust account assets and liabilities for this defeased COP is not included in the accompanying financial statements.

In August 2022, the State partially defeased refunding COP Series 2015 (Series 2015 COP) pursuant to Laws, 2022, Chapter 313, Section 99. The outstanding principal at the time of the defeasance was \$79.0 million. The State placed \$84.3 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 September 1, 2027. The Series 2015 COP is subject to optional or extraordinary redemption prior to maturity pursuant to the debt documents. Accordingly, the trust account assets and liabilities for the defeased COP is not included in the accompanying financial statements.

STATE OF ARIZONA
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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 COP is 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 COP at maturity, the lease agreement with the trustee for the Series 2010 COP will provide for mandatory sinking fund payments to be made as part of the base rent due under the lease. The SFB Series 2010 COP is 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 COP 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 COP on the stated maturity date of September 1, 2027. The sinking fund deposit requirements were adjusted to reflect the extraordinary mandatory prepayment redemption. All proceeds received from the issuance of the Series 2010 COP has 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, in advance of maturity, COP Refunding Series 2015A (Series 2015A COP) with an outstanding principal balance of \$161.5 million using its own resources. Sufficient assets were placed in an irrevocable trust that together with interest earned thereon will provide amounts to pay all principal and interest on the COP. As of June 30, 2023, the outstanding principal balance of the defeased Series 2015A COP was \$55.8 million. The COP is not subject to optional prepayment prior to maturity; however, the COP is subject to defeasance pursuant to the debt documents. Accordingly, the trust account assets and liabilities for this defeased COP is not included in the accompanying financial statements.

c. Game and Fish Department

The GFD has issued Beneficial Interest Certificates to finance the construction of the GFD headquarters building and facilities and fund related site improvements. The GFD Certificates are subject to extraordinary optional redemption prior to maturity pursuant to the debt documents. The certificates are collateralized by GFD'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.

2. Business-Type Activities

a. Universities

i. Arizona State University

As of June 30, 2023, the ASU has issued fixed rate COPs, of which \$36.6 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, 2023 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.

STATE OF ARIZONA
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3. Summary of COPs

A summary of the COPs issued as of June 30, 2023 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
2013A Refund 2001 PLTO	2013	2029	\$ 24,480	\$ 12,215	5.00%
2015 Refund 2005 Gov Office Lease Rev Capitol Mall	2016	2028	163,995	24,755	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	10,155	4.35 - 5.00%
Total Governmental Activities			\$ 300,210	\$ 128,945	

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	\$ 6,940	4.53%
2011A Mercado Refunding COPs	2011	2025	8,465	1,590	4.27%
2013 A/B Refunding COPs	2013	2027	64,780	28,025	3.09%
University of Arizona:					
2006 Arizona Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	8,255	4.38 - 4.50%
2015A Refund COPs 2005A-2005C, 2005F, 2006A & 2006B	2015	2025	89,470	10,850	5.00%
2015B Refund COPs 2007A	2015	2025	13,810	5,460	2.99 - 3.09%
2018B Refund COPs 2007D	2018	2031	32,430	20,815	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	72,315	0.77 - 2.28%
Northern Arizona University:					
2013 Refunding COPs	2013	2031	36,005	19,430	4.80%
2015 Refunding COPs	2015	2031	18,825	13,210	4.90%
Total Business-type Activities			\$ 399,345	\$ 205,660	

Principal and interest debt service requirements on COPs outstanding at June 30, 2023 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
2024	\$ 7,890	\$ 7,044	\$ 14,934	\$ 43,675	\$ 7,159	\$ 50,834
2025	8,365	6,644	15,009	37,495	5,407	42,902
2026	8,870	6,221	15,091	27,415	4,202	31,617
2027	9,395	5,768	15,163	22,450	3,160	25,610
2028	88,185	2,921	91,106	18,430	2,542	20,972
2029 - 2032	6,240	541	6,781	56,195	3,754	59,949
Total	<u>\$ 128,945</u>	<u>\$ 29,139</u>	<u>\$ 158,084</u>	<u>\$ 205,660</u>	<u>\$ 26,224</u>	<u>\$ 231,884</u>

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D. DIRECT PLACEMENTS

1. Governmental Activities

a. Department of Administration

On August 2022, the State defeased ADOA Direct Placements COP, Series 2017 (Series 2017 COP) pursuant to Laws, 2022, Chapter 313, Section 99. The outstanding principal at the time of the defeasance was \$4.0 million. The State placed \$4.0 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 September 1, 2027. The Series 2017 COP is subject to mandatory and optional redemption prior to maturity pursuant to the debt documents.

b. Department of Transportation

During fiscal year 2022, the ADOT negotiated two direct placement bonds to refund, in advance of maturity, certain outstanding Highway Revenue Bonds and Transportation Excise Tax Revenue Bonds.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$54.7 million in outstanding direct placement bonds during fiscal year 2023. Proceeds from the bonds refunded, in advance of maturity, portions of Series 2013A Highway Revenue bonds. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2023. Principal and interest paid for the current year and total pledged revenues were \$55.0 million and \$829.7 million, respectively. The annual principal and interest payments on the bonds required 6.6% of the pledged revenues. The pledged revenues of \$829.7 million also apply to the ADOT's Highway Revenue Bonds discussed within Note 6.A.1.b.

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 refunded, in advance of maturity, portions of the Series 2011 Regional Area Road Fund Bonds. 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. Interest paid (only interest was due) for the current year and pledge revenues were \$0.1 million and \$481.7 million, respectively. The semi-annual interest payments on the bonds required 0.02% of the pledged revenues. The pledged revenues of \$481.7 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.

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3. Summary of Direct Placements

A summary of the direct placements issued as of June 30, 2023 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Transportation:					
2021 Refund portion of Regional Area Road Fund Bonds Series 2011	2022	2025	\$ 28,135	\$ 14,670	0.78%
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	\$ 59,205	3.04%
2017 Refunding COPs	2018	2027	44,815	14,325	1.87%
Northern Arizona University:					
2016 Lease Refunding North Campus	2016	2036	11,070	7,525	2.60%
2017 System Revenue Refunding	2017	2034	42,970	34,165	2.90%
2017 Lease Refunding Pine Ridge/Campus Heights	2017	2033	33,340	24,815	2.90%
2017A System Revenue	2018	2038	24,260	19,310	2.60%
2020 Lease Revenue Student Athlete High Performance Center	2020	2044	46,780	42,485	2.80%
2021AB System Revenue Refunding	2021	2031	21,355	19,785	1.90%
Total Business-type Activities			\$ 309,115	\$ 221,615	

Principal and interest debt service requirements on the direct placements at June 30, 2023 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
2024	\$ —	\$ 114	\$ 114	\$ 13,950	\$ 5,966	\$ 19,916
2025	14,670	115	14,785	14,320	5,625	19,945
2026	—	—	—	20,520	5,130	25,650
2027	—	—	—	21,095	4,590	25,685
2028	—	—	—	22,710	3,986	26,696
2029 - 2033	—	—	—	90,910	10,968	101,878
2034 - 2038	—	—	—	23,365	3,746	27,111
2039 - 2043	—	—	—	12,115	1,405	13,520
2044	—	—	—	2,630	74	2,704
Total	<u>\$ 14,670</u>	<u>\$ 229</u>	<u>\$ 14,899</u>	<u>\$ 221,615</u>	<u>\$ 41,490</u>	<u>\$ 263,105</u>

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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, 2023 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2024	\$ 12,396	\$ 5,473
2025	12,212	5,573
2026	8,172	5,609
2027	8,077	5,555
2028	8,077	5,603
2029 - 2033	40,387	28,118
2034 - 2038	4,038	10,391
2039 - 2043	—	1,370
2044 - 2048	—	549
2049 - 2053	—	604
2054 - 2058	—	738
2059 - 2063	—	773
2064 - 2068	—	811
2069 - 2072	—	730
Total minimum payments	93,359	71,897
Less: amount representing interest	(6,411)	(12,225)
Present Value of net minimum financed purchase obligations payments	\$ 86,948	\$ 59,672

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 AHCCCS 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 DCS leases were for administrative buildings, field service office buildings, a storage facility, a 24-hour Emergency Transition Care Facility for Children located throughout Arizona, and a building for the Welcome Center Emergency Transition Center for Youth Entering Foster Care; (5) the DCRR lease was for a parole office located in Phoenix, Arizona; (6) the DES 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 DHS lease was for the Bureau of Radiation Control building located in Phoenix, Arizona; (8) the DPS leases were for the Public Services Center building, the Northern Regional Crime Laboratory, Property and Evidence Storage, the Fleet Maintenance building, the Arizona Counter Terrorism Information Center buildings located throughout Arizona, and office space for the Major Incident Division; and (9) the Supreme Court lease was for office space for their Judicial Education Division.

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

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Additionally, the DES has committed to three new building office space leases at fiscal year-end that will commence in fiscal year 2024. Those new lease payment amounts, in total, equal approximately \$5.9 million. The DCS has committed to one new building office space at fiscal year-end to be built and occupied by the lease commencement date of June 1, 2025. Those new lease payments amounts, in total, equal approximately \$5.7 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. The center expands the ASU's presence in the nation's capital, spurring innovative national engagements and partnerships and provides one-of-a-kind learning, teaching and research opportunities for students and faculty members.

ii. 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.

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iii. 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 95,300 square feet for significant sites. Lease terms are typically 5 years in duration, and future minimum lease payments for larger sites total approximately \$15.2 million. In November 2022, the NAU extended its lease agreement for the NAU North Valley location an additional 9 years through January 2033 as part of planned expansion of health-related programs.

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 \$285.0 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 \$0.8 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 \$0.1 million.

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3. Summary of Leases

Principal and interest payments for leases outstanding at June 30, 2023 are as follows (expressed in thousands):

Fiscal Year	Annual Lease Payments					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2024	\$ 42,978	4,599	\$ 47,577	\$ 45,077	\$ 13,581	\$ 58,658
2025	42,221	3,997	46,218	45,085	13,857	58,942
2026	39,776	3,403	43,179	45,694	11,475	57,169
2027	37,767	2,831	40,598	42,672	10,406	53,078
2028	34,274	2,287	36,561	42,205	9,415	51,620
2029 - 2033	103,159	5,135	108,294	146,687	33,533	180,220
2034 - 2038	16,078	663	16,741	55,139	21,409	76,548
2039 - 2043	510	276	786	43,880	16,773	60,653
2044 - 2048	729	138	867	43,667	12,687	56,354
2049 - 2053	223	7	230	55,613	8,042	63,655
2054 - 2058	—	—	—	48,598	2,671	51,269
2056 - 2063	—	—	—	388	930	1,318
2064 - 2068	—	—	—	376	1,115	1,491
2069 - 2073	—	—	—	364	1,323	1,687
2074 - 2078	—	—	—	353	1,556	1,909
2079 - 2083	—	—	—	341	1,819	2,160
2084 - 2088	—	—	—	331	2,112	2,443
2089 - 2093	—	—	—	320	2,445	2,765
2094 - 2098	—	—	—	310	2,818	3,128
2099 - 2103	—	—	—	300	3,239	3,539
2104 - 2108	—	—	—	291	3,713	4,004
2109 - 2113	—	—	—	281	4,249	4,530
2114 - 2118	—	—	—	272	4,853	5,125
2119 - 2121	—	—	—	146	2,952	3,098
Total	<u>\$ 317,715</u>	<u>\$ 23,336</u>	<u>\$ 341,051</u>	<u>\$ 618,390</u>	<u>\$ 186,973</u>	<u>\$ 805,363</u>

STATE OF ARIZONA
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G. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

1. Governmental Activities

The State has entered into subscription arrangements with various vendors for information technology software. The SBITAs constitute significant right-to-use subscription assets and corresponding subscription liabilities for the State. The State's SBITAs include a financial module, a source-to-pay solution, mainframe services, a human resources information system, a healthcare system, an inmate management system, and an adult probation case management system.

The State's SBITAs include variable subscription payments of \$3.9 million made during fiscal year 2023 that are not included in the subscription liability because they are not fixed in substance. These variable payments are for DASD (direct access storage device) and tapeless backup charged per terabyte, and CPU (central processing unit) charged per number of MSUs (million service units).

As of June 30, 2023, future commitments include: development-in-progress for a human resources information system for an estimated \$29.3 million and subscription payments of \$40.2 million; development-in-progress for an adult probation case management system for an estimated \$5.0 million and subscription payments of \$52.4 million; and subscription costs for hosting a new tax software system for \$5.4 million.

2. Business-type Activities

a. Universities

i. Arizona State University

The ASU has entered into subscription arrangements with various entities for its use of information technology assets. The following subscription arrangements constitute significant right-of-use subscription assets with corresponding subscription liabilities for the ASU:

Workday FMS – In January 2016, the ASU entered into a five year master subscription agreement with Workday to host and update its financial management system. The subscription arrangement term is January 2021 through January 2026. Workday FMS is the ASU's general ledger, procurement, grants, capital projects management and budget planning systems.

Workday HCM – In January 2021, the ASU entered into a ten year master subscription arrangement with Workday to host and update its human capital management system. Workday HCM is the ASU's core human capital management, recruiting, workforce planning, time tracking, scheduling and employee learning systems. The subscription agreement term is November 2022 through November 2032.

Amazon Web Services – In November 2021, the ASU entered into a five year arrangement with Amazon Web Services (AWS) to utilize AWS cloud computing, data storage, analytics, and security services. The subscription agreement term is December 2021 through November 2026.

Zoom – In January 2022, the ASU entered into a five year agreement with Zoom as its preferred virtual communications partner and platform. The subscription arrangement term is January 2022 through August 2027.

ii. University of Arizona

The U of A has entered into certain SBITAs 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 enterprise-scale software as a service contracts.

iii. Northern Arizona University

The NAU has obtained the right to use software applications under the provisions of various SBITAs. These include systems that manage student relations, information technology and administrative service delivery, and data and system processes. Based on the end date of the current contractual obligations, future minimum software subscription payments through June 2026 total approximately \$1.6 million.

STATE OF ARIZONA
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3. Summary of SBITAs

Principal and interest payments for SBITAs outstanding at June 30, 2023 are as follows (expressed in thousands):

Fiscal Year	Annual SBITA Payments					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2024	\$ 26,373	\$ 2,235	\$ 28,608	\$ 23,398	\$ 3,500	\$ 26,898
2025	26,478	1,735	28,213	19,626	2,712	22,338
2026	27,027	1,215	28,242	16,874	2,047	18,921
2027	20,037	726	20,763	9,418	1,430	10,848
2028	9,053	421	9,474	5,114	1,082	6,196
2029 - 2033	15,869	701	16,570	18,807	2,251	21,058
Total	<u>\$ 124,837</u>	<u>\$ 7,033</u>	<u>\$ 131,870</u>	<u>\$ 93,237</u>	<u>\$ 13,022</u>	<u>\$ 106,259</u>

H. 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 2023, the State paid for compensated absences from governmental funds as follows: 77.04% from the General Fund, 16.55% from other funds, and 6.41% from other major funds.

STATE OF ARIZONA
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I. CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	\$ 1,365,585	\$ —	\$ (169,050)	\$ 1,196,535	\$ 232,975	\$ 963,560
Grant anticipation notes	163,705	—	(21,800)	141,905	22,875	119,030
Certificates of participation	217,410	—	(88,465)	128,945	7,890	121,055
Direct placements	73,320	—	(58,650)	14,670	—	14,670
Financed purchases	99,460	—	(12,512)	86,948	10,954	75,994
Premiums and discounts on debt	258,691	—	(43,954)	214,737	39,473	175,264
Total Long-term Debt	<u>2,178,171</u>	<u>—</u>	<u>(394,431)</u>	<u>1,783,740</u>	<u>314,167</u>	<u>1,469,573</u>
Other Long-term Liabilities:						
Leases	328,589	48,937	(59,811)	317,715	42,978	274,737
SBITAs (1)	151,924	—	(27,087)	124,837	26,373	98,464
Compensated absences	362,269	223,838	(210,240)	375,867	193,377	182,490
Pollution remediation obligations	72,566	7,579	—	80,145	10,406	69,739
Utility and railroad settlement accrual	786	—	(786)	—	—	—
Accrued relocation costs	34,182	41,357	(48,197)	27,342	11,082	16,260
Total Other Long-term Liabilities	<u>950,316</u>	<u>321,711</u>	<u>(346,121)</u>	<u>925,906</u>	<u>284,216</u>	<u>641,690</u>
Total Long-term Obligations	<u>\$ 3,128,487</u>	<u>\$ 321,711</u>	<u>\$ (740,552)</u>	<u>\$ 2,709,646</u>	<u>\$ 598,383</u>	<u>\$ 2,111,263</u>
Business-type Activities:						
Long-term Debt:						
Revenue bonds	\$ 3,676,945	\$ 189,400	\$ (124,835)	\$ 3,741,510	\$ 204,120	\$ 3,537,390
Certificates of participation	245,145	—	(39,485)	205,660	43,675	161,985
Direct placements	234,280	—	(12,665)	221,615	13,950	207,665
Financed purchases	68,631	—	(8,959)	59,672	3,820	55,852
Premiums and discounts on debt	437,174	19,798	(39,243)	417,729	37,455	380,274
Total Long-term Debt	<u>4,662,175</u>	<u>209,198</u>	<u>(225,187)</u>	<u>4,646,186</u>	<u>303,020</u>	<u>4,343,166</u>
Other Long-term Liabilities:						
Leases	612,381	47,258	(41,249)	618,390	45,077	573,313
SBITAs (1)	90,390	22,168	(19,321)	93,237	23,398	69,839
Compensated absences	151,714	154,992	(141,623)	165,083	21,889	143,194
U of A capital commitments	—	50,000	(10,000)	40,000	5,000	35,000
Total Other Long-term Liabilities	<u>854,485</u>	<u>274,418</u>	<u>(212,193)</u>	<u>916,710</u>	<u>95,364</u>	<u>821,346</u>
Total Long-term Obligations	<u>\$ 5,516,660</u>	<u>\$ 483,616</u>	<u>\$ (437,380)</u>	<u>\$ 5,562,896</u>	<u>\$ 398,384</u>	<u>\$ 5,164,512</u>

(1) Beginning balances were restated due to implementation of GASB 96.

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 \$188.9 million of compensated absences and \$43.3 million of SBITAs are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

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NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2023 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	\$ —	\$ 41,367	\$ 143	\$ 168,750	\$ 6,329	\$ 216,589
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	11,144	—	—	8,505	—	19,649
Land Endowments Fund	—	—	—	12,475	—	12,475
Non-Major Governmental Funds	20,455	—	—	257	532	21,244
Non-Major Enterprise Funds	122,650	—	—	441	—	123,091
Internal Service Funds	94	—	—	—	—	94
Total Due From	\$ 154,343	\$ 41,367	\$ 143	\$ 190,428	\$ 6,861	\$ 393,142

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, 2023 were as follows (expressed in thousands):

Transferred From	Transferred To						
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$ —	\$ 140,407	\$ 501,328	\$ 1,032,231	\$ 3,536	\$ 2,751	\$ 1,680,253
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	18,298	—	306,969	—	—	—	325,267
Land Endowments Fund	175	—	900	—	—	—	1,075
Non-Major Governmental Funds	162,127	1,027	7,747	—	217	—	171,118
Non-Major Enterprise Funds	240,911	1,500	36,316	37,798	—	—	316,525
Internal Service Funds	9,063	—	415	—	—	24,625	34,103
Total Transfers In	\$ 430,574	\$ 142,934	\$ 853,675	\$ 1,070,029	\$ 3,753	\$ 27,376	\$ 2,528,341

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.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. ACCOUNTING CHANGES

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

	Net Position/ Fund Balance June 30, 2022, as previously reported	Change in Reporting Entity	Correction of Error	Change in Accounting Principle	Net Position/ Fund Balance July 1, 2022, as restated
Government-wide Activities:					
Primary Government:					
Governmental Activities	\$ 41,312,820	\$ —	\$ 18,391	\$ (6,753)	\$ 41,324,458
Business-Type Activities	5,102,579	(4,761)	2,142	—	5,099,960
Total Primary Government	<u>\$ 46,415,399</u>	<u>\$ (4,761)</u>	<u>\$ 20,533</u>	<u>\$ (6,753)</u>	<u>\$ 46,424,418</u>
Fund Statements:					
Governmental Funds					
Major Governmental Funds:					
General Fund	\$ 7,159,518	\$ —	\$ —	\$ —	\$ 7,159,518
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	1,886,430	—	—	—	1,886,430
Land Endowment Fund	7,113,998	—	18,391	—	7,132,389
Nonmajor Governmental Funds	<u>2,038,801</u>	<u>—</u>	<u>—</u>	<u>(1,826)</u>	<u>2,036,975</u>
Total Governmental Funds	<u>\$ 18,198,747</u>	<u>\$ —</u>	<u>\$ 18,391</u>	<u>\$ (1,826)</u>	<u>\$ 18,215,312</u>
Proprietary Funds					
Business-Type Activities – Enterprise Funds					
Universities	\$ 3,386,862	\$ (4,761)	\$ 2,142	\$ —	\$ 3,384,243
Unemployment Compensation	1,421,986	(1,421,986)	—	—	—
Other Nonmajor Enterprise	<u>281,621</u>	<u>1,421,986</u>	<u>—</u>	<u>—</u>	<u>1,703,607</u>
Total Enterprise Funds	<u>\$ 5,090,469</u>	<u>\$ (4,761)</u>	<u>\$ 2,142</u>	<u>\$ —</u>	<u>\$ 5,087,850</u>
Governmental Activities – Internal Service Funds	<u>\$ (485,754)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (485,754)</u>
Fiduciary Funds:					
Pension and Other Employee Benefit Trust Funds	\$ 67,130,903	\$ —	\$ —	\$ —	\$ 67,130,903
Private-Purpose Trust Funds	1,960,558	(100,266)	—	—	1,860,292
Custodial Funds	<u>6,305,893</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,305,893</u>
Total Fiduciary Funds	<u>\$ 75,397,354</u>	<u>\$ (100,266)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 75,297,088</u>

Change in reporting entity

In fiscal year 2023, the CCASU was added as a blended component unit of the Universities as a result of a legal change of control wherein the ASU became the sole corporate member of the CCASU. The inclusion of the CCASU resulted in a \$4.8 million decrease to beginning net position in the Universities' fund and a \$4.8 million decrease to beginning net position in the business-type activities of the primary government.

In fiscal year 2022, the U of A announced its intent to combine the assets and operations of the UAGC, a discretely presented component unit of the U of A, into the activities of the U of A. The two organizations commenced a formal planning process, including seeking regulatory approvals. Final approvals were obtained in June 2023, and the transaction to receive the assets and operations occurred on June 30, 2023. The U of A assumed the UAGC's assets, liabilities for performance under existing vendor arrangements for periods following the closing date, and employment of its faculty, administration, and staff. The UAGC will operate as a separate business unit within the U of A and is no longer considered a discretely presented component - see the impact to beginning net assets in Note 15.L. The addition of the UAGC had no impact to beginning net position in the Universities' fund or the business-type activities of the primary government. However, the transaction meets the requirement of a transfer of operations as defined by GASB. Adjustments were made to convert the UAGC's financial statements reported under the FASB framework to the GASB framework for inclusion in the

STATE OF ARIZONA
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Universities' financial statements. As a result of the transfer, the Universities recognized the following assets, liabilities, and net position (in thousands of dollars):

	<u>Carrying Values</u>
Transferred Assets (Net):	
Current assets	\$ 78,986
Capital assets	60,040
Other assets	<u>2,892</u>
Total Assets	<u>\$ 141,918</u>
Transferred Liabilities:	
Current liabilities	\$ 54,103
Noncurrent liabilities	<u>19,867</u>
Total Liabilities	<u>\$ 73,970</u>
Net Position of Transferred	
Net investment in capital assets	\$ 33,777
Unrestricted	<u>34,171</u>
Total Net Position	<u>\$ 67,948</u>

The increase to net position of \$67.9 million is presented in the Government-wide Statement of Activities and in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position as a Special Item: Transfer of Operations.

The Unemployment Compensation Fund was reclassified from a major enterprise fund to a non-major enterprise fund as the result of not meeting the GASB major fund criteria in fiscal year 2023. The effect on beginning net position was a decrease to the major enterprise funds of \$1.4 billion and an increase to the other non-major enterprise funds of \$1.4 billion.

The AZ529, a fiduciary component unit, previously held plan assets with Fidelity funds' portfolios (March 31 year-end) and Ivy funds' portfolios (September 30, December 31, and March 31 year-ends). For fiscal year 2023, there was no change with the Fidelity funds' portfolio year-ends. However, on June 13, 2022, the Ivy funds' portfolios were transferred to Goldman Sachs funds' portfolios (June 30 year-end). The change resulted in a \$100.3 million decrease to the beginning net position in the private-purpose trust funds.

Correction of error

The Land department reported a correction of error of unearned revenue due to the improper inclusion of GASB 87 leases in fiscal year 2022. The impact was an increase of \$18.4 million to beginning fund balance in the Land Endowment fund and an \$18.4 million increase to beginning net position in the governmental activities of the primary government.

The Thunderbird, a blended component unit of the Universities reported a correction of error of accumulated unearned revenues over multiple fiscal years. The impact was an increase of \$2.1 million to beginning net position in the Universities' fund and a \$2.1 million increase to beginning net position in the business-type activities of the primary government.

Change in accounting principle

In fiscal year 2009, the Game & Fish entered into a contract through fiscal year 2055 with the U.S. Bureau of Reclamation (Reclamation) for habitat restoration. Reclamation paid Game & Fish a one-time amount of \$2.6 million in fiscal year 2009. With the implementation of GASB 94, the arrangement qualified as a P3 and accumulated amortization through June 30, 2022 was calculated as \$0.8 million, leaving a remaining deferred inflow balance of \$1.8 million at July 1, 2022. This change in accounting principle resulted in a \$1.8 million decrease to beginning fund balance in the other non-major governmental funds and a \$1.8 million decrease to beginning net position in the governmental activities of the primary government.

In fiscal year 2023, the State implemented GASB 96; software assets that were previously capitalized met the criteria for a SBITA but did not meet the capitalization threshold for reporting. The removal of the software assets resulted in a \$5.0 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, 2023 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	\$ 12,186	\$ 475	\$ —	\$ 866	\$ 13,527
Permanent fund principal	—	—	7,901,489	—	7,901,489
Restricted for:					
General government	168,435	—	—	30,381	198,816
Health and welfare	912,894	—	—	66,983	979,877
Inspection and regulation	—	—	—	14,499	14,499
Education	5,811	—	—	478,592	484,403
Protection and safety	21,464	—	—	501	21,965
Natural resources	8,263	—	—	19,569	27,832
Debt service	—	—	—	83,186	83,186
Capital projects	—	1,329,795	—	90	1,329,885
Committed to:					
General government	—	—	—	417,236	417,236
Health and welfare	20,960	—	—	225,866	246,826
Inspection and regulation	22,513	—	—	300,098	322,611
Education	87,264	—	—	—	87,264
Protection and safety	287,778	—	—	156,707	444,485
Transportation	—	1,753,908	—	—	1,753,908
Natural resources	29,381	—	—	124,449	153,830
Unassigned:	4,678,832	—	—	—	4,678,832
Total Fund Balances	\$ 6,255,781	\$ 3,084,178	\$ 7,901,489	\$ 1,919,023	\$ 19,160,471

NOTE 10. DEFICIT NET POSITION

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$350.0 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 that 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 \$172.9 million deficit net position is primarily due to the above funding mechanism.

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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, 2023, 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 2023, as a reduction in its equity interest. At June 30, 2023, the equity interest totaled \$3.1 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2022, assets, liabilities, revenues, and expenses totaled \$100.3 million, \$8.0 million, \$12.5 million, and \$20.2 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 North Euclid Avenue., 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 July 2022 and July 2031. Capital commitments in the amount of \$40.0 million related to the GMTO as of June 30, 2023 are reported in Note 6.I.

The U of A has contributed a total of \$95.6 million to the GMTO as of June 30, 2023. 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, 2023, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$89.6 million. Contractual payments were for projects related to mirror construction and process development and included the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE
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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.

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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 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 (incurred but not reported) 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, 2022, 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 are 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, 2023. The total estimated loss reserve of \$200.9 million decreased by 6.38%, or \$13.7 million, from the prior year estimated loss reserve of \$214.6 million. The 6.38% 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 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.

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Additionally, a significant reduction in insurance coverage was established in fiscal year 2023, when statutory changes were implemented on September 24, 2022 placing limits on coverage provided under the Provider Indemnity Program (PIP) of \$1.0 million per occurrence and \$2.0 million in the aggregate. This program provides coverage for certain individual providers while caring for a State client and acts of qualified clients that result in damage or injury. To qualify for coverage under PIP, the State client must be participating in one of four State-sponsored programs at the time the incident occurs, 1) Foster Care, 2) Programs for the Developmentally Disabled, 3) Respite-Sitter Services, and 4) Independent Living. PIP is funded by the State, and there is no charge to the individual provider for this coverage. These limits were established to more closely match the limits these providers could purchase, if they were to purchase coverage on their own. Also effective September 24, 2022, the State now provides cyber coverage to protect the State's agencies, boards, and commissions.

There have been no settlements that have exceeded insurance premium coverage in the last three fiscal years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2022 and June 30, 2023 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2022	\$ 440,908	\$ 57,333	\$ (70,033)	\$ 428,208
2023	428,208	87,407	(66,149)	449,466
Industrial Commission Special Fund:				
2022	225,540	(4,946)	(6,032)	214,562
2023	214,562	(13,446)	(249)	200,867
Health Insurance Trust Fund:				
2022	76,165	799,684	(767,198)	108,651
2023	108,651	790,908	(792,663)	106,896

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 \$185.5 million at June 30, 2023.

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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 \$2.2 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$40.3 million and mutual funds valued at \$55.1 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2023, \$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, \$159.4 million was deposited in the General Fund, and \$1.1 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, 2023, \$576.4 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 \$3.4 billion at June 30, 2023 as presented in the following table (expressed in thousands):

	Remaining Commitments
Local government assistance	\$ 223,341
State highways	
Construction	1,744,768
Design	347,266
Right of way	521,393
Utilities	41,109
Planning and research	139,976
Other	339,064
Total	<u>\$ 3,356,917</u>

The ADOA had outstanding commitments under construction contracts of \$35.8 million at June 30, 2023 as presented in the following table (expressed in thousands):

	Remaining Commitments
Building renewal	\$ 15,877
Capital – Building equipment	151
Capital – New modular homes	4,966
Capital – Water treatment plant	6,858
Demolition	371
Major maintenance	4,356
Renovation	3,216
Total	<u>\$ 35,795</u>

The DCCR had outstanding commitments under construction contracts of \$87.8 million at June 30, 2023 as presented in the following table (expressed in thousands):

	Remaining Commitments
Building renewal – State prisons	<u>\$ 87,822</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,

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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 \$52.3 million at June 30, 2023. Approximately \$43.7 million of the total aggregate future payments at June 30, 2023 relate to annuities purchased from five separate insurance companies, of which approximately \$15.7 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. In May 2023, the AHCCCS announced its initial findings of credible and willful fraud by sober-living providers across the state. Since then, the AHCCCS has suspended more than 300 providers, assisted over 10,000 individuals with the humanitarian response, and implemented more than 20 new initiatives to combat fraud, waste, and abuse in the Medicaid program. As the extent of the fraud was revealed, the AHCCCS recognized the need for holistic and system-wide changes. The AHCCCS has partnered with the AAGO and Governor's Office to develop a comprehensive plan to address the loopholes that fraudulent providers were exploiting.

The AHCCCS 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 at this time as the AHCCCS is still in the process of investigating the provider billing issue. Since May 16, 2023, 20 suspended providers have received decisions following hearings in front of an Administrative Law Judge at the Office of Administrative Hearings; all of these provider suspensions have been upheld. Independently, the AHCCCS may resolve a provider civil liability and demand repayment of funds improperly paid out. The AHCCCS may also remove a provider suspension when further investigation has identified there is no longer a reliable indicia of fraud, but the provider still owes the AHCCCS an overpayment for improperly paid claims. The AHCCCS has done that in 24 cases of provider suspensions.

The AHCCCS OIG's identification and recovery of overpayment pursuant to investigations of currently suspended providers involves review of each provider's billing data, assessment of the legitimacy of any of those services, and calculation of the loss to the AHCCCS (overpayment) caused by those illegitimate services. The likelihood of recovering the total amount paid to suspended providers is exceedingly low because the actual loss to the AHCCCS suffered in each case is not equivalent to the total amount that the AHCCCS paid to that provider. Some suspended providers were paid by the AHCCCS for both legitimate services rendered to the AHCCCS members and illegitimate services which were not rendered. Therefore, the OIG's investigations include a manual process to distinguish these payments. The AHCCCS' ability to collect funds identified as overpayments is further dependent on outside factors, including the progress of criminal prosecution, provider solvency, and criminal attempts to disguise and move funds beyond the reach of authorities. Recovery of funds may happen through criminal proceedings with restitution orders or by civil recoveries undertaken by the AHCCCS. Distinguishing between these routes of recovery involves collaboration with law enforcement to identify cases that are appropriate for civil recovery led by the AHCCCS rather than criminal prosecution.

All of the above factors make it challenging to accurately forecast future recoupment totals. The AHCCCS is required to refund the federal share of all overpayments made to providers. The federal share generally equates to approximately 75% of the total amount overpaid to a provider. The repayment must occur within one year of the discovery of an overpayment as calculated beginning with the date the AHCCCS provides written notice to a provider of an overpayment determination. The repayment obligation is applicable without regard to whether the AHCCCS is successful in recovery of an overpayment from the provider; however, there is an exception if a provider is out of business or bankrupt. Given the extent of the fraud, the AHCCCS anticipates that overpayment written determinations which trigger the legal obligation to refund federal funds will occur on an individual case-by-case basis as investigations are concluded over the next months and years.

The Federal government will likely conduct a review to ensure that AHCCCS has correctly identified and determined overpayments as well as appropriately refunded federal funds. If a negative finding is made, future federal funding may be disallowed in the amount of the federal funds not remitted. The AHCCCS has retained outside counsel experienced in negotiating resolutions with the Federal government on these issues to assist in the mitigation of risk.

See Note 14 for subsequent events related to the AHCCCS provider billing.

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NOTE 13. SETTLEMENTS

A. 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 \$99.0 million in the fund statements and the government-wide statements in fiscal year 2023. 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, 2023.

B. 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. As settlements are finalized, the State records a receivable, net of uncollectible amounts, for amounts anticipated to be received. The State recorded opioid settlement receivable of \$425.4 million, which includes an allowance for uncollectible amount of \$30.4 million.

NOTE 14. SUBSEQUENT EVENTS

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 rates 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.

On April 16, 2024, the NAU issued \$28.4 million in SPEED Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2024 to 2042. The Series 2024 Bonds were issued to: (1) refund and redeem prior to maturity certain outstanding Arizona Board of Regents (Board), NAU SPEED Revenue Bonds, Series 2013; and (2) pay costs relating to the issuance of the Series 2024 Bonds, including insurance, if any. The Series 2024 Bonds maturing on or before August 1, 2031 are not subject to redemption prior to their stated maturities. The Series 2024 Bonds maturing on or after August 1, 2039 are subject to redemption at the option of the Board on August 1, 2034 and on any date thereafter.

On April 25, 2024, the NAU issued \$29.6 million in System Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2026 to 2038. The Series 2024 Bonds were issued to: (1) refund in advance of maturity the bonds to be refunded (defined as Series 2014 bonds) issued by the Board for and on behalf of NAU; and (2) pay costs relating to the issuance of the Series 2024 Bonds. The Series 2024 Bonds maturing on or before June 1, 2034 are not subject to redemption prior to their stated maturities. The Series 2024 Bonds maturing on or after June 1, 2035 are subject to redemption at the option of the Board on June 1, 2034 and on any date thereafter.

On May 9, 2024, the ASU issued \$154.0 million in System Revenue Bonds, Tax-Exempt Series 2024A (Series 2024A Bonds); \$168.4 million in System Revenue Bonds, Tax-Exempt Series 2024B (Series 2024B Bonds), and \$60.4 million System Revenue Bonds, Taxable Series 2024C (Series 2024C Bonds). The Series 2024A Bonds include both serial and term bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2054. The Series 2024B Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2044. The Series 2024C Bonds include both serial and term bonds with interest rates ranging from 4.94% to 5.67% and maturity dates ranging from 2025 to 2045. The Series 2024 Bonds were issued to: (1) construct, renovate, and equip various infrastructure projects on the ASU campuses; (2) acquire a leasehold interest in approximately 20 acres of real property located in the

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ASU Research Park, together with a nanotechnology research facility located thereon; (3) refund and defease in advance of maturity the bonds being refunded (defined as the Series 2010A Bonds and Series 2017A Bonds); and (4) pay costs related to the issuance of the Series 2024 Bonds. Prior to their stated maturity dates pursuant to the debt documents, the Series 2024A Bonds and Series 2024C Bonds are subject to optional and mandatory redemption whereas the Series 2024B Bonds are subject to optional redemption.

On May 14, 2024, the ASU issued \$151.4 million in SPEED Revenue Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include both serial and term bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2054. The Series 2024 Bonds were issued to: (1) construct, equip, and improve the 2024 project (described as a new research and education building on the Polytechnic campus); (2) refund in advance of their maturity the bonds being refunded (defined as the Series 2014 Bonds); and (3) pay costs relating to the issuance of the Series 2024 Bonds. Prior to their stated maturity dates pursuant to the debt documents, the Series 2024 Bonds are subject to optional and mandatory redemption.

On June 6, 2024, the NAU issued \$26.4 million in Certificates of Participation, Series 2024 (Series 2024 COP). The Series 2024 COP includes serial certificates with interest rates of 5.00% and maturity dates ranging from 2024 to 2030. The Series 2024 COP were issued to: (1) prepay in advance of their scheduled principal payment dates the certificates being prepaid (defined as the 2013 Certificates and 2015 Certificates); and (2) to pay costs related to the execution and delivery of the Series 2024 COP. The Series 2024 COP are not subject to optional prepayment prior to their scheduled principal payment dates, but are subject to extraordinary prepayment on any interest payment date, at a prepayment price equal to the principal amount thereof, plus interest thereon to the prepayment date without premium.

On August 8, 2024, the NAU, through the Student and Academic Services, LLC whose sole member is the NACFFC, a blended component unit of the NAU, issued \$26.0 million in Lease Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2027 to 2044. The Series 2024 Bonds were issued to: (1) refund in advance of maturity certain outstanding Lease Revenue Bonds (NAU Project consisting of a student and academic services building built on the NAU's campus in Flagstaff), Series 2014 Bonds, and (2) pay the costs associated with the issuance of the 2024 Bonds. The 2024 Bonds maturing on or before June 1, 2034 will not be subject to optional redemption prior to maturity. The 2024 Bonds maturing on or after June 1, 2035 will be subject to optional redemption prior to maturity on any date on or after June 1, 2034, in whole or in part. The 2024 Bonds will also be subject to extraordinary optional redemption as a result of casualty loss or condemnation.

On October 24, 2024, the U of A issued \$116.5 million in SPEED Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2044. The Series 2024 Bonds were issued to: (1) refund and redeem prior to maturity certain of the Board's outstanding U of A SPEED Revenue Bonds, Series 2013 and Series 2014, and (2) pay costs relating to the issuance of the Series 2024 Bonds. The 2024 Bonds maturing on or before August 1, 2034 are not subject to redemption prior to their stated maturities. The 2024 Bonds maturing on or after August 1, 2035 are subject to redemption at the option of the Board on August 1, 2034 and on any date thereafter, in whole or in part.

On December 1, 2020, the UAGC acquired substantially all of the assets and operations, and assumed certain liabilities of Ashford University, an accredited and fully online university. On June 30, 2023, the U of A acquired substantially all of the assets and the operations, and assumed substantially all of the liabilities of the UAGC, including potential liabilities resulting from borrower defense to repayment (BDR) claims of former students of Ashford University approved by the U.S. Department of Education (USDE). In a public statement on August 30, 2023, the USDE announced its approval of \$72.0 million in BDR discharges for students who applied for relief from loans they took out to attend Ashford University. In this announcement, the USDE stated its intent "to initiate a recoupment proceeding at a later date to seek repayment of the liabilities associated with these approved claims." In subsequent communications, the USDE indicated its intent to seek recoupment of these BDR liabilities from the UAGC and the U of A, and that additional BDR claims of former students of Ashford University were being considered and could ultimately increase the amount sought from the UAGC and the U of A in a future recoupment action. Neither the UAGC nor the U of A has received a requisite recoupment notice from the USDE. The U of A anticipates that it is reasonably possible that the USDE will initiate a recoupment action against the UAGC and the U of A for approved BDR claims of former Ashford University students, and the U of A believes that the amount of loss from such a recoupment action cannot be reasonably estimated based on the current facts and circumstances.

In fiscal year 2024, several complaints were filed against the AHCCCS, the DHS, and the State of Arizona. The claims seek damages from the wrongful death or injuries sustained by current members arising from the failure of these individuals to receive appropriate

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addiction treatment and/or damages for the wrongful death of an AHCCCS member due to the behavioral health/sober-living home fraud scheme (see Note 12.G for additional background on the AHCCCS provider billing issues). The AHCCCS has been subsequently dismissed as a defendant in several of these matters. In addition, from August 2023 through the report date, the AHCCCS has received over 40 Notices of Claim (some alleging wrongful death). The AHCCCS management, upon consultation with internal and external counsel, notes that these matters are in the early stages and no lawsuits have been filed. Plaintiffs have in the aggregate claimed \$0.1 million in damages; however, given that no lawsuits have been filed, and no discovery or disclosures have been exchanged, the AHCCCS notes that no evidence has been disclosed to support such a figure and the amounts of potential loss in these matters cannot be estimated with accuracy based on the information available as of the report date. In the event lawsuits are ultimately filed, the AHCCCS intends to vigorously defend these matters. Additionally, in June 2024 the AHCCCS received over 15 Notices of Claim from the AHCCCS' behavioral health providers alleging the AHCCCS improperly suspended and/or terminated provider participation agreements or payments to providers. The AHCCCS management, upon consultation with internal and external counsel, notes that these matters are in the early stages and no lawsuits have been filed. Plaintiffs have in the aggregate claimed \$2.3 billion in damages; however, given that no lawsuits have been filed, and no discovery or disclosures have been exchanged, the AHCCCS notes that no evidence has been disclosed to support such a figure and the amounts of potential loss in these matters cannot be estimated with accuracy based on the information available as of the report date. In the event lawsuits are ultimately filed, the AHCCCS intends to vigorously defend these matters. Lastly, in August 2024 the State of Arizona received a Class Action Notice of Claim identifying subclasses for certain AHCCCS members and alleging injuries or wrongful death of the claimants. The AHCCCS intends to vigorously defend these matters.

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 presently 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,

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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 \$662.7 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 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. 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 (4.25% 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.

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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 8.1% with a standard deviation of 11.6% over a 10 year period.

8. 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 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 DFIGF'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 DFIGF 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 WIFA nor the DFIGF have a formal policy regarding custodial credit risk for deposits. At December 31, 2022, the DFIGF had uncollateralized and uninsured deposits in the amount of \$9.0 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 WIFA nor the DFIGF 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 WIFA does not have a formal policy regarding interest rate risk. The DFIGF's investment policy requires that the maximum final maturity on an individual investment for life and disability 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 WIFA as of June 30, 2023 and for the DIFIGF as of December 31, 2022 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	More than 5
Certificates of deposit (negotiable)	\$ 6,078	\$ 6,078	\$ —	\$ —
Commercial mortgage-backed securities	1,450	14	1,436	—
Corporate notes & bonds	1,767	1,133	634	—
Guaranteed investment contracts	8,145	—	—	8,145
Money market mutual funds	40,345	40,345	—	—
U.S. agency mortgage-backed securities	1,144	296	848	—
U.S. Treasury securities	224,866	150,880	67,000	6,986
Total	\$ 283,795	\$ 198,746	\$ 69,918	\$ 15,131

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 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-, equivalent to a class rating of 2 by the Securities Valuation Office of the National Association of Insurance Commissioners. The following table presents the 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, 2023 for the WIFA and as of December 31, 2022 for the DIFIGF (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	A-1 Thru A-2	Not Rated
Certificates of deposit (negotiable)	\$ 6,078	\$ —	\$ —	\$ —	\$ 6,078	\$ —
Commercial mortgage-backed securities	1,450	1,450	—	—	—	—
Corporate notes & bonds	1,767	—	498	1,269	—	—
Guaranteed investment contracts	8,145	—	—	—	—	8,145
Money market mutual funds	40,345	913	—	—	—	39,432
U.S. agency mortgage-backed securities	1,144	1,144	—	—	—	—
Total	\$ 58,929	\$ 3,507	\$ 498	\$ 1,269	\$ 6,078	\$ 47,577

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 WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2023, no investments in any one issuer exceeded more than 5% of the 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, 2022, 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 WIFA's investments at June 30, 2023 and the DFIGF's investments at December 31, 2022, categorized within the fair value hierarchy established by U.S. GAAP, were as follows (expressed in thousands):

Investment by Fair Value Level	June 30, 2023	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)	\$ 6,078	\$ —	\$ 6,078	\$ —
Commercial mortgage-backed securities	1,450	—	1,450	—
Corporate notes & bonds	1,767	—	1,767	—
Money market mutual funds	913	913	—	—
U.S. agency mortgage-backed securities	1,144	—	1,144	—
U.S. Treasury securities	224,866	224,866	—	—
Total investments by fair value level	<u>\$ 236,218</u>	<u>\$ 225,779</u>	<u>\$ 10,439</u>	<u>\$ —</u>
Guaranteed investment contracts	8,145			
Money market mutual funds	39,432			
Total investments	<u><u>\$ 283,795</u></u>			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique or other observable inputs. In addition, the WIFA had \$8.1 million invested in guaranteed investment contracts as well as \$39.4 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, 2023, were as follows (expressed in thousands):

Investment Type	Fair Value
Money market funds and cash equivalents	\$ 21,924
Domestic/international equity securities and mutual funds	1,017,467
Domestic/international fixed income obligations and mutual funds	475,272
Absolute return limited partnerships and funds	261,507
Diversifying strategies	226,059
Real assets	132,373
Private capital limited partnerships	760,235
Other	225,156
Total	<u><u>\$ 3,119,993</u></u>

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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, 2023, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2023	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	\$ 21,924	\$ 21,924	\$ —	\$ —
Domestic/international equity securities and mutual funds	820,725	689,699	—	131,026
Domestic/international fixed income obligations and mutual funds	377,814	354,317	4,390	19,107
Absolute return limited partnerships and funds	43,057	43,057	—	—
Diversifying strategies	64,384	4,312	3,000	57,072
Real assets	132,282	2,859	—	129,423
Private capital limited partnerships	496,790	577	—	496,213
Other	75,727	3,853	—	71,874
Total investments by fair value level	2,032,703	\$ 1,120,598	\$ 7,390	\$ 904,715
Investments Measured at the NAV				
ASUEP – Domestic/international equity securities and mutual funds	16,317			
ASUEP – Domestic/international fixed income obligations and mutual funds	78,041			
ASUEP – Diversifying strategies	161,675			
ASUEP – Real assets	91			
U of A Foundation – Multi-strategy hedge funds	83,132			
U of A Foundation – Equity long-only funds	95,038			
U of A Foundation – Equity long-only hedge funds	85,387			
U of A Foundation – Equity long/short hedge funds	95,855			
U of A Foundation – Fixed income hedge funds	633			
U of A Foundation – Natural resources limited partnerships	113,185			
U of A Foundation – Private capital limited partnerships	263,445			
U of A Foundation – Private real estate limited partnerships	36,244			
U of A Foundation – Private credit limited partnerships	38,830			
U of A Foundation – U.S. fixed income funds	19,417			
Total investments measured at the NAV	1,087,290			
Total investments measured at fair value	\$ 3,119,993			

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 \$444.1 million, including \$2.1 million in unrealized swap liability valued using Level 2 valuation techniques, and \$442.0 million 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, 2023, 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
ASUEP – Domestic/international equity securities and mutual funds	\$ 16,317	\$ —	N/A	N/A
ASUEP – Domestic/international fixed income obligations and mutual funds	78,041	—	N/A	N/A
ASUEP – Diversifying strategies	161,675	—	N/A	N/A
ASUEP – Real assets	91	—	N/A	N/A
U of A Foundation – Multi-strategy hedge funds	83,132	5,531	Quarterly	60 - 90 days
U of A Foundation – Equity long-only funds	95,038	—	Daily to semi-annually	5 - 90 days
U of A Foundation – Equity long-only hedge funds	85,387	—	Monthly to triennially	60 - 90 days
U of A Foundation – Equity long/short hedge funds	95,855	—	Quarterly, biannually	60 - 120 days
U of A Foundation – Fixed income hedge funds	633	—	N/A	N/A
U of A Foundation – Natural resources limited partnerships	113,185	28,101	N/A	N/A
U of A Foundation – Private capital limited partnerships	263,445	115,283	N/A	N/A
U of A Foundation – Private real estate limited partnerships	36,244	18,705	N/A	N/A
U of A Foundation – Private credit limited partnerships	38,830	16,536	N/A	N/A
U of A Foundation – U.S. fixed income funds	19,417	—	Daily	5 days
Total	<u>\$ 1,087,290</u>	<u>\$ 184,156</u>		

C. ENDOWMENTS

1. ASUEP

The following shows the changes in the ASUEP net assets for the fiscal year ending June 30, 2023 (expressed in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year, as restated	\$ 51,150	\$ 1,290,743	\$ 1,341,893
Contributions and other additions	22,000	53,671	75,671
Investment return:			
Investment income	—	26,104	26,104
Net appreciation (depreciation)	(8,450)	30,430	21,980
Total investment return	<u>(8,450)</u>	<u>56,534</u>	<u>48,084</u>
Appropriation for expenditure	—	(44,092)	(44,092)
Reclassification of donor intent	—	14,924	14,924
Liability due to other entities	—	(441,595)	(441,595)
Endowment net assets, end of year	<u>\$ 64,700</u>	<u>\$ 930,185</u>	<u>\$ 994,885</u>

In prior years, the endowment net assets did not include a board designated endowment asset related to the Brickyard facility. This has been corrected in the current fiscal year and resulted in a net increase of \$51.2 million to beginning endowment net assets without donor restrictions.

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In prior years, the endowment net assets were reported net of endowment assets held for others. In fiscal year 2023, the beginning endowment net assets was reported before the adjustment of endowment assets held for others. This resulted in a net increase of \$405.7 million to beginning endowment net assets with donor restrictions.

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, 2023 (expressed in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ —	\$ 1,102,981	\$ 1,102,981
Investment return:			
Investment income	—	28,826	28,826
Less: endowment fee	—	(11,428)	(11,428)
Net appreciation	—	65,863	65,863
Total investment return	—	83,261	83,261
Contributions	—	61,217	61,217
Transfers	—	1,563	1,563
Appropriation for payout	—	(48,389)	(48,389)
Capitalization of payout	—	6,517	6,517
Endowment net assets, end of year	\$ —	\$ 1,207,150	\$ 1,207,150

D. RECEIVABLES

1. Component Units

a. Loans Receivables

The 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 2023 were as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	\$ 244,757	\$ 12,840	\$ (26,693)	\$ 230,904
Drinking Water Fund	464,806	52,728	(34,835)	482,699
Total	\$ 709,563	\$ 65,568	\$ (61,528)	\$ 713,603

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 WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2023, the debt service reserves were \$8 thousand and \$1.6 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 DFIGF 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 DFIGF 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, 2022, other receivables were as follows (expressed in thousands):

Other Receivables	DFIGF
Other receivables – current	
Member assessments	\$ 2,319
Other receivables – noncurrent	
Unbilled assessments	112,500
Other receivables – total	<u>\$ 114,819</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, 2023, include the following (expressed in thousands):

	ASU Enterprise Partners
Gross pledges receivable	\$ 276,994
Present value discount	(21,470)
Allowance for uncollectible pledges	(38,321)
Net pledges receivable	<u>\$ 217,203</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, 2023 is \$16.0 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 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 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 \$20.7 million at June 30, 2023.

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 \$9.2 million at June 30, 2023.

F. CAPITAL ASSETS

1. Component Units

Capital assets for the Rio Nuevo for the fiscal year ended June 30, 2023 include the following (expressed in thousands):

	Rio Nuevo
Land and other non-depreciable	\$ 30,566
Buildings and improvements	159,351
Equipment	1,910
Right-to-use lease assets	708
Total cost	192,535
Less: accumulated depreciation and amortization	(42,269)
Total capital assets, net	\$ 150,266

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2. Universities-Affiliated Component Units

Capital assets for the ACFFC for the fiscal year ended June 30, 2023 include the following (expressed in thousands):

	ACFFC
Buildings and improvements	\$ 196,723
Furniture, fixtures, and equipment	79,378
Total cost or donated value	276,101
Less: accumulated depreciation	(181,718)
Total property and equipment, net	\$ 94,383

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Summary of Revenue Bonds

The WIFA's bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The obligations are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

In May 2018, the 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, 2023, was \$81.6 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 the WIFA by the State Treasurer and all pledged loans.

The following schedule summarizes the WIFA's revenue bonds outstanding at June 30, 2023 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2023
Revenue Bonds Outstanding (Series 2014)	2015	2024 - 2028	2.00 - 5.00%	\$ 174,260

Principal and interest debt service payments on the WIFA's revenue bonds outstanding at June 30, 2023 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
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	\$ 174,260	\$ 22,719	\$ 196,979

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See Note 15.M. for the subsequent defeasance of the Series 2014 Bonds in September 2024.

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, 2023 (expressed in thousands):

	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2023
Direct Placements Outstanding	2020	2024 - 2035	2.69%	\$ 96,295

Principal and interest debt service payments on the Rio Nuevo's direct placements outstanding at June 30, 2023 were as follows (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Principal	Interest	Total
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	7,041	1,881	8,922
2029 - 2033	38,151	6,491	44,642
2034 - 2035	24,735	1,109	25,844
Total	<u>\$ 96,295</u>	<u>\$ 18,801</u>	<u>\$ 115,096</u>

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c. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the WIFA, the Rio Nuevo, and the APSCE (expressed in thousands):

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year	Due Thereafter
Long-term Debt:						
Revenue bonds	\$ 219,890	\$ —	\$ (44,460)	\$ 175,430	\$ 28,130	\$ 147,300
Revenue bond premium	35,741	—	(5,428)	30,313	—	30,313
Direct placements	102,461	—	(6,166)	96,295	6,332	89,963
Notes payable	81,000	2,658	(14)	83,644	1,207	82,437
Total Long-term Debt	439,092	2,658	(56,068)	385,682	35,669	350,013
Other Long-term Liabilities:						
Compensated absences	69	171	(69)	171	171	—
Leases	—	709	(17)	692	127	565
Prepaid lease liability	4,450	—	—	4,450	—	4,450
Total Other Long-term Liabilities	4,519	880	(86)	5,313	298	5,015
Total Long-term Obligations	\$ 443,611	\$ 3,538	\$ (56,154)	\$ 390,995	\$ 35,967	\$ 355,028

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2023 include the following (expressed in thousands):

	Final Maturity	Amount
ASU Enterprise Partners:		
Series 2014A Tax-Exempt Lease Revenue Bonds	2035	\$ 26,335
Series 2014A Revenue Refunding Bonds	2034	28,590
Series 2004A Variable Rate Revenue Bonds	2034	21,525
Unamortized Bond Discount		(896)
ACFFC:		
Series 2018 Tax-Exempt Revenue Bonds	2038	20,030
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2034	21,240
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2028	6,940
Series 2016 Tax-Exempt Revenue Refunding Bonds	2039	110,585
Series 2009 Revenue Bonds	2024	7,615
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	21,150
Unamortized Loan Costs		(1,474)
Deferred Cost of Refunding		(12,176)
Unamortized Bond Premium		8,650

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Scheduled future maturities of Universities-affiliated component units' bonds payable were as follows (expressed in thousands):

Fiscal Year	ASU Enterprise Partners	ACFFC
2024	\$ 4,800	\$ 12,720
2025	5,010	13,420
2026	5,225	10,110
2027	5,470	10,715
2028	5,700	11,350
Thereafter	49,349	124,245
Total	\$ 75,554	\$ 182,560

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, 2023, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

Project	Tax rebates generated by project during Fiscal Year 2023	Cumulative tax rebates generated by project as of June 30, 2023	Project Rebate Cap
AC Marriott and adjacent retail properties	\$ 266	\$ 2,195	\$ 7,750
Congress Street Block (98 – 130 E. Congress)	3	34	10,600
Hilton Hotel at Cathedral Square	180	628	6,850
Total	\$ 449	\$ 2,857	\$ 25,200

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, 2023, 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.

STATE OF ARIZONA
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JUNE 30, 2023

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, 2023, the total outstanding face value of all bonds issued by the AFA's GADA was \$6.0 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 \$339.5 million at June 30, 2023. 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 APSCE 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 APSCE. Repayments shall be made to the APSCE fund in equal monthly installments over a twelve-month period or another period as determined by the APSCE. After the stated repayment period, any outstanding repayment balance shall become immediately due and payable. Any repayment amount owed to the APSCE 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 payable to the school. Additionally, on request of the APSCE, 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, 2021 and December 31, 2022 (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:				
2021	\$ 252,133	\$ (2,343)	\$ (18,561)	\$ 231,229
2022	\$ 231,229	\$ (13,750)	\$ (2,808)	\$ 214,671

See Note 15.D.1.b. for additional background information on claims liabilities and the related receivables.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

L. ACCOUNTING CHANGES

1. Component Units

Net Position has been restated as follows (expressed in thousands):

	Net Position June 30, 2022, as previously reported	Change in Reporting Entity	Net Position July 1, 2022, as restated
Component Units			
Arizona Finance Authority	\$ 815,090	\$ (815,090)	\$ —
Water Infrastructure Finance Authority	—	786,471	786,471
Other Component Units	393,296	28,619	421,915
	<u> </u>	<u> </u>	<u> </u>
Total Component Units	\$ 1,208,386	\$ —	\$ 1,208,386
	<u> </u>	<u> </u>	<u> </u>

Change in reporting entity

In prior years, the AFA, which included the WIFA, was reported as a major component unit. In the Fifty-fifth Legislature – Second Regular Session (2022), the State Legislature passed into law Senate Bill 1740 that transferred the powers and duties for the State’s water infrastructure from the AFA board to a new WIFA board of directors. As a result, the WIFA is no longer part of the AFA and was reestablished as a stand-alone State agency. In fiscal year 2023, the WIFA is reported as a major component unit while the AFA is reported as a non-major component unit. The effect on beginning net position was a decrease to the major component units of \$28.6 million and an increase to the other non-major component units of \$28.6 million.

2. Universities-Affiliated Component Units

Net Assets has been restated as follows (expressed in thousands):

	Net Assets June 30, 2022, as previously reported	Change in Reporting Entity	Correction of Error	Net Assets July 1, 2022, as restated
Universities-Affiliated Component Units:				
Arizona State University Enterprise Partners	\$ 1,464,452	\$ —	\$ —	\$ 1,464,452
University of Arizona Foundation	1,163,105	—	—	1,163,105
Other Component Units	433,362	(62,735)	(721)	369,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Universities-Affiliated Component Units	\$ 3,060,919	\$ (62,735)	\$ (721)	\$ 2,997,463
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Change in reporting entity

As discussed in Note 8, the UAGC is no longer considered a discretely presented component unit of the Universities. The removal of the UAGC resulted in a \$64.8 million decrease to beginning net assets.

For fiscal year 2023, the ARC was added to the reporting entity of the U of A. During fiscal year 2023, it was determined that the nature and significance of the financial relationship are such that the ARC meets the criteria for inclusion as a discretely presented component unit of the Universities. The addition of the ARC resulted in a \$2.1 million increase to beginning net assets.

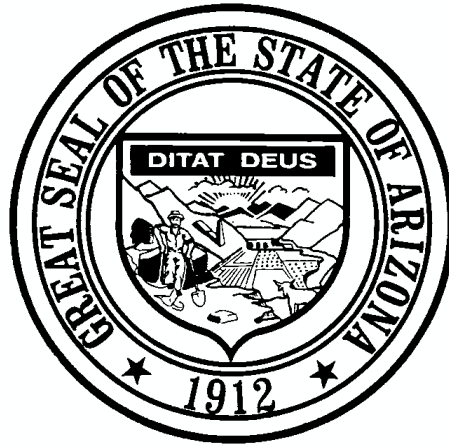
Correction of error

EEE previously recorded their Paycheck Protection Program (PPP) loans to income under the contribution guidance, but subsequently determined they did not meet all the conditions for forgiveness. Further, EEE has corrected their assessments of performance obligations on certain contracts. As a result, deferred revenue, accounts payable, and long-term debt were previously understated. The correction of the error resulted in a \$0.7 million decrease to beginning net assets.

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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M. SUBSEQUENT EVENTS

On September 25, 2024, the WIFA issued \$109.8 million in Water Quality Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds). The Series 2024 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2027. The Series 2024 Bonds were issued to: (1) to refund and defease all of the WIFA's outstanding bonds (defined as the Series 2014 Bonds); and (2) to pay costs of issuance. The WIFA Series 2024 Bonds will not be subject to optional redemption prior to their stated maturity dates.



REQUIRED
SUPPLEMENTARY
INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
1645 JEFFERSON, CENTRAL PLANT CONVERSION	\$ 2,658,706	\$ 2,658,706	\$ 2,161,268
ADMIN ADJUSTMENT AFIS COLLECTIONS	—	495,592	495,592
ADMIN ADJUSTMENT BUILDING RENEWAL GRANTS DEPOSIT	—	93,117,000	93,117,000
ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE	—	19,521	19,521
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	725,209	725,209
ADMIN ADJUSTMENT UTILITIES	—	200,257	200,257
AFIS COLLECTIONS	9,423,800	9,885,100	8,307,497
AGRICULTURE CLOUD MIGRATION	2,000,000	2,000,000	184,000
APPLICATION MODERNIZATION	1,700,000	1,700,000	371,000
ARIZONA FINANCIAL INFORMATION SYSTEM - 2A	5,500,000	5,500,000	3,000,000
ARIZONA INDUSTRIAL COMMISSION IT SYSTEM MODERNIZATION AND REPLACEMENT	301,700	301,700	301,700
BUILDING DEMOLITION	1,568,000	1,568,000	67,579
BUILDING RENEWAL COSF	31,740,832	31,740,832	16,719,471
BUILDING RENEWAL GENERAL FUND	41,482,098	41,482,098	10,367,514
BUILDING RENEWAL GRANTS DEPOSIT	199,967,900	199,967,900	199,967,900
BUSINESS ONE STOP PORTAL DEVELOPMENT	42,449,329	42,449,329	10,521,011
CAPITOL MALL AIR HANDLER UNITS	3,292,699	3,292,699	784,367
CASH DEFEASANCE OF COP LOTTERY BONDS	6,273,786	6,273,786	—
CHARTER SCHOOL BOARD ONLINE PLATFORM REPLACEMENT	527,800	527,800	451,000
CHILD CARE MANAGEMENT SYSTEM UPDATE	8,973,384	8,973,384	2,085,553
DARK SKY DISCOVERY CENTER	2,500,000	2,500,000	2,500,000
DILKON CENTER IMPROVEMENTS	3,000,000	3,000,000	3,000,000
DINE COLLEGE STUDENT CENTER	8,000,000	8,000,000	8,000,000
ELECTION SECURITY GRANTS	1,500,000	1,500,000	187,533
ELECTRONIC RECORD STORAGE FEASIBILITY STUDY	300,000	300,000	203,000
E-LICENSING SOLUTION FOR TRIBAL GAMING CERTIFICATION	—	—	(277,349)
ENDURING FREEDOM MEMORIAL REPAIR	14,597	14,597	4,269
ENVIRONMENTAL TESTING LABORATORY	4,000,000	4,000,000	4,000,000
FIRE INCIDENT MANAGEMENT SYSTEM GRANTS	6,100,000	6,100,000	—
GOVERNMENT TRANSFORMATION OFFICE	2,016,900	2,063,100	1,993,381
HEALTH CARE INTEROPERABILITY GRANTS	12,000,000	12,000,000	3,002,748
HOMELESS VETERANS' HOUSING	2,386,600	2,386,600	2,386,600
HOTELING PILOT PROGRAM	218,628	218,628	218,120
HRIS REPLACEMENT	44,795,600	44,795,600	24,925,860
INTEGRATED TAX SYSTEM MODERNIZATION	15,819,800	15,819,800	604,200
K-12 SCHOOL FINANCIAL TRANSPARENCY PORTAL	4,849,800	7,849,800	6,849,551
K-12 TRANSPORTATION GRANTS	20,000,000	20,000,000	20,000,000
KAYENTA JUDICIAL COMPLEX	2,000,000	2,000,000	2,000,000
KIRKLAND SITE CONDITIONS	400,000	400,000	400,000
LITTLE COLORADO RIVER VISITOR CENTER	1,000,000	1,000,000	1,000,000
LUKACHUKAI VETERANS' MULTIPURPOSE COMPLEX	500,000	500,000	500,000
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	20,000
NEW SCHOOL FACILITIES	48,253,900	48,253,900	48,253,900
NEW SCHOOL FACILITIES DEBT SERVICE	9,938,100	9,938,100	9,938,100
NORTHERN ARIZONA OBSERVATORY	5,000,000	5,000,000	5,000,000
OPERATING LUMP SUM APPROPRIATION	23,670,500	25,611,400	23,928,050
OPERATING LUMP SUM SFB	1,717,400	1,647,100	1,633,722
RE-ENTRY PLANNING SERVICES	7,000,000	7,000,000	7,000,000

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, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
REPLACE SCHOOL FINANCE DATA SYSTEMS FOR ARIZONA'S DEPARTMENT OF EDUCATION	5,069,275	5,069,275	2,432,711
RETIREMENT OR DEFEASANCE OF THE FINANCING AGREEMENTS	5,069,493	5,069,493	13,375
SCHOOL SAFETY INTEROPERABILITY FUND DEPOSIT	20,000,000	20,000,000	20,000,000
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	—
SUPPLEMENT UNFUNDED LIABILITY PURSUANT TO SECTION 38-810	3,000,000	3,000,000	3,000,000
TEESTO MULTIPURPOSE COMMUNITY CENTER	1,000,000	1,000,000	1,000,000
TRAFFIC INTERCHANGES INTERSTATE 40 KINGMAN	20,000,000	20,000,000	—
TUCSON DATA CENTER RELOCATION	3,407,360	3,407,360	667,045
UPDATE CONCEALED WEAPONS TRACKING SYSTEMS FOR ARIZONA'S DEPARTMENT OF PUBLIC SAFETY	550,000	550,000	350,000
UTILITIES	7,649,900	7,649,900	5,155,312
WEST ADAMS BUILDING RENOVATIONS	52,274,000	57,274,000	964,396
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	—
YUMA UNION HIGH SCHOOL	—	16,515,200	16,515,200
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	891,800	998,900	998,870
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMIN ADJUSTMENT AG CONSULTING AND TRAINING PARI-MUTUEL	—	2,517	2,517
ADMIN ADJUSTMENT ANIMAL DAMAGE CONTROL	—	17,671	17,671
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	995,703	995,703
AG CONSULTING AND TRAINING PARI-MUTUEL	128,500	136,300	134,541
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
AGRICULTURE CLOUD MIGRATION	2,000,000	2,000,000	179,460
ANIMAL DAMAGE CONTROL	65,000	65,000	48,350
LIVESTOCK OPERATOR ASSISTANCE PROGRAM DEPOSIT	10,000,000	10,000,000	10,000,000
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	280,512	280,512
OPERATING LUMP SUM APPROPRIATION	12,175,700	14,706,800	14,023,263
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ACA ADULT EXPANSION	743,320,100	1,295,992,650	938,684,155
ACA ADULT EXPANSION ARPA	4,632,470	4,632,470	2,963,650
ADMIN ADJUSTMENT ACA ADULT EXPANSION	—	889,698	889,698
ADMIN ADJUSTMENT ADOA DATA CENTER	—	1,799,881	1,799,881
ADMIN ADJUSTMENT ALTCS SERVICES	—	836,413	836,413
ADMIN ADJUSTMENT CHIP - SERVICES	—	1,053,770	1,053,770
ADMIN ADJUSTMENT CRISIS SERVICES	—	85,350	85,350
ADMIN ADJUSTMENT DES ELIGIBILITY	—	2,804,187	2,804,187
ADMIN ADJUSTMENT DISPROPORTIONATE SHARE PAYMENTS	—	136,690	136,690
ADMIN ADJUSTMENT GRADUATE MEDICAL EDUCATION	—	13,795,343	13,795,343
ADMIN ADJUSTMENT MEDICAID BEHAVIORAL HEALTH CMDP	—	2,209,538	2,209,538
ADMIN ADJUSTMENT NON-MEDICAID SERIOUSLY MENTALLY ILL SERVICES	—	4,348,102	4,348,102
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	4,370,932	4,370,932
ADMIN ADJUSTMENT PROP 204 AHCCCS ADMINISTRATION	—	2,232,549	2,232,549
ADMIN ADJUSTMENT PROP 204 DES ELIGIBILITY	—	1,437,736	1,437,736
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	—	3,824,685	3,824,685
ADMIN ADJUSTMENT SUPPORTED HOUSING	—	761,894	761,894
ADMIN ADJUSTMENT TARGETED INVESTMENTS PROGRAM	—	40,515,977	40,515,977
ADMIN ADJUSTMENT TRADITIONAL MEDICAID SERVICES	—	35,109,494	35,109,494
ADOA DATA CENTER	19,325,800	20,075,800	12,328,406
ALTCS SERVICES	2,305,901,800	2,251,338,300	2,050,093,533
BEHAVIORAL HEALTH SERVICES IN SCHOOLS	9,891,200	9,891,200	9,891,200

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BHS SECURE BEHAVIORAL HEALTH RESIDENTIAL FACILITIES	25,000,000	—	—
CHIP - SERVICES	152,682,100	245,392,000	194,282,732
CMDP ARPA	33,560,719	33,560,719	4,517,557
CRISIS SERVICES	14,141,100	14,141,100	14,028,039
DES ELIGIBILITY	97,074,500	115,424,500	96,604,087
DISPROPORTIONATE SHARE PAYMENTS	5,087,100	5,087,100	4,820,589
DSH - VOLUNTARY	37,425,900	37,425,900	28,627,300
EPD ARPA	348,483,977	348,483,977	44,871,502
GRADUATE MEDICAL EDUCATION	393,232,100	438,232,100	381,273,571
MEDICAID BEHAVIORAL HEALTH CMDP	244,906,300	246,730,000	191,618,997
NON-MEDICAID SERIOUSLY MENTALLY ILL SERVICES	77,646,900	77,646,900	75,990,854
OPERATING LUMP SUM APPROPRIATION	122,808,100	122,970,100	102,181,901
OPERATING LUMPSUM ARPA FEDERAL ADMIN	1,544,812	1,544,812	829,926
PROP 204 AHCCCS ADMINISTRATION	13,906,200	28,367,300	24,041,903
PROP 204 DES ELIGIBILITY	44,358,700	44,358,700	38,213,993
PROP204 ARPA	43,580,871	43,580,871	43,479,884
PROPOSITION 204 SERVICES	5,885,922,500	8,337,485,200	7,819,296,694
RURAL HOSPITAL REIMBURSEMENT	28,612,400	44,976,900	23,910,837
SUPPORTED HOUSING	65,324,800	65,324,800	5,295,462
TARGETED INVESTMENTS PROGRAM	50,000,000	50,000,000	7,842,498
TRADITIONAL ARPA	148,883,818	148,883,818	46,604,269
TRADITIONAL MEDICAID SERVICES	7,236,428,400	9,009,430,700	7,704,589,680
ARIZONA FINANCE AUTHORITY			
ADMIN ADJUSTMENT SMALL DRINKING WATER SYSTEM FUND DEPOSIT	—	709,977	709,977
ADMIN ADJUSTMENT WATER SUPPLY DEVELOPMENT REVOLVING FUND DEPOSIT	—	6,000,000	6,000,000
WATER PROJECTS ASSISTANCE GRANTS - EASTERN ARIZONA	10,000,000	10,000,000	10,000,000
ARIZONA STATE UNIVERSITY			
ARIZONA FINANCIAL AID TRUST	5,985,800	5,985,800	5,985,800
ASU CAPITAL IMPROVEMENTS AND OPERATING EXPENDITURES	54,000,000	54,000,000	54,000,000
BIOMEDICAL INFORMATICS	3,723,500	3,884,300	3,884,300
DOWNTOWN PHOENIX CAMPUS	50,494,700	54,652,300	54,652,300
EASTERN EUROPE CULTURAL COLLABORATIVE	250,000	250,000	250,000
OPERATING LUMP SUM APPROPRIATION - MAIN	295,177,000	314,019,500	314,019,500
RESEARCH INFRASTRUCTURE LEASE - PURCHASE PAYMENT	37	12,545,137	12,545,080
RESEARCH INFRASTRUCTURE LPP - POLYTECHNIC	—	917,000	917,000
SCHOOL OF CIVIC AND ECONOMIC THOUGHT AND LEADERSHIP	5,818,300	6,006,500	6,006,500
ARTS, ARIZONA COMMISSION ON THE			
ARIZONA ARTS TRUST FUND DEPOSIT	5,000,000	5,000,000	5,000,000
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMIN ADJUSTMENT CAPITAL POSTCONVICTION PROSECUTION	—	16,137	16,137
ADMIN ADJUSTMENT INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	—	505,493	505,493
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	675,516	675,516
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	—	25,634	25,634
ADMIN ADJUSTMENT STATE GRAND JURY	—	6,922	6,922
CAPITAL POSTCONVICTION PROSECUTION	802,200	881,400	787,275
CHILD AND FAMILY ADVOCACY CENTERS	100,000	100,000	100,000
INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	3,161,871	3,183,371	943,862
MILITARY INSTALLATION - PLANNING	7,733	92,733	84,807
MISSING AND MURDERED INDIGENOUS PEOPLE	2,000,000	2,000,000	—
OPERATING LUMP SUM APPROPRIATION	38,398,700	42,445,000	38,292,199
SOUTHERN ARIZONA DRUG ENFORCEMENT	1,212,500	1,340,600	1,301,261

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
STATE GRAND JURY	180,500	194,100	185,288
TOBACCO ENFORCEMENT	85,800	93,900	83,603
VICTIMS RIGHTS	198,400	210,700	191,818
AUDITOR GENERAL			
ADULT PROTECTIVE SERVICES AUDIT	300,000	300,000	—
CAREER TECHNICAL EDUCATION DISTRICT STUDY	114,379	114,379	8,378
OPERATING LUMP SUM APPROPRIATION	27,269,045	30,152,145	19,837,020
CHARTER SCHOOLS, STATE BOARD FOR			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	15,892	15,892
OPERATING LUMP SUM APPROPRIATION	3,176,000	3,328,200	3,013,387
REPLACE CHARTER SCHOOL BOARD ONLINE PLATFORM	531,270	531,270	451,012
CHILD SAFETY, DEPARTMENT OF			
ADMIN ADJUSTMENT COMPREHENSIVE HEALTH PLAN ADMINISTRATION	—	82,944	82,944
ADMIN ADJUSTMENT COMPREHENSIVE HEALTH PLAN SERVICES	—	2,904,012	2,904,012
ADMIN ADJUSTMENT CONGREGATE GROUP CARE	—	7,999,329	7,999,329
ADMIN ADJUSTMENT DCS - CASEWORKERS	—	2,208,268	2,208,268
ADMIN ADJUSTMENT DCS - NEW CASE AIDES	—	231,294	231,294
ADMIN ADJUSTMENT DCS - PREVENTIVE SERVICES	—	4,065,419	4,065,419
ADMIN ADJUSTMENT DCS - ADOPTION SERVICES	—	25,703,628	25,703,628
ADMIN ADJUSTMENT DCS - CHILD CARE SUBSIDY	—	7,493,541	7,493,541
ADMIN ADJUSTMENT DCS - EXTENDED FOSTER CARE	—	600,564	600,564
ADMIN ADJUSTMENT DCS - FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	—	6,060,673	6,060,673
ADMIN ADJUSTMENT DCS - IN-HOME MITIGATION	—	4,034,310	4,034,310
ADMIN ADJUSTMENT DCS - INSPECTIONS BUREAU	—	518,974	518,974
ADMIN ADJUSTMENT DCS - OFFICE OF CHILD WELFARE INVESTIGATIONS	—	516,706	516,706
ADMIN ADJUSTMENT DCS - OPERATING LUMP SUM	—	2,643,965	2,643,965
ADMIN ADJUSTMENT DCS - OUT-OF-HOME SUPPORT SERVICES	—	14,093,004	14,093,004
ADMIN ADJUSTMENT DCS - PERMANENT GUARDIAN SUBSIDY	—	1,600,974	1,600,974
ADMIN ADJUSTMENT DCS - RECORDS RETENTION STAFF	—	168,656	168,656
ADMIN ADJUSTMENT DCS - TRAINING RESOURCES	—	1,540,412	1,540,412
ADMIN ADJUSTMENT KINSHIP CARE	—	961,103	961,103
COMPREHENSIVE HEALTH PLAN ADMINISTRATION	29,862,500	30,344,800	26,343,693
COMPREHENSIVE HEALTH PLAN PREMIUM TAX	4,550,900	4,550,900	3,028,152
COMPREHENSIVE HEALTH PLAN SERVICES	201,703,700	201,703,700	173,461,347
CONGREGATE GROUP CARE	125,847,200	115,370,200	96,207,215
DCS - CASEWORKERS	111,692,600	127,671,900	126,147,106
DCS - NEW CASE AIDES	3,232,200	3,232,700	2,971,125
DCS - PREVENTIVE SERVICES	25,148,300	25,148,300	12,909,286
DCS - ADOPTION SERVICES	80,965,800	289,358,500	258,118,073
DCS - ATTORNEY GENERAL LEGAL SERVICES	25,522,800	27,894,800	27,608,009
DCS - CHILD CARE SUBSIDY	61,675,400	61,675,400	44,516,000
DCS - CHILD CARE SUBSIDY - NON-LAPSING	90,400,000	90,400,000	3,085,500
DCS - EXTENDED FOSTER CARE	17,037,200	17,037,200	15,788,653
DCS - FOSTER CARE PLACEMENT	51,929,500	51,179,500	44,676,762
DCS - FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	32,753,600	32,753,600	23,878,382
DCS - GENERAL COUNSEL	157,000	170,500	118,569
DCS - IN-HOME MITIGATION	27,528,800	27,528,800	22,436,393
DCS - INSPECTIONS BUREAU	2,514,800	2,628,100	2,170,263
DCS - OFFICE OF CHILD WELFARE INVESTIGATIONS	9,699,400	10,594,100	10,263,061
DCS - OPERATING LUMP SUM	125,230,700	154,142,000	149,067,007
DCS - OUT-OF-HOME SUPPORT SERVICES	122,710,800	122,710,800	104,195,296
DCS - PERMANENT GUARDIAN SUBSIDY	12,516,900	13,266,900	12,227,893

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
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCS - RECORDS RETENTION STAFF	589,900	614,200	445,913
DCS - TRAINING RESOURCES	9,150,000	9,150,000	3,751,106
KINSHIP CARE	500,000	24,811,200	21,563,616
COMMISSION OF AFRICAN AMERICAN AFFAIRS			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	2,171	2,171
OPERATING LUMP SUM	—	161,600	158,326
CORPORATION COMMISSION			
FY 2023 SALARY INCREASE	—	54,200	—
OPERATING LUMP SUM APPROPRIATION	767,100	811,800	811,800
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF			
ADMIN ADJUSTMENT CAPITAL OUTLAY APPROPRIATION	—	218,052	218,052
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	—	469,382	469,382
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	—	8,823,940	8,823,940
ADMIN ADJUSTMENT LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	—	5,936,997	5,936,997
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	32,412,815	32,412,815
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	—	14,803,999	14,803,999
CAPITAL OUTLAY APPROPRIATION	53,884,219	53,884,219	22,951,973
COMMUNITY CORRECTIONS	23,378,500	27,375,700	23,929,078
COMMUNITY TREATMENT PROGRAM FOR IMPRISONED WOMEN	2,000,000	2,000,000	—
FIRE AND LIFE SAFETY UPGRADES	10,000,000	10,000,000	214,403
HVAC REPLACEMENT STATEWIDE	47,600,000	47,600,000	670,852
INMATE HEALTH CARE CONTRACTED SERVICES	258,181,300	258,181,300	256,266,234
MEDICAL STAFFING AUGMENTATION	11,227,880	11,227,880	11,227,880
ONETIME VEHICLE PURCHASE	7,488,400	7,488,400	2,291,743
OPERATING LUMP SUM APPROPRIATION	845,870,700	921,431,500	890,427,524
PRIVATE PRISON PER DIEM	208,180,100	219,180,100	201,722,716
RELIEF	—	169,302	169,302
STATEWIDE DOOR LOCK AND FIRE SYSTEMS REPLACEMENT	20,400,000	20,400,000	399,117
SUBSTANCE ABUSE TREATMENT	5,445,400	5,445,400	408,662
COURT OF APPEALS DIVISION I			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - DIVISION I	—	35,057	35,057
OPERATING LUMP SUM APPROPRIATION - DIVISION I	13,656,300	15,052,100	14,691,548
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM APPROPRIATION - DIVISION II	6,909,700	7,021,100	7,021,088
OPERATING LUMP SUM APPROPRIATION - DIVISION II - 2A	—	450,000	134,383
CRIMINAL JUSTICE COMMISSION, ARIZONA			
MAJOR INCIDENT REGIONAL LAW ENFORCEMENT TASK FORCE	600,000	600,000	600,000
RURAL COUNTY DIVERSION PROGRAMS	10,000,000	10,000,000	9,198,459
STATE AID FOR JUVENILE DEPENDENCY PROCEEDINGS FUND DEPOSIT	2,000,000	2,000,000	2,000,000
VICTIM COMPENSATION - ASSISTANCE	2,000,000	2,000,000	1,976,378
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMIN ADJUSTMENT ADMINISTRATION STATEWIDE	—	39,662	39,662
ADMIN ADJUSTMENT COOPERATIVE SERVICES	—	146,089	146,089
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	—	173,251	173,251
ADMIN ADJUSTMENT PRESCHOOL-OUTREACH PROGRAMS	—	760	760
ADMIN ADJUSTMENT TUCSON CAMPUS	—	241,375	241,375
ADMINISTRATION STATEWIDE	7,617,700	9,789,699	9,755,958
CLASSROOM NOTIFICATION SYSTEM REPLACEMENT	96,000	96,000	96,000
COOPERATIVE SERVICES	18,108,600	20,125,900	15,255,817
FOOD SERVICE EQUIPMENT REPLACEMENT	350,000	350,000	350,000
PHOENIX DAY SCHOOL FOR THE DEAF	4,854,800	4,993,983	4,913,446
PRESCHOOL - OUTREACH PROGRAMS	3,314,400	3,869,839	3,699,873

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
SCHOOL BUS/AGENCY VEHICLE REPLACEMENT	369,000	369,000	10,994
SECURITY UPGRADES	420,000	420,000	420,000
TUCSON CAMPUS	8,206,000	7,655,379	7,449,365
ECONOMIC OPPORTUNITY, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	470,300	525,800	514,668
ECONOMIC SECURITY, DEPARTMENT OF			
ADMIN ADJUSTMENT ADULT SERVICES	—	2,588,041	2,588,041
ADMIN ADJUSTMENT AFTER SCHOOL AND SUMMER YOUTH PROGRAM	—	105,319	105,319
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	—	243,618	243,618
ADMIN ADJUSTMENT CASE MANAGEMENT - STATE ONLY	—	89,384	89,384
ADMIN ADJUSTMENT CASE MANAGEMENT - TITLE XIX	—	753,752	753,752
ADMIN ADJUSTMENT CHILD CARE SUBSIDY	—	63,268,710	63,268,710
ADMIN ADJUSTMENT COMMUNITY AND EMERGENCY SERVICES	—	568,496	568,496
ADMIN ADJUSTMENT COORDINATED HOMELESS PROGRAM	—	255,052	255,052
ADMIN ADJUSTMENT COORDINATED HUNGER	—	106,745	106,745
ADMIN ADJUSTMENT COUNTY PARTICIPATION	—	1,049,093	1,049,093
ADMIN ADJUSTMENT DDD ARIZONA EARLY INTERVENTION PROGRAM	—	19,998	19,998
ADMIN ADJUSTMENT DDD OPERATING LUMP SUM	—	1,314,017	1,314,017
ADMIN ADJUSTMENT DDD PREMIUM TAX PAYMENT	—	650,000	650,000
ADMIN ADJUSTMENT DDD TARGETED CASE MANAGEMENT - MEDICAID	—	113,140	113,140
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	—	13,585,037	13,585,037
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	—	341,821	341,821
ADMIN ADJUSTMENT HOME AND COMMUNITY BASED SERVICES - TITLE XIX	—	114,165,984	114,165,984
ADMIN ADJUSTMENT HOME AND COMMUNITY SERVICES - STATE ONLY	—	8,023,978	8,023,978
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SERVICES	—	156,898	156,898
ADMIN ADJUSTMENT INSTITUTIONAL SERVICES - TITLE XIX	—	19,114,890	19,114,890
ADMIN ADJUSTMENT JOBS	—	1,131,422	1,131,422
ADMIN ADJUSTMENT LONG-TERM CARE OMBUDSMAN	—	130,534	130,534
ADMIN ADJUSTMENT PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	—	99,161,412	99,161,412
ADMIN ADJUSTMENT REHABILITATION SERVICES	—	1,262,400	1,262,400
ADMIN ADJUSTMENT STATE FUNDED LONG-TERM CARE SERVICES	—	4,793,496	4,793,496
ADMIN ADJUSTMENT SWEEPS	—	129,587,494	129,587,494
ADMIN ADJUSTMENT WORKFORCE INVESTMENT ACT SERVICES	—	15,266,839	15,266,839
ADULT SERVICES	12,731,900	12,731,900	9,178,127
ATTORNEY GENERAL LEGAL SERVICES	11,124,700	11,291,400	9,412,559
CASE MANAGEMENT - STATE ONLY	6,211,400	7,354,000	6,742,836
CASE MANAGEMENT - TITLE XIX	89,879,500	118,396,734	108,962,262
CHILD CARE SUBSIDY	187,080,200	179,380,200	90,713,456
CHILD CARE SUBSIDY - NON-LAPSING	909,706,818	909,706,818	622,581,412
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	1,749,646
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,082,897
COORDINATED HUNGER	2,254,600	2,254,600	1,986,253
COUNTY PARTICIPATION	8,539,700	5,785,400	4,112,047
DDD ARIZONA EARLY INTERVENTION PROGRAM	9,719,000	9,719,000	9,718,203
DDD ARPA	493,150,667	493,150,667	321,862,273
DDD COST EFFECTIVENESS STUDY	7,200,000	7,200,000	—
DDD OPERATING LUMP SUM	45,865,500	69,496,616	62,740,152
DDD PREMIUM TAX PAYMENT	52,819,500	80,300,564	61,222,667
DDD TARGETED CASE MANAGEMENT - MEDICAID	12,924,500	18,805,922	15,109,049
DES OPERATING LUMP SUM	172,289,300	239,848,454	209,741,308
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,245,483

The Notes to Required Supplementary Information are an integral part of this schedule.

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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GROUP HOME MONITORING PROGRAM	1,200,000	1,200,000	203,443
HOME AND COMMUNITY BASED SERVICES - TITLE XIX	2,148,121,600	2,616,005,098	2,289,413,135
HOME AND COMMUNITY SERVICES - STATE ONLY	14,089,000	13,089,000	9,980,758
INDEPENDENT LIVING REHABILITATION SERVICES	166,000	166,000	32,724
INSTITUTIONAL SERVICES - TITLE XIX	42,344,200	66,123,864	41,943,424
JOBS	9,894,700	9,894,700	6,331,954
LOAN FOR REIMBURSEMENT GRANTS	—	25,000,000	—
LONG-TERM CARE OMBUDSMAN	1,000,000	1,000,000	901,307
MEDICAL CLAWBACK	5,710,300	5,710,300	5,710,300
PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	495,452,100	743,306,404	623,078,595
REHABILITATION SERVICES	6,594,400	6,594,400	5,797,948
RETURN TO WORK GRANTS	7,500,000	7,500,000	5,066
SEXUAL VIOLENCE SERVICES	7,455,428	7,455,428	1,932,927
SNAP ARIZONA FARMERS MARKET	1,621	1,621	—
STATE FUNDED LONG-TERM CARE SERVICES	42,669,300	42,678,300	36,755,350
STATE MATCH TRANSFER FROM AHCCCS	821,118,700	—	—
TANF CASH BENEFITS	22,736,400	22,736,400	15,528,325
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
UPDATE CHILD CARE MANAGEMENT SYSTEM	7,718,964	7,718,964	831,133
WORKFORCE INVESTMENT ACT SERVICES	55,006,900	80,779,902	76,369,674
EDUCATION, BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	18,717	18,717
ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS	224,200	225,400	221,872
EMPOWERMENT SCHOLARSHIP ACCOUNT APPEALS-ADMIN SUPPORT	26,352	26,352	—
OPERATING LUMP SUM	2,985,900	3,182,200	2,842,968
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	13,423,300	10,942,358	10,942,358
ADDITIONAL FUNDING	—	75,000,000	75,000,000
ADDITIONAL STATE AID TO SCHOOLS	510,093,700	510,093,700	478,210,640
ADMIN ADJUSTMENT BASIC STATE AID ENTITLEMENT	—	3,204,636	3,204,636
ADMIN ADJUSTMENT GIFTED ASSESSMENTS	—	14,453	14,453
ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS	—	65,535	65,535
ADULT EDUCATION	21,487,800	21,519,103	17,497,778
ADULT EDUCATION AND WORKFORCE DEVELOPMENT ADMINISTRATION	250,000	250,000	250,000
ALTERNATIVE TEACHER DEVELOPMENT PROGRAM	500,000	500,000	500,000
AMERICAN CIVICS EDUCATION PILOT PROGRAM	276,419	276,419	—
ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNTS	—	2,200,000	2,162,659
ARIZONA ENGLISH LANGUAGE LEARNER FUND	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	—	865,727,700	865,727,700
BASIC STATE AID ENTITLEMENT	5,172,778,900	5,353,403,200	5,347,503,763
CHILDHOOD TRAUMA AND AWARENESS GRANTS	100,000	100,000	—
CODE WRITERS INITIATIVE PILOT PROGRAM	1,000,000	1,000,000	1,000,000
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	876,195
COMPUTER SCIENCE PROFESSIONAL DEVELOPMENT PROGRAM	1,000,000	1,000,000	1,000,000
CTED COMPLETION GRANTS	2,000,000	2,000,000	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	5,315,400	5,447,061	5,447,061
EMPOWERMENT SCHOLARSHIP ACCOUNT ACCOUNTING STAFF	18,352	18,352	—
EMPOWERMENT SCHOLARSHIP ACCOUNT ADMINISTRATION	2,176,400	2,351,555	2,227,671
EMPOWERMENT SCHOLARSHIP ACCOUNT CALL CENTER	13,561	13,561	1,083

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
EMPOWERMENT SCHOLARSHIP ACCOUNT CASE MANAGERS	130,515	130,515	—
EMPOWERMENT SCHOLARSHIP ACCOUNT TRAININGS AND OUTREACH	25,938	25,938	—
ENGLISH LEARNER ADMINISTRATION	6,516,900	9,097,111	9,097,111
FOSTER HOME YOUTH TRANSITIONAL HOUSING	10,000,000	10,000,000	10,000,000
GEOGRAPHIC LITERACY	100,000	100,000	100,000
GIFTED ASSESSMENTS	850,000	850,000	389,549
HIGH QUALITY TEACHER PROFESSIONAL DEVELOPMENT PILOT PROGRAM	1,236,844	1,236,844	37,334
INVEST IN POSTSECONDARY SUCCESS PROGRAM FUND	1,000,000	1,000,000	1,000,000
JOBS FOR ARIZONA GRADUATES PROGRAM	100,000	100,000	100,000
OFFICE OF INDIAN EDUCATION	5,000,000	5,000,000	56,075
ONETIME ELECTRONIC INCIDENT PREVENTION PROGRAM	150,000	150,000	43,232
OPERATING LUMP SUM APPROPRIATION - ADMINISTRATION	8,512,800	9,228,635	9,228,635
OTHER STATE AID TO DISTRICTS	983,900	983,900	—
REPLACE SCHOOL FINANCE DATA SYSTEMS FOR ARIZONA'S DEPARTMENT OF EDUCATION	5,420,689	5,420,689	2,159,851
RESULTS BASED FUNDING	68,600,000	68,600,000	68,600,000
SCHOOL SAFETY PROGRAM	92,124,455	92,191,797	18,430,140
SPECIAL EDUCATION FUND	36,029,200	36,029,200	36,029,200
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,576,300	11,774,733	11,774,733
STUDENT LEVEL DATA ACCESS	350,000	357,900	357,900
TEACHER CERTIFICATION	179,500	179,500	179,500
TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	325,000	325,000	110,504
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADEM MATCHING FUND	1,544,900	1,544,900	1,505,900
ADMIN ADJUSTMENT ADEM MATCHING FUND	—	38,961	38,961
ADMIN ADJUSTMENT ADMINISTRATION	—	495,091	495,091
ADMIN ADJUSTMENT MILITARY AFFAIRS	—	648,627	648,627
ADMIN ADJUSTMENT NATIONAL GUARD TUITION REIMBURSEMENT	—	22,124	22,124
ADMIN ADJUSTMENT NUCLEAR EMERGENCY MANAGEMENT FUND - DIVISION OP BUDGET	—	54,362	54,362
ADMINISTRATION	1,866,400	2,558,000	2,421,072
BORDER SECURITY FUND ALLOCATIONS	189,205,000	189,205,000	95,301,721
BSF - COCHISE COUNTY JAIL FACILITY	20,000,000	20,000,000	—
DISASTER DECLARATION	—	4,000,000	4,000,000
EMERGENCY MANAGEMENT	758,700	876,800	868,449
FEDERAL GOVERNMENT MATCHING REPAYMENT	759,200	759,200	514,232
FIRE SUPPRESSION AND ROOF REPLACEMENT	927,100	1,118,100	213,938
FIRE SUPPRESSION PROJECTS	1,151,100	1,151,100	—
HAZARD MATERIAL CONTINGENCY	1,897	1,897	—
MILITARY AFFAIRS	1,885,500	2,108,300	1,929,008
MILITARY AFFAIRS COMMISSION	19,751	109,751	84,559
MILITARY INSTALLATION PRESERVATION AND ENHANCEMENT PROJECTS	5,000,000	5,000,000	5,000,000
NATIONAL GUARD MATCHING FUNDS	4,430,150	4,430,150	196,493
NATIONAL GUARD TUITION REIMBURSEMENT	1,000,000	1,000,000	227,541
NUCLEAR EMERGENCY MANAGEMENT FUND - BUCKEYE	—	74,300	74,300
NUCLEAR EMERGENCY MANAGEMENT FUND - DIVISION OP BUDGET	—	1,202,414	1,198,229
NUCLEAR EMERGENCY MANAGEMENT FUND - MARICOPA	—	710,709	710,709
ONETIME MAINTENANCE BACKFILL	13,300,000	13,300,000	37,326
SOUTHEAST ARIZONA READINESS CENTER	3,574,785	3,574,785	137,816
TUCSON READINESS CENTER ADDITIONAL FUNDS	1,800,000	1,800,000	—
WEST VALLEY READINESS CENTER	3,875,000	3,875,000	7,562

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
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
DIRECT POTABLE REUSE OF TREATED WASTEWATER PROGRAM	1,500,000	1,500,000	1,336,618
EV WATER QUALITY FEE FUND DEPOSIT	6,400,000	6,400,000	6,400,000
OPERATING LUMP SUM APPROPRIATION	20,211,600	21,028,300	19,338,486
EQUALIZATION, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,681	1,681
OPERATING LUMP SUM APPROPRIATION	738,900	787,900	651,737
RELIEF	—	694	694
EXECUTIVE CLEMENCY, BOARD OF			
OPERATING LUMP SUM APPROPRIATION	1,185,700	1,336,800	1,288,486
EXPOSITION AND STATE FAIR BOARD, ARIZONA			
ARIZONA VETERANS' MEMORIAL COLISEUM FIRE ALARM SYSTEM REPLACEMENT	190,000	190,000	190,000
FAIRGROUNDS CAPITAL IMPROVEMENT	424,301	424,301	406,730
FORESTRY AND FIRE MANAGEMENT, DEPARTMENT OF			
ADMIN ADJUSTMENT HAZARDOUS VEGETATION REMOVAL	—	305,008	305,008
ADMIN ADJUSTMENT INMATE FIRE CREWS	—	2,962	2,962
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	57,280	57,280
ADMIN ADJUSTMENT POSTRELEASE FIREFIGHTING CREWS	—	68,592	68,592
ADMIN ADJUSTMENT STATE FIRE MARSHAL	—	20,975	20,975
ADMIN ADJUSTMENT STATE FIRE SCHOOL	—	593	593
ADMIN ADJUSTMENT WILDFIRE MITIGATION	—	1,044,122	1,044,122
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	—
GENERAL FUND TRANSFER TO NON-NATIVE VEGETATION SPECIES ERADICATION	—	1,000,000	1,000,000
GILA RIVER NON-NATIVE SPECIES ERADICATION	5,000,000	5,000,000	24,000
HAZARDOUS VEGETATION REMOVAL	5,848,800	5,889,100	993,701
INMATE FIRE CREWS	784,400	869,600	819,911
MOUNT LEMON FIRE DISTRICT RENOVATION	2,230,900	2,230,900	2,230,900
OPERATING LUMP SUM APPROPRIATION	3,393,800	3,937,200	3,816,626
POSTRELEASE FIREFIGHTING CREWS	1,151,000	1,282,700	1,098,613
RURAL FIRE DISTRICT REIMBURSEMENT	2,469,500	2,469,500	61,500
STATE FIRE MARSHAL	1,865,100	2,059,400	1,705,033
STATE FIRE SCHOOL	279,700	289,100	286,827
US FOREST SERVICE LAND THINNING	2,150,900	2,150,900	521,394
WILDFIRE EMERGENCY RESPONSE	108,679,092	108,679,092	32,120,733
WILDFIRE MITIGATION	38,837,300	39,163,300	15,175,203
GAMING, DEPARTMENT OF			
ADMIN ADJUSTMENT RACETRACK PURSE AND MAINTENANCE AND OPERATIONS FUNDING	—	396,900	396,900
CONTRACT VETERINARIAN	175,000	175,000	25,270
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	6,029,500	6,029,500	6,029,500
DEVELOP E-LICENSING FOR TRIBAL GAMING	277,349	277,349	—
HORSERACING INTEGRITY AND SAFETY ACT ASSESSMENT	355,100	355,100	355,100
RACETRACK PURSE AND MAINTENANCE AND OPERATIONS FUNDING	5,396,900	5,396,900	5,396,900
RACING PURSE ENHANCEMENT	5,000,000	5,000,000	4,850,000
GENERAL ACCOUNTING OFFICE			
ADDITIONAL GILA WORKFORCE DEVELOPMENT AID	200,000	200,000	200,000
COCHISE FIRST RESPONDERS ACADEMY	6,250,000	6,250,000	6,250,000
DINE COLLEGE REMEDIAL EDUCATION	1,000,000	1,000,000	1,000,000
EQUALIZATION AID - COCHISE	8,771,400	8,771,400	8,771,400

The Notes to Required Supplementary Information are an integral part of this schedule.

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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
EQUALIZATION AID - GRAHAM	19,114,000	19,114,000	19,114,000
EQUALIZATION AID - NAVAJO	9,912,900	9,912,900	9,912,900
EQUALIZATION AID - YUMA/LA PAZ	530,200	530,200	530,200
GENERAL FUND TRANSFERS	—	85,689,500	85,689,500
OPERATING STATE AID - COCHISE	4,230,000	4,230,000	4,230,000
OPERATING STATE AID - COCONINO	1,369,600	1,369,600	1,369,600
OPERATING STATE AID - GILA	155,300	155,300	155,300
OPERATING STATE AID - GRAHAM	1,532,300	1,532,300	1,532,300
OPERATING STATE AID - MOHAVE	903,000	903,000	903,000
OPERATING STATE AID - NAVAJO	1,393,400	1,393,400	1,393,400
OPERATING STATE AID - PINAL	818,200	818,200	818,200
OPERATING STATE AID - YAVAPAI	300,400	300,400	300,400
OPERATING STATE AID - YUMA LA PAZ	1,898,200	1,898,200	1,898,200
RURAL AID - COCHISE	5,267,500	5,267,500	5,267,500
RURAL AID - COCONINO	1,343,400	1,343,400	1,343,400
RURAL AID - GILA	421,800	421,800	421,800
RURAL AID - GRAHAM	1,633,200	1,633,200	1,633,200
RURAL AID - MOHAVE	1,714,400	1,714,400	1,714,400
RURAL AID - NAVAJO	1,305,600	1,305,600	1,305,600
RURAL AID - PINAL	2,476,600	2,476,600	2,476,600
RURAL AID - SANTA CRUZ	97,800	97,800	97,800
RURAL AID - YAVAPAI	2,782,200	2,782,200	2,782,200
RURAL AID - YUMA/LA PAZ	3,957,500	3,957,500	3,957,500
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,082,900	1,082,900	1,082,900
STEM AND WORKFORCE PROGRAM STATE AID - COCHISE	895,200	895,200	895,200
STEM AND WORKFORCE PROGRAM STATE AID - COCONINO	293,800	293,800	293,800
STEM AND WORKFORCE PROGRAM STATE AID - GILA	91,900	91,900	91,900
STEM AND WORKFORCE PROGRAM STATE AID - GRAHAM	361,500	361,500	361,500
STEM AND WORKFORCE PROGRAM STATE AID - MARICOPA	8,584,900	8,584,900	8,584,900
STEM AND WORKFORCE PROGRAM STATE AID - MOHAVE	373,800	373,800	373,800
STEM AND WORKFORCE PROGRAM STATE AID - NAVAJO	283,600	283,600	283,600
STEM AND WORKFORCE PROGRAM STATE AID - PIMA	1,776,600	1,776,600	1,776,600
STEM AND WORKFORCE PROGRAM STATE AID - PINAL	551,100	551,100	551,100
STEM AND WORKFORCE PROGRAM STATE AID - SANTA CRUZ	21,800	21,800	21,800
STEM AND WORKFORCE PROGRAM STATE AID - YAVAPAI	611,100	611,100	611,100
STEM AND WORKFORCE PROGRAM STATE AID - YUMA/LAPAZ	877,500	877,500	877,500
SWEEPS	—	28,747,000	28,747,000
WOOLSEY FLOOD DISTRICT	—	90,751	90,751
GOVERNOR, OFFICE OF THE			
FOSTER YOUTH EDUCATION SUCCESS FUND DEPOSIT	1,500,000	1,500,000	1,500,000
OPERATING LUMP SUM APPROPRIATION	10,278,895	10,741,395	7,922,583
OPERATING LUMP SUM APPROPRIATION - OSPB	4,168,601	4,441,301	2,903,016
HEALTH SERVICES, DEPARTMENT OF			
ACCELERATED NURSING PROGRAMS	50,000,000	50,000,000	5,477,365
ADMIN ADJUSTMENT ADULT CYSTIC FIBROSIS	—	26,300	26,300
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	—	1,175,439	1,175,439
ADMIN ADJUSTMENT AIDS REPORTING AND SURVEILLANCE	—	75,496	75,496
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	—	1,781,049	1,781,049
ADMIN ADJUSTMENT ASH - SEXUALLY VIOLENT PERSONS	—	412,689	412,689
ADMIN ADJUSTMENT BIOMEDICAL RESEARCH SUPPORT	—	499,375	499,375
ADMIN ADJUSTMENT BREAST AND CERVICAL CANCER SCREENING	—	565,711	565,711

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
ADMIN ADJUSTMENT COUNTY TUBERCULOSIS PROVIDER CARE - CONTROL	—	138,356	138,356
ADMIN ADJUSTMENT FAMILY HEALTH PILOT PROGRAM	—	119,987	119,987
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	—	663,357	663,357
ADMIN ADJUSTMENT NON-RENAL DISEASE MANAGEMENT	—	176,095	176,095
ADMIN ADJUSTMENT POISON CONTROL CENTER FUNDING	—	504,518	504,518
ADMIN ADJUSTMENT RENAL TRANSPLANT DRUGS	—	45,750	45,750
ADMIN ADJUSTMENT STUDENT LOAN REPAYMENT	—	73,624	73,624
ADULT CYSTIC FIBROSIS	105,200	105,200	78,900
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	31,111,900	34,262,374	31,414,005
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	798,223
ALZHEIMER DISEASE RESEARCH	3,625,000	3,625,000	3,625,000
ARIZONA NURSE EDUCATION INVESTMENT PILOT PROGRAM	15,000,000	15,000,000	15,000,000
ARIZONA STATE HOSPITAL - OPERATING	78,532,500	88,558,539	85,481,948
ARIZONA STATE HOSPITAL FUND REVERSION TO GENERAL FUND	—	376,926	376,926
ASH - SEXUALLY VIOLENT PERSONS	9,736,100	10,951,787	10,764,294
ASH-RESTORATION TO COMPETENCY	900,000	900,000	813,171
BEHAVIORAL HEALTH CARE PROVIDER LOAN REPAYMENT PROGRAM	1,000,000	1,000,000	57,992
BEHAVIORAL HEALTH CARE PROVIDER LOAN REPAYMENT PROGRAM - 2A	—	1,000,000	—
BIOMEDICAL RESEARCH SUPPORT	2,000,000	2,000,000	1,500,625
BREAST AND CERVICAL CANCER SCREENING	1,369,400	1,369,400	581,461
COUNTY TUBERCULOSIS PROVIDER CARE - CONTROL	590,700	590,700	468,043
FAMILY HEALTH PILOT PROGRAM	3,000,000	3,000,000	812,880
HIGH RISK PERINATAL SERVICES	2,343,400	2,343,400	2,080,917
HOMELESS PREGNANT WOMEN SERVICES	300,000	300,000	—
NON-RENAL DISEASE MANAGEMENT	198,000	198,000	145,853
POISON CONTROL CENTER FUNDING	990,000	990,000	485,483
PRECEPTOR GRANT PROGRAM FOR GRADUATE STUDENTS	500,000	500,000	—
RENAL TRANSPLANT DRUGS	183,000	183,000	137,250
VULNERABLE CAREGIVER WORKSHOPS	1,000	1,000	—
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	333	333
OPERATING LUMP SUM APPROPRIATION	900,600	1,016,100	831,042
HISTORICAL SOCIETY, ARIZONA			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,328	1,328
ADMIN ADJUSTMENT PAPAGO PARK MUSEUM	—	32,405	32,405
FIELD SERVICES AND GRANTS	62,500	65,750	65,744
OPERATING LUMP SUM APPROPRIATION	2,334,600	2,585,135	2,585,128
PAPAGO PARK MUSEUM	508,900	563,815	563,815
HOMELAND SECURITY, DEPARTMENT OF			
CYBERSECURITY SOFTWARE	2,000,000	2,000,000	1,741,512
STATEWIDE CYBERSECURITY GRANTS	10,000,000	10,000,000	9,885,648
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION	36,661,118	38,295,618	23,106,866
HOUSING, ARIZONA DEPARTMENT OF			
HOMELESS SERVICES GRANT PILOT	10,000,000	10,000,000	560,313
HOMELESS SHELTER AND SERVICES	—	20,000,000	—
HOUSING DEPOSIT TRUST FUND	60,000,000	60,000,000	60,000,000
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING LUMP SUM APPROPRIATION	1,981,589	1,981,589	1,248,221
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	275	275

The Notes to Required Supplementary Information are an integral part of this schedule.

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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	63,500	69,900	69,749
INDUSTRIAL COMMISSION OF ARIZONA			
MODERNIZE AND REPLACE IT SYSTEMS	610,623	610,623	610,623
MUNICIPAL FIREFIGHTER REIMBURSEMENT ADMINISTRATION	80,000	84,600	84,600
INSURANCE, DEPARTMENT OF			
ADMIN ADJUSTMENT INSURANCE FRAUD UNIT	—	12,786	12,786
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	31,171	31,171
INSURANCE FRAUD UNIT	1,800,500	1,948,530	1,838,991
MENTAL HEALTH PARITY	42,597	42,597	42,574
OPERATING LUMP SUM APPROPRIATION	5,862,900	6,264,470	5,913,115
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION	7,656,430	7,959,030	2,731,596
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	774,467	774,467
OPERATING LUMP SUM APPROPRIATION	41,041,200	49,013,800	46,990,925
WATER AND WASTE CHASE CLOSET REPLUMBING	400,000	400,000	400,000
LAND DEPARTMENT, STATE			
ADMIN ADJUSTMENT DUE DILIGENCE PROGRAM	—	16,773	16,773
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	48,188	48,188
CAP USER FEES	1,700,000	1,700,000	1,700,000
DUE DILIGENCE PROGRAM	5,000,000	5,000,000	—
DUE DILIGENCE FUND	1,500,000	1,500,000	816,419
NATURAL RESOURCE CONSERVATION DISTRICTS	389,400	389,400	389,400
OPERATING LUMP SUM APPROPRIATION	9,730,700	10,849,900	10,823,089
STREAMBED NAVIGABILITY LITIGATION	220,000	220,000	—
LEGISLATIVE COUNCIL			
CAPITOL IMPROVEMENTS	5,700,000	5,700,000	753,389
OMBUDSMAN-CITIZENS AID OFFICE	174,349	174,349	174,349
OPERATING LUMP SUM APPROPRIATION	26,879,143	27,450,643	8,334,019
REPAIR RESTORE AND RENOVATE HISTORIC CAPITOL BUILDING	10,434,992	10,434,992	598,198
STATE CAPITOL MUSEUM	—	406,212	406,212
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	6,185	6,185
LLA SPACE RECONFIGURATION	3,500,000	3,500,000	3,500,000
OPERATING LUMP SUM APPROPRIATION	6,342,800	7,112,500	6,978,023
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	1,316,700	1,316,700	912,528
ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT	—	2,563	2,563
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	43,418	43,418
AGGREGATE MINED LAND RECLAMATION	68,900	68,900	—
OPERATING LUMP SUM APPROPRIATION	1,294,600	1,433,400	1,215,216
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	75	75
OPERATING LUMP SUM APPROPRIATION	129,300	144,200	143,777
NORTHERN ARIZONA UNIVERSITY			
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	865,300	865,300	865,300
NAU - YUMA	3,075,600	3,119,800	3,119,800
NAU CAPITAL IMPROVEMENTS AND OPERATING EXPENDITURES	26,000,000	26,000,000	26,000,000
OPERATING LUMP SUM APPROPRIATION	116,311,100	117,400,600	117,400,600
RESEARCH INFRASTRUCTURE LEASE - PURCHASE PAYMENT	—	5,301,500	5,301,500

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
TEACHER TRAINING	2,292,700	2,292,700	2,292,700
OMBUDSMAN CITIZENS AIDE OFFICE			
OMBUDSMAN-CITIZENS AID OFFICE	1,390,400	1,516,200	1,220,376
PARKS BOARD, ARIZONA STATE			
ARIZONA STATE PARKS HERITAGE FUND DEPOSIT	2,500,000	2,500,000	2,500,000
STATE LAKE IMPROVEMENT FUND DEPOSIT	4,000,000	4,000,000	4,000,000
POSTSECONDARY EDUCATION, COMMISSION FOR			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	77	77
PSYCHOLOGIST EXAMINERS, STATE BOARD OF			
MODIFY E-LICENSING SYSTEM AT PSYCHOLOGIST EXAMINERS	20,000	20,000	20,000
PUBLIC SAFETY, DEPARTMENT OF			
ACTIC	1,450,000	1,450,000	1,292,135
ADMIN ADJUSTMENT ACTIC	—	39,040	39,040
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE LOCAL SUPPORT	—	88,212	88,212
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING	—	115,787	115,787
ADMIN ADJUSTMENT GIITEM	—	330,234	330,234
ADMIN ADJUSTMENT GIITEM PERSONNEL	—	754,397	754,397
ADMIN ADJUSTMENT GIITEM SUBACCOUNT	—	95,194	95,194
ADMIN ADJUSTMENT PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	—	158	158
AZPOST	6,576,000	6,100,000	6,100,000
BORDER STRIKE TASK FORCE LOCAL SUPPORT	11,732,900	11,732,900	5,786,542
BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS	500,000	500,000	500,000
BORDER STRIKE TASK FORCE ONGOING	18,057,600	17,145,900	16,072,803
CIVIL AIR PATROL	150,000	150,000	150,000
CIVIL AIR PATROL INFRASTRUCTURE	5,000,000	5,000,000	23,453
COMMERCIAL VEHICLE ENFORCEMENT CONSOLIDATION	978,400	978,400	964,365
GIITEM	11,654,700	11,576,400	10,685,980
GIITEM FUND APPROPRIATION	2,242,663	2,242,663	1,051,304
GIITEM PERSONNEL	16,257,200	13,275,800	12,062,693
GIITEM SUBACCOUNT	2,396,400	2,396,400	1,790,483
MAJOR INCIDENT DIVISION	10,000,000	10,000,000	8,020,164
MOTOR VEHICLE FUEL	4,384,200	4,384,200	3,655,987
ONE TIME HELICOPTER REPLACEMENT	10,900,000	10,900,000	7,908,207
ONE TIME HELICOPTER UPFIT	2,559,600	2,559,600	2,558,821
ONE TIME K-9 SUPPORT	1,900,000	1,900,000	198,895
ONE TIME VEHICLE BUMPER TETHERS	1,800,000	1,800,000	1,605,758
ONE TIME VEHICLE REPLACEMENT	11,709,300	11,709,300	4,385,382
OPERATING LUMP SUM APPROPRIATION	258,665,100	254,285,900	254,285,900
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	129,700	111,000	111,000
PURCHASE CONSTRUCT PROPERTY FOR EVIDENTIARY VEHICLE STORAGE	1,016,400	1,016,400	—
REMOTE HOUSING REPLACEMENT	9,750,000	9,750,000	7,750,000
UPDATE CONCEALED WEAPONS TRACKING SYSTEMS FOR ARIZONA'S DEPARTMENT OF PUBLIC SAFETY	550,000	550,000	312,754
REAL ESTATE DEPARTMENT, STATE			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,088	1,088
OPERATING LUMP SUM APPROPRIATION	2,922,100	3,221,000	2,563,448
REGENTS, ARIZONA BOARD OF			
ADAPTIVE ATHLETICS	160,000	160,000	160,000
ARIZONA PROMISE PROGRAM	20,000,000	20,000,000	20,000,000
ARIZONA TEACHER ACADEMY	15,000,000	15,000,000	15,000,000

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
ARIZONA TEACHER STUDENT LOAN PROGRAM	426,000	426,000	426,000
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
ARIZONA TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
ARIZONA VETERINARY LOAN ASSISTANCE FUND	6,000,000	6,000,000	6,000,000
CAMP VERDE MEAT PROCESSING FACILITY	9,700,000	9,700,000	9,700,000
CAPITAL IMPROVEMENT	12,000,000	12,000,000	12,000,000
ENCLOSED FEEDING FACILITY	9,500,000	9,500,000	9,500,000
FOOD PRODUCT AND SAFETY LABORATORY	10,900,000	10,900,000	10,900,000
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,220,800	1,220,800	1,220,800
OPERATING LUMP SUM APPROPRIATION	2,455,400	2,496,500	2,496,500
SPOUSES OF MILITARY VETERANS TUITION SCHOLARSHIP	10,000,000	10,000,000	10,000,000
WASHINGTON, D.C. INTERNSHIPS	300,000	300,000	300,000
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	—	41,289	41,289
ADMIN ADJUSTMENT E-COMMERCE COMPLIANCE AND OUTREACH	—	214	214
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	837,913	837,913
ADMIN ADJUSTMENT TPT SIMPLIFICATION	—	20	20
ADMIN ADJUSTMENT UNCLAIMED PROPERTY ADMINISTRATION - AUDIT	—	42,051	42,051
BRITS OPERATIONAL SUPPORT	7,567,500	8,008,800	7,733,556
E-COMMERCE COMPLIANCE AND OUTREACH	854,900	919,800	905,512
INCOME TAX FRAUD PREVENTION	3,150,000	3,150,000	3,055,944
INCOME TAX INFORMATION TECHNOLOGY	428,963	428,963	164,749
INTEGRATED TAX SYSTEM MODERNIZATION	15,819,800	15,819,800	503,085
OPERATING LUMP SUM APPROPRIATION	69,041,500	74,779,500	68,549,084
SWEEPS	6,187,100	6,187,100	6,187,100
TPT SIMPLIFICATION	984,100	1,013,800	984,144
UNCLAIMED PROPERTY ADMINISTRATION - AUDIT	1,467,800	1,637,000	1,309,463
VETERANS' INCOME TAX SETTLEMENT - ADMIN	—	84,052	—
SCHOOL FACILITIES BOARD			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	35,665	35,665
SECRETARY OF STATE			
ADMIN ADJUSTMENT ELECTION SYSTEMS IMPROVEMENT FOR SECRETARY OF STATE	—	307,785	307,785
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	241,416	241,416
ADMIN ADJUSTMENT OTHER HELP AMERICA VOTE ACT PROJECTS	—	31,569	31,569
ARIZONA VOTER INFORMATION DATABASE	483,500	483,500	483,500
BUILDING RENOVATION AND CODE COMPLIANCE	102,797	102,797	—
EARLY BALLOT TRACKING	—	250,000	234,655
ELECTION SERVICES	8,000,000	7,143,000	4,883,393
ELECTION SYSTEMS IMPROVEMENT FOR COUNTIES	893,274	893,274	279,211
ELECTRONIC RECORD STORAGE FEASIBILITY STUDY	300,000	300,000	—
LIBRARY GRANTS-IN-AID	946,723	946,723	691,753
OPERATING LUMP SUM APPROPRIATION	12,940,888	14,925,388	13,908,052
STATEWIDE RADIO READING SERVICE FOR BLIND	97,000	97,000	97,000
SWEEPS	300,000	300,000	236,083
UNIFORM STATE LAWS COMMISSION	99,000	99,000	72,113
SENATE			
OPERATING LUMP SUM APPROPRIATION	32,278,668	33,518,968	20,237,848
SUPREME COURT			
ADMIN ADJUSTMENT AUTOMATION	—	589,502	589,502
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	—	53,763	53,763

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
ADMIN ADJUSTMENT COMMISSION ON JUDICIAL CONDUCT	—	7,553	7,553
ADMIN ADJUSTMENT FOSTER CARE REVIEW BOARD	—	1,155	1,155
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	52,229	52,229
ADULT INTENSIVE PROBATION	11,615,000	11,615,000	11,615,000
ADULT STANDARD PROBATION	18,523,500	18,523,400	18,523,400
AIR HANDLER AND SEWER REPLACEMENT	3,200,000	3,200,000	3,200,000
ARIZONA TRIAL AND DIGITAL EVIDENCE FUND DEPOSIT	1,620,000	1,620,000	1,620,000
AUTOMATION	9,190,300	10,927,300	9,097,431
CENTRALIZED SERVICE PAYMENTS	3,685,100	4,181,400	3,998,884
COMMISSION ON JUDICIAL CONDUCT	524,400	609,500	608,829
COUNTY REIMBURSEMENTS	187,900	187,900	163,858
COURT ORDERED REMOVAL	315,000	315,000	315,000
DOMESTIC RELATIONS	646,500	693,100	692,405
DRUG COURT	1,096,300	1,096,400	1,096,400
FOSTER CARE REVIEW BOARD	3,283,000	3,535,700	3,523,102
GENERAL ADJUDICATION PERSONNEL AND SUPPORT FUND	2,000,000	2,000,000	1,875,274
INTERSTATE COMPACT	420,900	420,900	420,900
JUDGES COMPENSATION	24,962,600	25,641,800	25,641,799
JUDICIAL NOMINATION - PERFORMANCE REVIEW	543,900	614,000	605,812
JUVENILE DIVERSION CONSEQUENCES	9,088,500	9,088,500	9,088,500
JUVENILE FAMILY COUNSELING	500,000	500,000	500,000
JUVENILE INTENSIVE PROBATION	6,087,200	6,087,200	6,087,200
JUVENILE STANDARD PROBATION	3,631,800	3,631,800	3,631,800
JUVENILE TREATMENT SERVICES	20,803,000	20,803,000	20,803,000
MODEL COURT	659,700	659,700	659,700
OPERATING LUMP SUM	4,604,800	4,950,000	4,944,740
OPERATING LUMP SUM APPROPRIATION	12,845,100	14,687,900	14,234,298
PROBATION INCENTIVE	1,000,000	1,000,000	1,000,000
PROBATION OFFICER VEHICLES	187,500	187,500	187,500
SPECIAL WATER MASTER	497,200	505,300	505,300
TAX APPEALS, STATE BOARD OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	3,075	3,075
OPERATING LUMP SUM APPROPRIATION	283,300	317,700	286,939
TOURISM, OFFICE OF			
ARIZONA PROMOTION	1,000,000	1,000,000	1,000,000
SOUTHER ARIZONA STUDY COMMITTEE	—	—	(250,000)
SOUTHERN ARIZONA SPORTS TOURISM AND FILM AUTHORITY	—	750,000	750,000
TOURISM FUND DEPOSIT	7,131,500	7,452,600	7,452,600
WINE PROMOTION	1,100,000	1,100,000	1,100,000
TRANSPORTATION, DEPARTMENT OF			
CESAR CHAVEZ BLVD IN SAN LUIS TRANSFER TO YUMA COUNTY	33,000,000	33,000,000	—
CONSTRUCT AN OVERPASS AT RIGGS ROAD AND SR 347 - 5	25,000,000	25,000,000	—
DESIGN AND CONSTRUCT ADDITIONAL VEHICLE LANES ON I10 BETWEEN SR 85 AND CITRUS RD	52,090,000	52,090,000	—
DISTRIBUTION TO NAVAJO NATION - N35 ROAD	6,000,000	6,000,000	6,000,000
DISTRIBUTION TO NAVAJO NATION - N9402 ROAD	10,000,000	10,000,000	10,000,000
GANADO SCHOOL LOOP ROAD	1,000,000	1,000,000	1,000,000
GENERAL FUND I-10 WIDENING	50,000,000	50,000,000	61,557
GENERAL FUND PAVEMENT REHABILITATION	89,050,694	89,050,693	60,174,000
IMPROVE SR 90 NEAR FORT HUACHUCA - 19	10,532,022	10,532,022	251,993
IMPROVE US ROUTE 95 NEAR YUMA PROVING GROUND - 2	10,000,000	—	—
INTERSTATE 10 PROJECTS	907,686	907,686	907,686
INTERSTATE 10 WIDENING STUDY	8,660,314	8,660,314	5,268,384

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
LOOP 101 SLIP RAMP ACCESS	25,000,000	—	—
OVERPASS DESIGN PLAN AT RIGGS, SR 347 - 7	7,500,000	7,500,000	—
REHABILITATE PAVEMENT ALONG SR 77 NEAR ORO VALLEY - 18	9,834,273	12,041,773	9,834,273
REPAIR SR 186 AND STATE BUSINESS ROUTE 10 IN WILCOX - 15	3,461,718	3,461,718	159,616
REPAVE SR 69 IN PRESCOTT VALLEY - 1	4,641,167	4,641,167	3,637,032
REPAVE SR 95 IN MOHAVE CTY - 3	46,482,763	46,482,763	1,400,081
RUBY ROAD BRIDGE	3,000,000	3,000,000	3,000,000
STUDY AN OVERPASS AT RIGGS ROAD AND SR 347 - 6	2,493,048	2,493,048	1,484,534
STUDY AND DESIGN CONCEPT REPORT FOR THE REPAIR OF SR 88 - 11	698,011	698,011	451,787
STUDY GUARDRAIL - SHOULDER OF SR 377 FROM HOLBROOK TO HEBER	140,000	140,000	112,633
STUDY RAMPS AT GRAND AND SR 303 - 4	47,184	47,184	39,143
STUDY THE NORTH/SOUTH CORRIDOR IN PINAL COUNTY - 8	3,997,117	3,997,117	83,153
U.S. ROUTE 89 TRAFFIC CIRCLE	5,000,000	8,100,000	54,122
US ROUTE 95 EXPANSION	11,633,108	11,633,108	6,232,923
TREASURER, STATE			
ADMIN ADJUSTMENT JUSTICE OF THE PEACE SALARIES	—	267,994	267,994
ARIZONA HEALTH INNOVATION TRUST FUND DEPOSIT	100,000	100,000	100,000
COMMUNITY COLLEGE REIMBURSEMENT ARS 15-1469-01	—	4,582,000	4,582,000
CORPORATE INCOME TAX TRANSFER	—	15,000,000	15,000,000
JUSTICE OF THE PEACE SALARIES	2,818,200	2,818,200	1,391,966
LAW ENFORCEMENT CRIME VICTIM NOTIFICATION	—	3,800,000	187,565
OPERATING LUMP SUM APPROPRIATION	3,888,800	4,307,700	4,201,061
SPECIAL SPORTING EVENT PROMOTION	—	1,500,000	1,500,000
UNIVERSITY OF ARIZONA			
AGRICULTURE	33,178,600	37,148,200	37,148,200
ARIZONA COOPERATIVE EXTENSION	13,177,000	15,219,900	15,219,900
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
COLLEGE OF VETERINARY MEDICINE	8,000,000	8,000,000	8,000,000
FREEDOM CENTER	4,344,600	4,840,000	4,840,000
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	438,700	438,700
NATURAL RESOURCE USERS LAW AND POLICY CENTER	1,950,000	2,009,500	2,009,500
OPERATING LUMP SUM APPROPRIATION - HSC	39,217,200	39,217,200	39,217,200
OPERATING LUMP SUM APPROPRIATION - MAIN	166,454,300	187,865,400	187,865,400
PHOENIX MEDICAL CAMPUS	26,629,500	26,629,500	26,629,500
RESEARCH INFRASTRUCTURE FACILITIES	—	14,252,500	14,252,500
SCHOOL OF MINING	4,000,000	4,476,000	4,476,000
SIERRA VISTA CAMPUS	4,372,000	4,735,200	4,735,200
TELEMEDICINE NETWORK	1,670,000	1,670,000	1,670,000
VETERINARY DIAGNOSTIC LABORATORY	5,000,000	5,000,000	5,000,000
VETERANS' SERVICES, DEPARTMENT OF			
ADMIN ADJUSTMENT ARIZONA STATE VETERANS' CEMETERIES	—	90	90
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	33,234	33,234
ADMIN ADJUSTMENT VETERANS' BENEFIT COUNSELING	—	9,761	9,761
ARIZONA STATE VETERANS' CEMETERIES	941,600	962,500	953,348
ARIZONA VETERANS' TRAUMA TREATMENT SERVICES	450,000	450,000	—
ASVH - NORTHWEST	25,000,000	25,000,000	—
ASVH - YUMA CONSTRUCTION	355	355	—

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ASVH FLAGSTAFF CONSTRUCTION	4,543	4,543	—
DEPARTMENT OF VETERANS' SERVICES: TRIBAL CEREMONIES	1,000,000	1,000,000	—
OPERATING LUMP SUM APPROPRIATION	2,364,000	2,924,900	2,654,575
VETERANS' BENEFIT COUNSELING	3,601,800	3,685,700	3,294,543
VETERANS' INCOME TAX SETTLEMENT	—	84,052	—
VETERANS' SUPPORT SERVICES	1,226,100	1,226,100	1,087,238
VSA VETERANS' SERVICE OFFICER FOR RURAL TRIBAL NATIONS	2,200,000	2,200,000	671,506
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,757,300	1,806,600	1,806,576
ADMIN ADJUSTMENT ADJUDICATION SUPPORT	—	65,800	65,800
ADMIN ADJUSTMENT AGUA FRIA FLOOD INSURANCE STUDY	—	35,436	35,436
ADMIN ADJUSTMENT ASSURED - ADEQUATE WATER SUPPLY ADMIN	—	11,178	11,178
ADMIN ADJUSTMENT AUTOMATED GROUNDWATER MONITORING	—	83,222	83,222
ADMIN ADJUSTMENT CONSERVATION AND DROUGHT PROGRAM	—	43,400	43,400
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	51,219	51,219
ADMIN ADJUSTMENT RURAL WATER STUDIES	—	31,151	31,151
APPLICATION MODERNIZATION	1,700,000	1,700,000	177,419
ARIZONA WATER PROTECTION FUND DEPOSIT	1,250,000	1,250,000	1,250,000
ASSURED - ADEQUATE WATER SUPPLY ADMIN	2,055,500	2,110,100	2,090,461
AUTOMATED GROUNDWATER MONITORING	410,400	418,600	411,858
CONSERVATION AND DROUGHT PROGRAM	414,600	425,300	404,197
LOWER COLORADO RIVER LITIGATION EXPENSES	1,484,578	1,484,578	519,563
NEW RIVER FLOOD INSURANCE STUDY	350,000	350,000	265,862
OPERATING LUMP SUM APPROPRIATION	12,645,200	14,310,400	13,759,869
RURAL WATER STUDIES	1,169,300	1,193,500	1,177,719
SUPPLY AND DEMAND STUDY SLI	—	3,500,000	2,482,261
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	\$ 36,710,040,580	\$ 44,373,555,488	\$ 38,363,572,184
Less:			
Agriculture cloud migration duplicate expenditure authorization	(2,000,000)	(2,000,000)	(179,460)
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	\$ 36,708,040,580	\$ 44,371,555,488	\$ 38,363,392,724

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, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	\$ —	\$ 3,756,124	\$ 3,756,124
AIRPORT PLANNING AND DEVELOPMENT	86,050,787	86,050,788	23,116,809
ATTORNEY GENERAL LEGAL SERVICES	3,623,700	3,623,700	3,623,700
AUTHORIZED THIRD PARTY	2,104,400	2,350,400	1,896,447
BUILDING RENEWAL	30,042,837	30,042,837	13,984,469
HIGHWAY DAMAGE RECOVERY ACCOUNT	8,000,000	8,000,600	7,988,617
HIGHWAY MAINTENANCE	225,851,238	234,753,138	192,336,108
INTERSTATE 10 PROJECTS	3,206,987	3,206,987	19,202
INTERSTATE 17 EXPANSION	130,000,000	130,000,000	60,429,864
OPERATING LUMP SUM APPROPRIATION	223,578,200	249,751,100	237,297,812
PREVENTIVE SURFACE TREATMENTS	42,253,951	56,929,751	35,117,544
RELIEF	—	7,848	7,848
REPAVE SR 95 IN MOHAVE CTY - 3	19,534,600	19,534,600	—
REPAVE SR 69 IN PRESCOTT VALLEY - 1	1,645,000	1,645,000	—
STATEWIDE HIGHWAY CONSTRUCTION	1,183,162,328	1,183,162,328	135,490,463
ADMIN ADJUSTMENT BUILDING RENEWAL	—	410,116	410,116
FUELING FACILITIES - 3 LOCATIONS	2,171,200	2,171,200	163,855
LIQUID BRINE TANKS - 4 LOCATIONS	2,237,635	2,237,635	1,189,850
ANNUAL REVERSION PER ARS 28-4504	—	90,513	90,513
WICKENBURG MAINTENANCE BUILDING	10,196,140	10,196,140	4,995,509
AIRPORT IMPROVEMENT PROJECTS (AVIATION FUND)	20,000,000	20,000,000	24,250
PRESCOTT AIRPORT EDUCATION COMPLEX	600,000	600,000	—
ADMIN ADJUSTMENT VEHICLE REPLACEMENT	—	239,439	239,439
CONDUCT A TIER 2 STUDY FOR SONORAN CORRIDOR IN PIMA COUNTY	14,000,000	14,000,000	6,396
CONDUCT TIER 2 STUDY FOR NORTH-SOUTH CORRIDOR IN PINAL CNTY	15,000,000	15,000,000	66,182
DRIVER LICENSE SECURITY SOFTWARE	2,260,000	2,260,000	1,190,360
GILA RIVER INDIAN COMMUNITY - TRANSPORTATION INFRASTRUCTURE	2,000,000	2,000,000	—
IMPROVE JACKRABBIT TRAIL BETWEEN THOMAS RD AND MCDOWELL RD	20,080,000	20,080,000	20,080,000
INSTALL LIGHTING ON THE SENTINEL EXIT IN GILA BEND	568,000	568,000	121,955
REHABILITATE PAVEMENT ON ROAD PROJECTS	31,500,000	31,500,000	16,744
RELOCATE TUSCON SIGNAL EQUIP REPAIR SHOP	2,124,000	2,124,000	2,874
RENOVATE 206 ANNEX BUILDING	9,309,300	9,309,300	9,271
REPLACE DEICER MATERIAL STORAGE BARN IN SUPERIOR	1,200,000	1,200,000	9,005
VEHICLE AND HEAVY EQUIPMENT REPLACEMENT	22,400,000	22,400,000	16,923,940
CONSTRUCT AN OVERPASS AT RIGGS ROAD AND SR 347 - 5	8,750,000	8,750,000	—
DESIGN AND CONSTRUCT ADDITIONAL VEHICLE LANES ON I10 BETWEEN SR85 AND CITRUS RD	64,200,000	64,200,000	—
IMPROVE US ROUTE 95 NEAR YUMA PROVING GROUND - 2	3,500,000	3,500,000	—
ADMIN ADJUSTMENT DRIVER SAFETY AND LIVESTOCK CONTROL	—	49,662	49,662
ADMIN ADJUSTMENT SELIGMAN AND WILLIAMS MAINTENANCE BUILDING	—	86,451	86,451
DRIVER SAFETY AND LIVESTOCK CONTROL	800,000	800,000	342,723
DESIGN AND CONSTRUCT A SCREEN WALL ALONG EAST SIDE OF L101 NEAR 16TH ST	7,250,000	7,250,000	228,962
OVERPASS DESIGN PLAN AT RIGGS, SR 347 - 7	2,625,000	2,625,000	—
REPAIR SR 186 AND STATE BUSINESS ROUTE 10 IN WILCOX - 15	1,464,100	1,464,100	—
ACQUIRE RIGHT-OF-WAY TO EXTEND SR 24	15,000,000	15,000,000	15,000,000
ASSESS INTERSECTION OF SR 79 AND HUNT HIGHWAY	100,000	100,000	32,586
ASSESS INTERSECTION OF SR 87 AND SKOUSEN ROAD	100,000	100,000	92,020
ASSESS INTERSECTION ON SR 389 AT ARIZONA AVENUE	100,000	100,000	23,249
CONDUCT A TIER 2 STUDY FOR I11 IN MARICOPA COUNTY	25,000,000	25,000,000	634
CONSTRUCT AND IMPROVE FORMER SR 279	6,142,800	6,142,800	—

The Notes to Required Supplementary Information are an integral part of this schedule.

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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, 2023
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CONSTRUCT ROUNDABOUT AT INTERSECTION OF SR 69 AND SR 169	1,500,000	1,500,000	30,224
DESIGN TO IMPROVE SR 238 BETWEEN SR 347 AND GREEN RD	800,000	800,000	800,000
DESIGN TRAFFIC INTERCHANGE ON SR 89 AT SR 89A	3,000,000	3,000,000	19,828
DESIGN WORK FOR SR 303 IMPROVEMENT FROM I17 TO LAKE PLEASANT PARKWAY	4,000,000	4,000,000	8,244
DESIGN WORK FOR THE INTERCHANGE AT SR 303 AND I17	19,000,000	19,000,000	20,058
DISTRIBUTION TO NORTHERN AZ IPTA FOR CAPITAL COSTS OF THE FLAGSTAFF DCC	6,000,000	6,000,000	6,000,000
DESIGN AND CONSTRUCT A SCREEN WALL BETWEEN L101 AND 51ST AVE AND 59TH AVE	9,514,000	9,514,000	—
DESIGN TO WIDEN LANES ALONG SR 347 BETWEEN I10 AND CITY OF MARICOPA	6,000,000	6,000,000	56,726
ENGINEERING AND DESIGN COSTS ASSOCIATED WITH IMPROVING SR 87 COOLIDGE	700,000	700,000	—
IMPROVE SR 90 FROM MOSON ROAD TO CAMPUS DRIVE	3,710,000	3,710,000	—
INTERSTATE 10 WIDENING	400,000,000	400,000,000	—
MARICOPA CITY - DESIGN AND CONSTRUCT IMPROVEMENTS TO SR 238 OR SR 347	10,300,000	10,300,000	—
REHABILITATE PAVEMENT ALONG U.S. ROUTE 191 BETWEEN MP163 AND MP173	22,152,000	22,152,000	137,281
REHABILITATE SR 90 PAVEMENT BETWEEN CAMPUS DRIVE AND BORDER PATROL IN HUACHUCA	39,200,000	39,200,000	152,169
REHABILITATE PAVEMENT ALONG U.S. ROUTE 60 BETWEEN L101 AND L202	38,482,000	38,482,000	20,624,260
REPAIR VEHICLE FUELING FACILITIES - TUSCON, ST.DAVID, WILLCOX, THREE POINT	3,026,900	3,026,900	—
STUDY AND DESIGN TI ON SR 74 AT LAKE PLEASANT PKWY	5,000,000	5,000,000	350,000
STUDY THE CONSTRUCTION OF AN EMERGENCY EVACUATION BRIDGE IN LAKE HAVASU CITY	200,000	200,000	200,000
REHAB PAVEMENT ALONG U.S. ROUTE 191 BETWEEN ARMORY RD AND E SAFFORD	16,330,000	16,330,000	113,260
STATE MATCH ADVANTAGE FOR RURAL TRANSPORTATION FUND APPROPRIATION	50,000,000	50,000,000	—
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND			
BUDGETARY EXPENDITURES	\$ 2,888,647,103	\$ 2,943,284,457	\$ 804,973,603

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, 2023

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, 2022 that affect available appropriations during fiscal year 2023. The final budget represents any appropriation bills passed during fiscal year 2023 for fiscal year 2023 plus the original budget. Appropriation bills passed after the end of fiscal year 2023 for fiscal year 2023 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	\$ 38,363,393	\$ 804,974
Differences – budget to GAAP:		
Increase (decrease) in unpaid incurred expenditures from fiscal year end 2022 to fiscal year end 2023.	(154,661)	214,339
Increase in unpaid payroll expenditures from fiscal year end 2022 to fiscal year end 2023. For budgetary reporting, final June 2022 payroll expenditures were charged to fiscal year 2023 budget and final June 2023 payroll expenditures were charged to fiscal year 2024 budget.	13,324	—
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	2,450,011	—
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.	1,122,459	—
Lease contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	48,937	—
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2023.	4,892,385	3,042,771
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,680,253)	(325,267)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 45,055,595	\$ 3,736,817

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

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, \$7.7 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 \$54.6 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, 2023

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 9,435 center lane miles (22,472 travel lane miles) of roads and 4,930 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 2023 and beyond was adopted by the Transportation Board on June 16, 2022.

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, 2023

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 2023, an overall rating of 3.51 was achieved, as shown in the following graph:

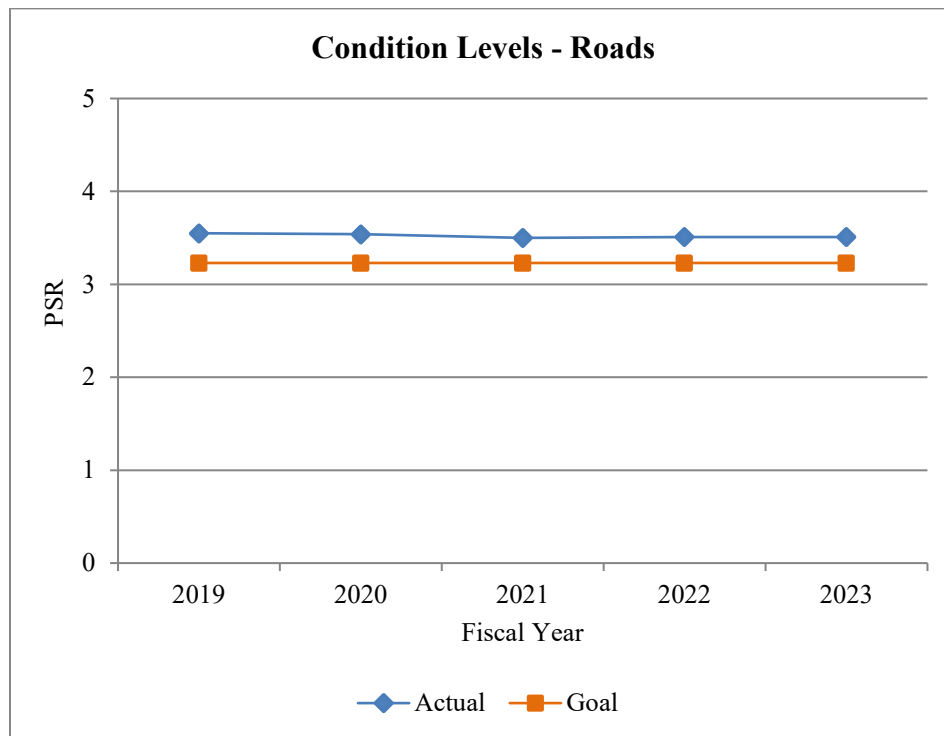


Figure 1

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2023

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 2019 through 2023 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2019	\$364.6	\$231.0
2020	\$509.0	\$294.0
2021	\$371.2	\$209.4
2022	\$845.8	\$374.4
2023	\$1,317.3	\$691.5

Bridges

The State's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2023, the State owned and maintained 4,930 bridges with an approximate total deck area of 46,576,316 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 2023, 0.6% of bridges maintained by the State were classified as Poor.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
JUNE 30, 2023

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.

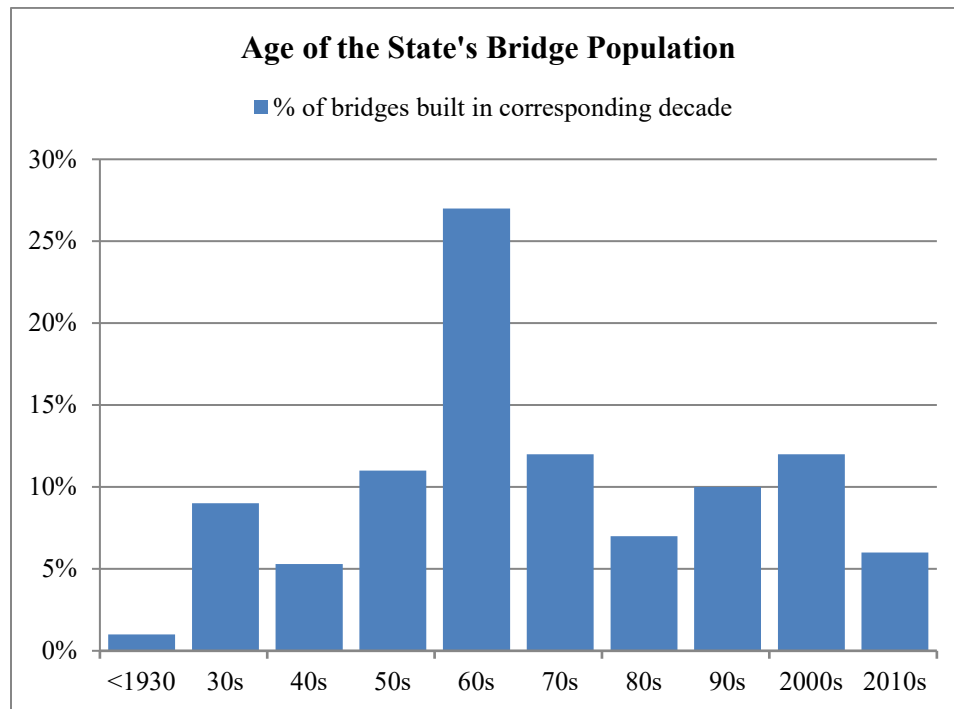


Figure 2

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 2019 through 2023 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2019	\$28.1	\$17.8
2020	\$20.1	\$11.6
2021	\$358.2	\$202.0
2022	\$228.3	\$101.1
2023	\$104.2	\$54.7

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 NINE FISCAL YEARS (1)
JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
State's proportion of the net pension liability	21.12%	21.38%	21.37%	21.75%	21.87%
State's proportionate share of the net pension liability	\$ 3,446,979	\$ 2,809,472	\$ 3,702,187	\$ 3,165,539	\$ 3,050,477
State's covered payroll	\$ 2,507,397	\$ 2,410,709	\$ 2,334,153	\$ 2,294,739	\$ 2,175,916
State's proportionate share of the net pension liability as a percentage of its covered payroll	137.47%	116.54%	158.61%	137.95%	140.19%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%

(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)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
21.89%	21.75%	21.67%	21.36%
\$ 3,410,699	\$ 3,510,533	\$ 3,375,283	\$ 3,160,809
\$ 2,087,717	\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
163.37%	172.15%	168.79%	163.01%
69.92%	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 NINE FISCAL YEARS (1)
JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
State's proportion of the net pension liability	28.16%	27.06%	22.35%	17.50%	15.09%
State's proportionate share of the net pension liability	\$ 190,102	\$ 164,660	\$ 152,263	\$ 114,603	\$ 130,335
State's covered payroll	\$ 18,735	\$ 17,727	\$ 15,849	\$ 12,445	\$ 12,256
State's proportionate share of the net pension liability as a percentage of its covered payroll	1,014.69%	928.87%	960.71%	920.88%	1,063.44%
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%	30.14%	30.36%

(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 NINE FISCAL YEARS (1)
JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
State's proportion of the net pension liability	6.37%	6.66%	6.74%	7.09%	14.12%
State's proportionate share of the net pension liability	\$ 43,036	\$ 40,544	\$ 45,490	\$ 47,006	\$ 78,268
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%	30.14%	30.36%

(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)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
18.61%	18.44%	18.67%	18.16%
\$ 226,750	\$ 174,204	\$ 145,898	\$ 121,797
\$ 10,895	\$ 12,794	\$ 12,987	\$ 12,604
2,081.23%	1,361.61%	1,123.42%	966.34%
19.66%	23.42%	28.32%	31.91%

Reporting Fiscal Year (measurement date)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
13.99%	13.96%	19.33%	19.20%
\$ 170,466	\$ 131,871	\$ 151,048	\$ 128,776
19.66%	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 NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Total pension liability					
Service cost	\$ 17,880	\$ 17,270	\$ 15,941	\$ 14,020	\$ 16,072
Interest on the total pension liability	96,565	94,730	89,951	87,353	86,027
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience in the measurement of the pension liability	57,259	(2,112)	40,453	7,041	(13,749)
Changes of assumptions or other inputs	13,710	—	—	21,318	—
Benefit payments, including refunds of employee contributions	(87,254)	(83,462)	(80,973)	(78,790)	(74,045)
Net change in total pension liability	98,160	26,426	65,372	50,942	14,305
Total pension liability - beginning	1,348,554	1,322,128	1,256,756	1,205,814	1,191,509
Total pension liability - ending (a)	<u>\$ 1,446,714</u>	<u>\$ 1,348,554</u>	<u>\$ 1,322,128</u>	<u>\$ 1,256,756</u>	<u>\$ 1,205,814</u>
Plan fiduciary net position					
Contributions - employer	\$ 516,247	\$ 580,872	\$ 78,341	\$ 66,551	\$ 52,147
Contributions - employee	8,967	7,618	7,870	6,534	7,271
Net investment income	(40,244)	111,018	4,862	19,878	24,371
Benefit payments, including refunds of employee contributions	(87,254)	(83,462)	(80,973)	(78,790)	(74,045)
Administrative expense	(727)	(528)	(397)	(346)	(370)
Other changes	(12)	(25)	(5,733)	(70)	785
Net change in plan fiduciary net position	396,977	615,493	3,970	13,757	10,159
Plan fiduciary net position - beginning	1,003,969	388,476	384,506	370,749	360,590
Plan fiduciary net position - ending (b)	<u>\$ 1,400,946</u>	<u>\$ 1,003,969</u>	<u>\$ 388,476</u>	<u>\$ 384,506</u>	<u>\$ 370,749</u>
State's net pension liability - ending (a) - (b)	<u>\$ 45,768</u>	<u>\$ 344,585</u>	<u>\$ 933,652</u>	<u>\$ 872,250</u>	<u>\$ 835,065</u>
Plan fiduciary net position as a percentage of the total pension liability	96.84%	74.45%	29.38%	30.60%	30.75%
Covered payroll	\$ 93,844	\$ 78,697	\$ 79,538	\$ 72,826	\$ 73,183
State's net pension liability as a percentage of covered payroll	48.77%	437.86%	1,173.84%	1,197.72%	1,141.06%

(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)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 18,914	\$ 14,131	\$ 13,258	\$ 13,111
79,711	78,000	77,421	66,664
10,719	27,674	—	23,768
17,144	(9,237)	(6,328)	(3,711)
49,120	35,783	—	107,172
(74,906)	(84,231)	(70,586)	(69,497)
100,702	62,120	13,765	137,507
1,090,807	1,028,687	1,014,922	877,415
<u>\$ 1,191,509</u>	<u>\$ 1,090,807</u>	<u>\$ 1,028,687</u>	<u>\$ 1,014,922</u>
\$ 61,001	\$ 52,115	\$ 36,889	\$ 31,458
8,899	9,334	7,857	7,587
38,483	1,963	12,867	46,223
(74,906)	(84,231)	(70,586)	(69,497)
(341)	(283)	(317)	(372)
(103)	545	150	393
33,033	(20,557)	(13,140)	15,792
327,557	348,114	361,254	345,462
<u>\$ 360,590</u>	<u>\$ 327,557</u>	<u>\$ 348,114</u>	<u>\$ 361,254</u>
<u>\$ 830,919</u>	<u>\$ 763,250</u>	<u>\$ 680,573</u>	<u>\$ 653,668</u>
30.26%	30.03%	33.84%	35.59%
\$ 78,246	\$ 68,573	\$ 66,707	\$ 63,334
1,061.93%	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 NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Total pension liability					
Service cost	\$ 34,793	\$ 39,018	\$ 43,918	\$ 49,392	\$ 51,918
Interest on the total pension liability	157,350	154,253	142,184	132,022	136,973
Changes of benefit terms	—	—	—	—	(102,231)
Differences between expected and actual experience in the measurement of the pension liability	11,938	(31,751)	92,179	46,513	(72,298)
Changes of assumptions or other inputs	23,073	—	—	47,333	—
Benefit payments, including refunds of employee contributions	(119,565)	(110,183)	(105,912)	(106,366)	(103,053)
Net change in total pension liability	107,589	51,337	172,369	168,894	(88,691)
Total pension liability - beginning	2,180,470	2,129,133	1,956,764	1,787,870	1,876,561
Total pension liability - ending (a)	<u>\$ 2,288,059</u>	<u>\$ 2,180,470</u>	<u>\$ 2,129,133</u>	<u>\$ 1,956,764</u>	<u>\$ 1,787,870</u>
Plan fiduciary net position					
Contributions - employer	\$ 567,957	\$ 599,307	\$ 85,686	\$ 86,153	\$ 66,030
Contributions - employee	20,016	21,271	23,530	24,672	27,055
Net investment income	(68,946)	286,349	27,261	52,159	63,503
Benefit payments, including refunds of employee contributions	(119,565)	(110,183)	(105,912)	(106,366)	(103,053)
Administrative expense	(1,267)	(1,318)	(1,055)	(932)	(961)
Other changes	(3,323)	(164)	(1,209)	(210)	232
Net change in plan fiduciary net position	394,872	795,262	28,301	55,476	52,806
Plan fiduciary net position - beginning	1,815,018	1,019,756	991,455	935,979	883,173
Plan fiduciary net position - ending (b)	<u>\$ 2,209,890</u>	<u>\$ 1,815,018</u>	<u>\$ 1,019,756</u>	<u>\$ 991,455</u>	<u>\$ 935,979</u>
State's net pension liability - ending (a) - (b)	<u>\$ 78,169</u>	<u>\$ 365,452</u>	<u>\$ 1,109,377</u>	<u>\$ 965,309</u>	<u>\$ 851,891</u>
Plan fiduciary net position as a percentage of the total pension liability	96.58%	83.24%	47.90%	50.67%	52.35%
Covered payroll	\$ 302,208	\$ 323,265	\$ 311,215	\$ 302,577	\$ 316,996
State's net pension liability as a percentage of covered payroll	25.87%	113.05%	356.47%	319.03%	268.74%

(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)			
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 51,631	\$ 47,529	\$ 47,131	\$ 48,061
113,227	111,087	108,123	92,486
239,128	2,464	—	21,354
(11,373)	(36,180)	(30,179)	(3,818)
46,154	58,949	—	125,557
(92,181)	(90,460)	(84,586)	(83,365)
346,586	93,389	40,489	200,275
1,529,975	1,436,586	1,396,097	1,195,822
<u>\$ 1,876,561</u>	<u>\$ 1,529,975</u>	<u>\$ 1,436,586</u>	<u>\$ 1,396,097</u>
\$ 62,909	\$ 60,984	\$ 43,105	\$ 40,166
28,539	27,824	27,734	27,722
94,033	4,831	28,414	96,216
(92,181)	(90,460)	(84,586)	(83,365)
(823)	(683)	(704)	(757)
(388)	(340)	(1,040)	(446)
92,089	2,156	12,923	79,536
791,084	788,928	776,005	696,469
<u>\$ 883,173</u>	<u>\$ 791,084</u>	<u>\$ 788,928</u>	<u>\$ 776,005</u>
<u>\$ 993,388</u>	<u>\$ 738,891</u>	<u>\$ 647,658</u>	<u>\$ 620,092</u>
47.06%	51.71%	54.92%	55.58%
\$ 335,694	\$ 330,538	\$ 327,798	\$ 326,819
295.92%	223.54%	197.58%	189.74%

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 337,834	\$ 300,755	\$ 280,537	\$ 267,061	\$ 256,422
State's contributions in relation to the statutorily required contribution	337,834	300,755	280,537	267,061	256,422
State's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
State's covered payroll	\$ 2,839,733	\$ 2,507,397	\$ 2,410,709	\$ 2,334,153	\$ 2,294,739
State's contributions as a percentage of covered payroll	11.90%	11.99%	11.64%	11.44%	11.17%

The Notes to Required Supplementary Information are an integral part of this schedule.

Fiscal Year				
2018	2017	2016	2015	2014
\$ 236,938	\$ 224,788	\$ 220,982	\$ 217,388	\$ 206,040
236,938	224,788	220,982	217,388	206,040
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 2,175,916	\$ 2,087,717	\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
10.89%	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 TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution (1)	\$ 13,349	\$ 12,878	\$ 12,249	\$ 10,413	\$ 8,261
State's contributions in relation to the statutorily required contribution (1,2)	28,720	12,878	12,249	10,413	8,261
State's contribution deficiency (excess)	<u>\$ (15,371)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 18,070	\$ 18,735	\$ 17,727	\$ 15,849	\$ 12,445
State's contributions as a percentage of covered payroll	158.94%	68.74%	69.10%	65.70%	66.38%

- (1) The State appropriated \$5.0 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.
- (2) As part of a one-time appropriation, the State contributed \$60.0 million in fiscal year 2023 to reduce the unfunded accrued liability. This amount is split between employer (\$15.4 million) and nonemployer (\$44.6 million) 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 TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution (1)	\$ 3,719	\$ 3,592	\$ 3,647	\$ 3,883	\$ 4,125
State's contributions in relation to the statutorily required contribution (1,2)	48,348	3,592	3,647	3,883	4,125
State's contribution deficiency (excess)	<u>\$ (44,629)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) The State appropriated \$5.0 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.
- (2) As part of a one-time appropriation, the State contributed \$60.0 million in fiscal year 2023 to reduce the unfunded accrued liability. This amount is split between employer (\$15.4 million) and nonemployer (\$44.6 million) 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				
2018	2017	2016	2015	2014
\$ 3,564	\$ 3,389	\$ 3,805	\$ 3,928	\$ 3,870
3,564	3,389	3,805	3,928	3,870
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 12,256	\$ 10,895	\$ 12,794	\$ 12,987	\$ 12,604
29.08%	31.11%	29.74%	30.25%	30.70%

Fiscal Year				
2018	2017	2016	2015	2014
\$ 4,115	\$ 4,171	\$ 4,078	\$ 4,066	\$ 4,092
4,115	4,171	4,078	4,066	4,092
\$ —	\$ —	\$ —	\$ —	\$ —

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE PENSION CONTRIBUTIONS
PSPRS DEPARTMENT OF PUBLIC SAFETY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contribution (1)	\$ 62,898	\$ 95,669	\$ 80,872	\$ 78,001	\$ 66,224
State's contributions in relation to the actuarially determined contribution (1,2,3)	62,898	516,229	580,872	78,001	66,224
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ (420,560)</u>	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll (1,4)	\$ 103,018	\$ 94,322	\$ 78,964	\$ 80,157	\$ 73,413
State's contributions as a percentage of covered payroll (4)	61.06%	547.30%	735.62%	97.31%	90.21%

- (1) 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.
- (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 \$420,560 in fiscal year 2022 to reduce the unfunded accrued liability.
- (4) The State's covered payroll amount and the State's contributions as a percentage of covered payroll for fiscal years 2018 through 2022 were restated in fiscal year 2023.

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 TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 61,844	\$ 93,322	\$ 99,307	\$ 85,616	\$ 85,872
State's contributions in relation to the actuarially determined contribution (1,2)	61,844	567,957	599,307	85,616	85,872
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ (474,635)</u>	<u>\$ (500,000)</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 329,131	\$ 302,208	\$ 323,265	\$ 311,215	\$ 302,577
State's contributions as a percentage of covered payroll	18.79%	187.94%	185.39%	27.51%	28.38%

- (1) As part of a one-time appropriation, the State contributed \$500,000 in fiscal year 2021 to reduce the unfunded accrued liability.
- (2) 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				
2018	2017, as restated	2016	2015	2014
\$ 63,709	\$ 61,001	\$ 52,115	\$ 36,889	\$ 31,458
63,709	61,001	52,115	36,889	31,458
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 73,274	\$ 78,246	\$ 68,573	\$ 66,707	\$ 63,334
86.95%	77.96%	76.00%	55.30%	49.67%

Fiscal Year				
2018	2017	2016	2015	2014
\$ 66,031	\$ 62,909	\$ 60,984	\$ 43,105	\$ 40,166
66,031	62,909	60,984	43,105	40,166
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 316,996	\$ 335,694	\$ 330,538	\$ 327,798	\$ 326,819
20.83%	18.74%	18.45%	13.15%	12.29%

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
JUNE 30, 2023

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 2021 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 members with initial membership date before July 1, 2017 (Tiers 1 & 2), 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 members with initial membership on or after July 1, 2017 (Tier 3): 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 2021 actuarial valuation, wage growth was decreased from 3.5% to 3.0% for PSPRS and from 3.0% to 2.5% for CORP. 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 2021 actuarial valuation, changed to PubS-2010 tables, with 75% of MP-2020 fully generational projection scales. 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

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES
JUNE 30, 2023

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 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.

In fiscal year 2023 (measurement date 2021), wage growth was decreased from 3.5% to 3.0% for PSPRS, from 3.0% to 2.5% for CORP, and from 2.5% to 2.0% 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 SIX FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Total OPEB liability					
Service cost	\$ 120,565	\$ 123,719	\$ 110,377	\$ 81,670	\$ 62,281
Interest on the total OPEB liability	25,077	41,284	42,795	36,500	32,074
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience in the measurement of the OPEB liability	—	(485,617)	—	36,896	—
Changes of assumptions or other inputs	(335,950)	(27,051)	181,214	268,793	(39,410)
Benefit payments	(24,577)	(31,551)	(28,707)	(28,100)	(26,183)
Net changes	(214,885)	(379,216)	305,679	395,759	28,762
Total OPEB liability - beginning	1,197,905	1,577,121	1,271,284	875,525	846,763
Total OPEB liability - ending (2)	<u>\$ 983,020</u>	<u>\$ 1,197,905</u>	<u>\$ 1,576,963</u>	<u>\$ 1,271,284</u>	<u>\$ 875,525</u>
Covered-employee payroll	\$ 3,833,235	\$ 3,725,279	\$ 3,668,137	\$ 3,571,920	\$ 3,270,734
Total OPEB liability as a percentage of covered-employee payroll	25.64%	32.16%	42.99%	35.59%	26.77%

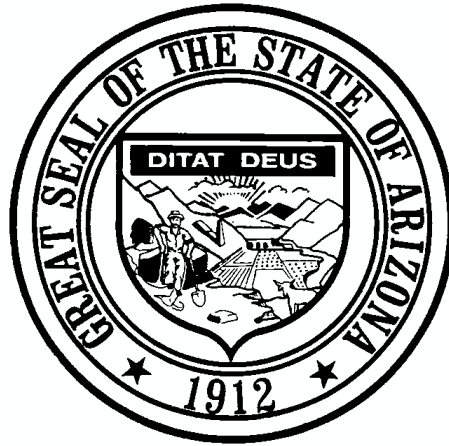
- (1) The State implemented GASB 75 in fiscal year 2018. Therefore, ten years of data is not available, but will be accumulated over time.
(2) There are no dedicated assets at this time to offset the total OPEB liability.

	2018
	(2017)

\$	87,252
	32,182
	(83,199)

	(30,663)
	(273,577)
	(28,848)
	(296,853)
	1,143,616
\$	846,763
\$	3,184,746

26.59%



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

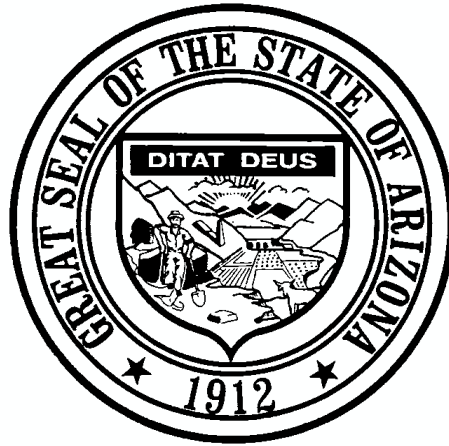
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	\$ 6,594	\$ —	\$ —	\$ 6,594
Cash and pooled investments with State Treasurer	1,671,092	12,400	—	1,683,492
Receivables, net of allowances:				
Taxes	124,957	—	—	124,957
Interest	4,416	—	—	4,416
Leases	362,073	—	—	362,073
Opioid settlement	425,353	—	—	425,353
Other	52,855	—	—	52,855
Due from U.S. Government	26,905	—	—	26,905
Due from others	577	—	—	577
Due from other funds	190,428	—	—	190,428
Custodial securities in safekeeping	128,286	—	—	128,286
Inventories, at cost	866	—	—	866
Restricted assets:				
Cash and pooled investments with State Treasurer	226,469	2,945	90	229,504
Cash held by trustee	—	67,841	—	67,841
Total Assets	<u>\$ 3,220,871</u>	<u>\$ 83,186</u>	<u>\$ 90</u>	<u>\$ 3,304,147</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 31,826	\$ —	\$ —	\$ 31,826
Accrued liabilities	65,617	—	—	65,617
Due to local governments	344,159	—	—	344,159
Due to others	144,828	—	—	144,828
Due to other funds	21,244	—	—	21,244
Unearned revenue	1,546	—	—	1,546
Total Liabilities	<u>609,220</u>	<u>—</u>	<u>—</u>	<u>609,220</u>
Deferred Inflows of Resources:				
Unavailable revenue	415,499	—	—	415,499
Related to leases	358,635	—	—	358,635
Related to public-private partnerships	1,770	—	—	1,770
Total Deferred Inflows of Resources	<u>775,904</u>	<u>—</u>	<u>—</u>	<u>775,904</u>
Fund Balances:				
Nonspendable	866	—	—	866
Restricted	610,525	83,186	90	693,801
Committed	1,224,356	—	—	1,224,356
Total Fund Balances	<u>1,835,747</u>	<u>83,186</u>	<u>90</u>	<u>1,919,023</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,220,871</u>	<u>\$ 83,186</u>	<u>\$ 90</u>	<u>\$ 3,304,147</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	\$ 1,081,122	\$ —	\$ —	\$ 1,081,122
Tobacco	203,807	—	—	203,807
Motor vehicle and fuel	67,656	—	—	67,656
Other	144,138	—	—	144,138
Intergovernmental	337,397	—	—	337,397
Licenses, fees, and permits	411,505	—	—	411,505
Hospital and nursing facility assessments	605,056	—	—	605,056
Earnings on investments	132,743	4,815	—	137,558
Interest revenues - leases	4,504	—	—	4,504
Amortization revenues - leases	7,352	—	—	7,352
Sales and charges for services	32,147	—	—	32,147
Fines, forfeitures, and penalties	205,691	—	—	205,691
Gaming	179,714	—	—	179,714
Other	42,103	5	—	42,108
Total Revenues	<u>3,454,935</u>	<u>4,820</u>	<u>—</u>	<u>3,459,755</u>
EXPENDITURES				
Current:				
General government	186,822	6,505	—	193,327
Health and welfare	1,223,172	—	—	1,223,172
Inspection and regulation	200,083	—	—	200,083
Education	1,461,469	—	—	1,461,469
Protection and safety	387,270	—	—	387,270
Transportation	—	—	3,481	3,481
Natural resources	314,044	1,162	—	315,206
Intergovernmental revenue sharing	11,888	—	—	11,888
Debt service:				
Principal	2,089	341,540	—	343,629
Interest and other fiscal charges	125	69,645	—	69,770
Capital outlay	50,969	—	—	50,969
Total Expenditures	<u>3,837,931</u>	<u>418,852</u>	<u>3,481</u>	<u>4,260,264</u>
Deficiency of Revenues Over Expenditures	<u>(382,996)</u>	<u>(414,032)</u>	<u>(3,481)</u>	<u>(800,509)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	523,999	329,676	—	853,675
Transfers out	(171,118)	—	—	(171,118)
Total Other Financing Sources (Uses)	<u>352,881</u>	<u>329,676</u>	<u>—</u>	<u>682,557</u>
Net Change in Fund Balances	<u>(30,115)</u>	<u>(84,356)</u>	<u>(3,481)</u>	<u>(117,952)</u>
Fund Balances - Beginning, as restated	1,865,862	167,542	3,571	2,036,975
Fund Balances - Ending	<u>\$ 1,835,747</u>	<u>\$ 83,186</u>	<u>\$ 90</u>	<u>\$ 1,919,023</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, 2023
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	\$ 5,517	\$ —	\$ 1,033	\$ —	\$ —	\$ 14
Cash and pooled investments with State Treasurer	217,606	85,899	221,072	23,101	226,127	316,038
Receivables, net of allowances:						
Taxes	5,390	246	8,198	12,459	—	—
Interest	—	—	—	—	—	—
Leases	—	—	—	—	—	—
Opioid settlement	—	—	—	—	425,353	—
Other	1	1,220	21,019	—	17	6,217
Due from U.S. Government	—	—	26,905	—	—	—
Due from others	—	—	—	577	—	—
Due from other funds	4,996	8,344	1,510	57,902	1,248	746
Custodial securities in safekeeping	—	128,286	—	—	—	—
Inventories, at cost	866	—	—	—	—	—
Restricted assets:						
Cash and pooled investments with State Treasurer	—	—	1,071	225,398	—	—
Total Assets	<u>\$ 234,376</u>	<u>\$ 223,995</u>	<u>\$ 280,808</u>	<u>\$ 319,437</u>	<u>\$ 652,745</u>	<u>\$ 323,015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 11,694	\$ 4,390	\$ 5,285	\$ 464	\$ 540	\$ 5,531
Accrued liabilities	4,439	675	55,652	329	756	2,357
Due to local governments	2,389	3,154	2,824	1,375	829	—
Due to others	—	128,286	1,032	15,220	—	290
Due to other funds	—	—	13,443	7,696	—	5
Unearned revenue	—	—	—	—	—	703
Total Liabilities	<u>18,522</u>	<u>136,505</u>	<u>78,236</u>	<u>25,084</u>	<u>2,125</u>	<u>8,886</u>
Deferred Inflows of Resources:						
Unavailable revenue	—	—	393	—	415,106	—
Related to leases	—	—	—	—	—	—
Related to public-private partnerships	—	—	—	—	—	—
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>393</u>	<u>—</u>	<u>415,106</u>	<u>—</u>
Fund Balances:						
Nonspendable	866	—	—	—	—	—
Restricted	19,120	—	45,994	294,353	2,918	14,712
Committed	195,868	87,490	156,185	—	232,596	299,417
Total Fund Balances	<u>215,854</u>	<u>87,490</u>	<u>202,179</u>	<u>294,353</u>	<u>235,514</u>	<u>314,129</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 234,376</u>	<u>\$ 223,995</u>	<u>\$ 280,808</u>	<u>\$ 319,437</u>	<u>\$ 652,745</u>	<u>\$ 323,015</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,594
84,903	35,720	135,340	276,497	21,853	26,936	1,671,092
—	—	—	98,664	—	—	124,957
—	—	—	4,416	—	—	4,416
—	—	—	362,073	—	—	362,073
—	—	—	—	—	—	425,353
3,100	—	—	21,279	—	2	52,855
—	—	—	—	—	—	26,905
—	—	—	—	—	—	577
2,454	1,004	404	111,820	—	—	190,428
—	—	—	—	—	—	128,286
—	—	—	—	—	—	866
—	—	—	—	—	—	226,469
<u>\$ 90,487</u>	<u>\$ 36,724</u>	<u>\$ 135,744</u>	<u>\$ 874,749</u>	<u>\$ 21,853</u>	<u>\$ 26,938</u>	<u>\$ 3,220,871</u>

\$ 380	\$ 334	\$ 2,965	\$ 107	\$ 136	\$ —	\$ 31,826
1,022	128	123	77	42	17	65,617
—	291	4,305	328,992	—	—	344,159
—	—	—	—	—	—	144,828
—	100	—	—	—	—	21,244
843	—	—	—	—	—	1,546
<u>2,245</u>	<u>853</u>	<u>7,393</u>	<u>329,176</u>	<u>178</u>	<u>17</u>	<u>609,220</u>
—	—	—	—	—	—	415,499
—	—	—	358,635	—	—	358,635
1,770	—	—	—	—	—	1,770
<u>1,770</u>	<u>—</u>	<u>—</u>	<u>358,635</u>	<u>—</u>	<u>—</u>	<u>775,904</u>
—	—	—	—	—	—	866
19,569	—	—	186,938	—	26,921	610,525
66,903	35,871	128,351	—	21,675	—	1,224,356
<u>86,472</u>	<u>35,871</u>	<u>128,351</u>	<u>186,938</u>	<u>21,675</u>	<u>26,921</u>	<u>1,835,747</u>
<u>\$ 90,487</u>	<u>\$ 36,724</u>	<u>\$ 135,744</u>	<u>\$ 874,749</u>	<u>\$ 21,853</u>	<u>\$ 26,938</u>	<u>\$ 3,220,871</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, 2023
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	\$ 19,829	\$ 575	\$ 2,550	\$ —	\$ —	\$ —
Tobacco	5,002	—	6,395	192,410	—	—
Motor vehicle and fuel	12,617	40,071	3,222	—	—	—
Other	73,677	1,800	—	—	—	68,661
Intergovernmental	38,521	138	245,417	4,153	1,543	80
Licenses, fees, and permits	31,040	76,293	23,940	—	27,800	174,352
Hospital and nursing facility assessments	—	—	605,056	—	—	—
Earnings on investments	1,148	1,847	1,055	7,811	1,349	2,860
Interest revenues - leases	—	—	—	—	—	—
Amortization revenues - leases	—	—	—	—	—	—
Sales and charges for services	13,237	—	5	—	1,077	2,795
Fines, forfeitures, and penalties	51,153	407	5,562	—	139,086	3,195
Gaming	—	—	38,592	—	—	52,446
Other	13,037	223	5,964	96	376	1,171
Total Revenues	<u>259,261</u>	<u>121,354</u>	<u>937,758</u>	<u>204,470</u>	<u>171,231</u>	<u>305,560</u>
EXPENDITURES						
Current:						
General government	37,644	915	5,709	644	87,865	6,233
Health and welfare	2,986	117,394	992,971	87,245	—	22,576
Inspection and regulation	1,206	1,603	—	—	89	197,183
Education	—	—	—	201,273	—	—
Protection and safety	387,270	—	—	—	—	—
Natural resources	43,117	383	—	—	—	—
Intergovernmental revenue sharing	—	11,888	—	—	—	—
Debt service:						
Principal	1,164	—	149	547	—	158
Interest and other fiscal charges	91	—	4	15	—	8
Capital outlay	37,608	982	121	—	373	1,601
Total Expenditures	<u>511,086</u>	<u>133,165</u>	<u>998,954</u>	<u>289,724</u>	<u>88,327</u>	<u>227,759</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(251,825)</u>	<u>(11,811)</u>	<u>(61,196)</u>	<u>(85,254)</u>	<u>82,904</u>	<u>77,801</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	291,635	21,733	33,322	65,272	13,350	15,986
Transfers out	(50,875)	(1,567)	(19,188)	(731)	(6,719)	(69,174)
Total Other Financing Sources (Uses)	<u>240,760</u>	<u>20,166</u>	<u>14,134</u>	<u>64,541</u>	<u>6,631</u>	<u>(53,188)</u>
Net Change in Fund Balances	<u>(11,065)</u>	<u>8,355</u>	<u>(47,062)</u>	<u>(20,713)</u>	<u>89,535</u>	<u>24,613</u>
Fund Balances - Beginning, as restated	<u>226,919</u>	<u>79,135</u>	<u>249,241</u>	<u>315,066</u>	<u>145,979</u>	<u>289,516</u>
Fund Balances - Ending	<u>\$ 215,854</u>	<u>\$ 87,490</u>	<u>\$ 202,179</u>	<u>\$ 294,353</u>	<u>\$ 235,514</u>	<u>\$ 314,129</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ —	\$ —	\$ —	\$ 1,058,168	\$ —	\$ —	\$ 1,081,122
—	—	—	—	—	—	203,807
1,064	10,325	—	357	—	—	67,656
—	—	—	—	—	—	144,138
43,658	—	2,807	1,080	—	—	337,397
52,648	2,208	14,519	3,581	5,124	—	411,505
—	—	—	—	—	—	605,056
1,862	598	1,161	109,854	3,198	—	132,743
—	—	—	4,504	—	—	4,504
—	—	—	7,352	—	—	7,352
3,554	—	131	11,347	1	—	32,147
201	—	103	—	—	5,984	205,691
11,027	—	—	77,649	—	—	179,714
3,171	101	11,405	1,927	4,593	39	42,103
117,185	13,232	30,126	1,275,819	12,916	6,023	3,454,935
—	—	40,546	847	—	6,419	186,822
—	—	—	—	—	—	1,223,172
—	—	2	—	—	—	200,083
—	—	—	1,260,196	—	—	1,461,469
—	—	—	—	—	—	387,270
99,292	9,941	—	—	161,311	—	314,044
—	—	—	—	—	—	11,888
71	—	—	—	—	—	2,089
7	—	—	—	—	—	125
10,268	16	—	—	—	—	50,969
109,638	9,957	40,548	1,261,043	161,311	6,419	3,837,931
7,547	3,275	(10,422)	14,776	(148,395)	(396)	(382,996)
9,999	4,341	61,284	5,687	1,390	—	523,999
(11,452)	(612)	(229)	(172)	(10,301)	(98)	(171,118)
(1,453)	3,729	61,055	5,515	(8,911)	(98)	352,881
6,094	7,004	50,633	20,291	(157,306)	(494)	(30,115)
80,378	28,867	77,718	166,647	178,981	27,415	1,865,862
\$ 86,472	\$ 35,871	\$ 128,351	\$ 186,938	\$ 21,675	\$ 26,921	\$ 1,835,747

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	\$ 76,300	\$ 76,300
OPERATING LUMP SUM APPROPRIATION	2,236,600	1,796,715
ACUPUNCTURE BOARD OF EXAMINERS		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	269	269
LUMP SUM E-LICENSING SYSTEM UPGRADES	2,901	2,901
OPERATING LUMP SUM APPROPRIATION	193,899	190,613
RELIEF	1,155	1,155
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	77,629	77,629
OPERATING LUMP SUM APPROPRIATION	1,562,600	935,393
AGRICULTURE, ARIZONA DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	20,618	20,618
OPERATING LUMP SUM APPROPRIATION	1,597,800	1,586,285
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
ACA ADULT EXPANSION	101,085,450	88,005,776
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	172,818	172,818
ALTCS SERVICES	124,652,600	119,052,815
CRISIS SERVICES	2,250,200	2,250,200
OPERATING LUMP SUM APPROPRIATION	217,300	51,223
PROPOSITION 204 SERVICES	571,812,650	553,777,840
TRADITIONAL MEDICAID SERVICES	67,179,700	60,601,043
ATHLETIC TRAINING, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	136	136
LUMP SUM E-LICENSING SYSTEM UPGRADES	9,700	4,648
OPERATING LUMP SUM APPROPRIATION	147,600	131,672
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMIN ADJUSTMENT CRIMINAL DIVISION MAJOR FRAUD UNIT	14,862	14,862
ADMIN ADJUSTMENT CRIMINAL DIVISION OPERATING	36,655	36,655
ADMIN ADJUSTMENT FEDERALISM UNIT	24,275	24,275
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	191,074	191,074
ADMIN ADJUSTMENT RETAIL THEFT TASK FORCE	21,949	21,949
ADMIN ADJUSTMENT SOUTHERN ARIZONA DRUG ENFORCEMENT	6,218	6,218
ADMIN ADJUSTMENT TOBACCO ENFORCEMENT	74	74
ADMIN ADJUSTMENT VICTIMS' RIGHTS	3,940	3,940
ADMIN ADJUSTMENT VOTER FRAUD UNIT	11,324	11,324
CHILD AND FAMILY ADVOCACY CENTERS	500,000	500,000
COLORADO CITY RADIO DISPATCH SYSTEM	400,000	400,000
CRIMINAL DIVISION MAJOR FRAUD UNIT	1,194,000	536,162
CRIMINAL DIVISION OPERATING	2,350,000	2,285,257
EXPERT WITNESS AND OUTSIDE COUNSEL	2,000,000	275,477
FEDERALISM UNIT	1,318,700	1,062,275
GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	1,334,200	607,576
OPERATING LUMP SUM APPROPRIATION	15,482,400	12,649,560
OPIOID ABATEMENT	5,000,000	5,000,000
PAD NATIONAL MORTGAGE SETTLEMENT	13,629,254	979,773
RETAIL THEFT TASK FORCE	1,570,700	776,086
SOUTHERN ARIZONA DRUG ENFORCEMENT	338,300	267,023
STIPEND/RETENTION BONUS	3,000,000	3,000,000
TECHNOLOGY COMPANY ANTITRUST	297,697	(106,406)
TOBACCO ENFORCEMENT	783,700	103
VICTIMS RIGHTS	3,812,700	1,945,176
VICTIMS RIGHTS FUND CPRF	1,400,000	1,400,000
VOTER FRAUD UNIT	563,200	468,007

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BARBERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,297	3,297
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,508	6,508
LUMP SUM E-LICENSING SYSTEM UPGRADES	52,000	—
OPERATING LUMP SUM APPROPRIATION	2,127,700	2,117,127
CHILD SAFETY, DEPARTMENT OF		
ADMIN ADJUSTMENT DCS - CASEWORKERS	35,209	35,209
ADMIN ADJUSTMENT DCS IN-HOME MITIGATION	952,639	952,639
DCS - CASEWORKERS	208,000	—
DCS IN-HOME MITIGATION	1,459,300	586,197
DCS OPERATING LUMP SUM	1,020,800	643,596
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	20,989	20,989
LUMP SUM E-LICENSING SYSTEM UPGRADES	11,100	—
OPERATING LUMP SUM APPROPRIATION	477,600	470,074
CONTRACTORS, REGISTRAR OF		
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	435,786
OPERATING LUMP SUM APPROPRIATION	12,737,000	10,790,075
CORPORATION COMMISSION		
ADMIN ADJUSTMENT CORPORATION FILINGS, SAME DAY SERVICE	232	232
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,314,964	2,314,964
ANNUAL REVERSION	22,677,497	22,677,497
CORPORATION FILINGS, SAME DAY SERVICE	415,000	365,441
FY 2023 SALARY INCREASE	1,970,100	—
INVESTIGATE-PROSECUTE SECURITIES FRAUD	542	—
OPERATING LUMP SUM APPROPRIATION	27,454,400	26,622,751
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	1,893,650	635,308
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
ADMIN ADJUSTMENT COMMUNITY CORRECTIONS	1,564	1,564
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	1,985,226	1,985,226
ADMIN ADJUSTMENT LEWIS/YUMA LOCKS, HVAC, FIRE PROJECT	15,117	15,117
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,385,812	2,385,812
CASH TRANSFER TO BUILDING RENEWAL FUND	2,500,000	2,500,000
COMMUNITY CORRECTIONS	305,500	17,027
FIRE AND LIFE SAFETY UPGRADES	11,456,923	3,746,297
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	7,741,386
ONETIME VEHICLE PURCHASE	1,560,000	1,513,045
OPERATING LUMP SUM APPROPRIATION	9,735,600	6,850,510
PRIVATE PRISON PER DIEM	27,311,500	27,311,500
SUBSTANCE ABUSE TREATMENT	655,300	350,618
COSMETOLOGY, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	23,902	23,902
ANNUAL LEAVE PAYOUT	38,327	15,342
LUMP SUM E-LICENSING SYSTEM UPGRADES	307,885	307,885
OPERATING LUMP SUM APPROPRIATION	2,556,915	2,533,329
CRIMINAL JUSTICE COMMISSION, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	55,018	55,018
CRIMINAL HISTORY REPOSITORY UPGRADE	949,018	111,301
OPERATING LUMP SUM APPROPRIATION	1,382,100	1,308,243
STATE AID TO COUNTY ATTORNEYS	973,700	648,249
STATE AID TO INDIGENT DEFENSE	700,000	700,000
VICTIM COMPENSATION - ASSISTANCE	4,224,600	619,637

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	126,911	126,911
ADMIN ADJUSTMENT SUPPORT SERVICES FOR THE DEAF-BLIND	11,294	11,294
AGING INDIVIDUALS RESEARCH	115,000	93,900
AMERICAN SIGN LANGUAGE USER SUPPORT	15,000	12,840
INTERPRETER CERT AND LICENSURE	248,992	—
OPERATING LUMP SUM APPROPRIATION	4,644,000	3,384,518
SUPPORT SERVICES FOR THE DEAF-BLIND	192,000	149,347
DENTAL EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	37,291	37,291
LUMP SUM E-LICENSING SYSTEM UPGRADES	52,300	—
OPERATING LUMP SUM APPROPRIATION	1,885,200	1,857,940
ECONOMIC SECURITY, DEPARTMENT OF		
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	1,162	1,162
ADMIN ADJUSTMENT DDD COST EFFECTIVENESS STUDY	1,220,000	1,220,000
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	1,280,720	1,280,720
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	501,893	501,893
ADMIN ADJUSTMENT REHABILITATION SERVICES	357,634	357,634
ATTORNEY GENERAL LEGAL SERVICES	98,400	1,113
DDD COST EFFECTIVENESS STUDY	1,220,000	—
DES OPERATING LUMP SUM	3,154,400	2,262,098
DOMESTIC VIOLENCE PREVENTION	4,100,300	2,532,818
HOME AND COMMUNITY BASED SERVICES - TITLE XIX	21,748,300	—
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	1,068,531
JOBS	1,110,900	—
PHYSICAL AND BEHAVIORAL HEALTH SERVICES - MEDICAID	32,622,200	—
REHABILITATION SERVICES	654,700	323,270
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY - SCHOOL SAFETY - PROP 301	23,400,000	15,600,000
ACHIEVEMENT TESTING - PROP 301	18,994,756	13,129,406
ADDITIONAL SCHOOL DAYS - PROP 301	165,337,166	165,337,166
CHARACTER EDUCATION - PROP 301	435,627	167,786
FAILING SCHOOL TUTORING -PROP 301	5,737,147	302,304
OPERATING LUMP SUM APPROPRIATION - ADMINISTRATION	152,900	115,583
TEACHER CERTIFICATION	2,375,000	1,576,817
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	535,573	535,573
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	25,549,500	22,947,950
OPERATING LUMP SUM APPROPRIATION	43,543,200	31,931,228
SAFE DRINKING WATER PROGRAM	1,998,500	1,350,941
SWEEPS	82,659	82,659
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	13,294	13,294
LUMP SUM E-LICENSING SYSTEM UPGRADES	18,000	—
OPERATING LUMP SUM APPROPRIATION	476,800	444,756
GAME AND FISH DEPARTMENT, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	246,373	246,373
BUILDING RENEWAL	1,630,529	1,261,964
DAM MAINTENANCE	150,051	99,087
HATCHERY CAPITAL RENEWAL	2,407,581	2,279,791
HATCHERY MAINTENANCE CIP FUND	2,106	—
OPERATING LUMP SUM APPROPRIATION	48,929,000	47,110,120
PITTMAN-ROBERTSON-DINGELL-JOHNSON ACT	3,058,000	3,058,000
PROPERTY MAINTENANCE	390,679	364,263

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SWEEPS	17,188	17,188
GAMING, DEPARTMENT OF		
ADDITIONAL OPERATING EXPENSES	3,761,900	568,531
ADMIN ADJUSTMENT CASINO OPERATION CERTIFICATION	6,792	6,792
ADMIN ADJUSTMENT DIVISION OF RACING - LUMP SUM	25,802	25,802
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	80,069	80,069
ADMIN ADJUSTMENT PROBLEM GAMBLING	8,793	8,793
ANNUAL REVERSION FANTASY SPORTS CONTEST FUND	56,837	56,837
ARIZONA BREEDERS AWARD	250,000	250,000
CASINO OPERATION CERTIFICATION	2,308,700	1,322,689
DIVISION OF RACING - LUMP SUM	2,431,200	1,820,242
OPERATING LUMP SUM APPROPRIATION	9,978,200	9,248,394
PROBLEM GAMBLING	3,320,000	2,309,560
HEALTH SERVICES, DEPARTMENT OF		
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	316,961	316,961
ADMIN ADJUSTMENT FOLIC ACID	29,260	29,260
ADMIN ADJUSTMENT NEWBORN SCREENING PROGRAM	1,172,154	1,172,154
ADMIN ADJUSTMENT RADIATION REGULATION	22,213	22,213
ADMIN ADJUSTMENT RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	75,000	75,000
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	26,659,900	24,077,044
FOLIC ACID	400,000	210,544
FUNERAL SERVICES REGULATION	870,000	—
HOMELESS PREGNANT WOMEN SERVICES	200,000	149,670
NEWBORN SCREENING PROGRAM	12,388,500	8,445,311
NURSING CARE SPECIAL PROJECTS	200,000	14
RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	300,000	225,000
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	448	448
LUMP SUM E-LICENSING SYSTEM UPGRADES	387	387
OPERATING LUMP SUM APPROPRIATION	51,513	49,624
RELIEF	872	872
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	367,400	367,400
INDUSTRIAL COMMISSION OF ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	748,791	748,791
OPERATING LUMP SUM APPROPRIATION	21,976,700	21,335,439
RELIEF	1,100	1,100
INSURANCE, DEPARTMENT OF		
ADMIN ADJUSTMENT AUTOMOBILE THEFT AUTHORITY OPERATING BUDGET	364	364
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	4,820	4,820
ARIZONA VEHICLE THEFT TASK FORCE	4,452,600	4,452,600
AUTOMOBILE THEFT AUTHORITY OPERATING BUDGET	699,400	617,684
INFORMATION TECHNOLOGY UPGRADES	700,000	198,519
LOCAL GRANTS	957,700	940,340
OPERATING LUMP SUM APPROPRIATION	5,321,900	4,973,222
REIMBURSABLE PROGRAMS	50,000	—
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,879	2,879
OPERATING LUMP SUM APPROPRIATION	538,500	370,632
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	230,600	150,000
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, 2023
 (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	4,388	4,388
LUMP SUM E-LICENSING SYSTEM UPGRADES	60,300	46,415
OPERATING LUMP SUM APPROPRIATION	543,500	532,508
MEDICAL EXAMINERS BOARD		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	64,580	64,580
LUMP SUM E-LICENSING SYSTEM UPGRADES	173,600	—
MEDICAL BOARD LICENSURE COMPACT	50,000	—
OPERATING LUMP SUM APPROPRIATION	7,952,500	7,681,796
PERFORMANCE BASED INCENTIVE PROGRAM	165,600	147,689
RELIEF	23,087	23,087
MINE INSPECTOR, STATE		
ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION	714	714
AGGREGATE MINED LAND RECLAMATION	112,900	54,474
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
LUMP SUM E-LICENSING SYSTEM UPGRADES	5,200	5,200
OPERATING LUMP SUM APPROPRIATION	206,800	204,120
RELIEF	1,408	1,408
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA		
OPERATING LUMP SUM APPROPRIATION	200,000	25,673
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
LUMP SUM E-LICENSING SYSTEM UPGRADES	45,100	—
OPERATING LUMP SUM APPROPRIATION	582,300	576,389
RELIEF	2,753	2,753
NURSING, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	14,128	14,128
CERTIFIED NURSING PROGRAM	538,400	487,765
OPERATING LUMP SUM APPROPRIATION	5,346,600	5,319,302
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,057	3,057
LUMP SUM E-LICENSING SYSTEM UPGRADES	34,100	19,239
OPERATING LUMP SUM APPROPRIATION	232,300	211,816
OPTICIANS, STATE BOARD OF DISPENSING		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	543	543
LUMP SUM E-LICENSING SYSTEM UPGRADES	16,300	—
OPERATING LUMP SUM APPROPRIATION	176,800	163,604
OPTOMETRY, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	11,461	11,461
LUMP SUM E-LICENSING SYSTEM UPGRADES	7,500	—
OPERATING LUMP SUM APPROPRIATION	291,300	244,283
RELIEF	1,804	1,804
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	32,627	32,627
LUMP SUM E-LICENSING SYSTEM UPGRADES	17,800	—
OPERATING LUMP SUM APPROPRIATION	1,366,700	1,295,366
PARKS BOARD, ARIZONA STATE		
ARIZONA TRAIL	16,700	—
PHARMACY, ARIZONA STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	23,773	23,773
ADMIN ADJUSTMENT PRESCRIBER REPORT CARD	50,000	50,000
ARIZONA POISON AND DRUG INFORMATION CENTER	1,000,000	1,000,000

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CONTROLLED SUBSTANCE PRESCRIPTION MONITORING PROGRAM	500,000	500,000
LUMP SUM E-LICENSING SYSTEM UPGRADES	190,500	—
ONE TIME FUNDING LEAVE PAYOUT	26,685	—
OPERATING LUMP SUM APPROPRIATION	3,296,500	3,077,179
PRESCRIBER REPORT CARD	50,000	50,000
PHYSICAL THERAPY EXAMINERS, BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,526	6,526
LUMP SUM E-LICENSING SYSTEM UPGRADES	53,600	33,624
OPERATING LUMP SUM APPROPRIATION	577,300	479,096
PODIATRY EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	547	547
LUMP SUM E-LICENSING SYSTEM UPGRADES	1,884	1,884
OPERATING LUMP SUM APPROPRIATION	183,916	183,206
POSTSECONDARY EDUCATION, COMMISSION FOR		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	31,751	31,751
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,080	3,080
LUMP SUM E-LICENSING SYSTEM UPGRADES	4,500	—
OPERATING LUMP SUM APPROPRIATION	449,300	419,990
RELIEF	3,432	3,432
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	8,918	8,918
LUMP SUM E-LICENSING SYSTEM UPGRADES	18,000	—
OPERATING LUMP SUM APPROPRIATION	632,500	630,051
RELIEF	2,367	2,367
PUBLIC SAFETY, DEPARTMENT OF		
ADMIN ADJUSTMENT ONETIME ACTIVE SHOOTER EQUIPMENT	247,844	247,844
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	148,109	148,109
ADMIN ADJUSTMENT PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	1,719	1,719
ADMIN ADJUSTMENT PUBLIC SAFETY EQUIPMENT SURCHARGE	1,855,070	1,855,070
GIITEM	477,500	477,500
MICROWAVE COMMUNICATION SYSTEM UPGRADE	47,511,770	4,514,362
MOTOR VEHICLE FUEL	4,434,600	3,646,196
OPERATING LUMP SUM APPROPRIATION	73,554,700	66,944,690
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL MAINTENANCE	203,000	193,900
PEACE OFFICER TRAINING EQUIPMENT - VIRTUAL PURCHASE	215,299	66,873
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	658,100	507,271
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,890,000	1,288,059
WELLNESS AND TRAINING CENTER	302,061	302,061
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,925	6,925
OPERATING LUMP SUM APPROPRIATION	1,433,900	1,320,603
PROFESSIONAL WITNESSES	308,507	164,168
RESPIRATORY CARE EXAMINERS, BOARD OF		
LUMP SUM E-LICENSING SYSTEM UPGRADES	45,900	—
OPERATING LUMP SUM APPROPRIATION	360,900	359,244
REVENUE, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,058	3,058
OPERATING LUMP SUM APPROPRIATION	727,900	637,827
SUPREME COURT		
ADMIN ADJUSTMENT AUTOMATION	1,596,419	1,596,419
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	12,283	12,283
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	95,301	95,301
ADMIN ADJUSTMENT STATE AID	10,945	10,945

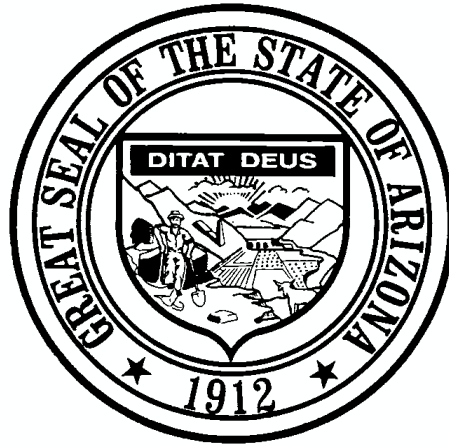
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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADULT INTENSIVE PROBATION	1,535,200	1,149,737
ADULT STANDARD PROBATION	3,774,100	3,413,160
AUTOMATION	13,841,400	5,764,622
CENTRALIZED SERVICE PAYMENTS	449,900	38,153
COMMUNITY PUNISHMENT	2,310,300	1,111,900
COURT APPOINTED SPECIAL ADVOCATE	5,033,100	4,978,462
COURTHOUSE SECURITY	750,000	749,894
FY 2023 SALARY INCREASE	39,200	—
INTERSTATE COMPACT	92,800	45,940
JUVENILE CRIME REDUCTION	3,313,100	2,344,974
JUVENILE STANDARD PROBATION	150,000	—
OPERATING LUMP SUM	349,400	60,642
OPERATING LUMP SUM APPROPRIATION	3,248,000	2,759,775
STATE AID	5,950,700	3,264,916
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	22,281	22,281
LUMP SUM E-LICENSING SYSTEM UPGRADES	167,700	145,657
OPERATING LUMP SUM APPROPRIATION	2,473,300	2,416,151
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	—
VETERANS' SERVICES, DEPARTMENT OF		
HYPERBARIC OXYGEN THERAPY	25,000	25,000
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	16,156	16,156
LUMP SUM E-LICENSING SYSTEM UPGRADES	24,600	21,273
OPERATING LUMP SUM APPROPRIATION	745,900	635,223
RELIEF	4,293	4,293
WATER RESOURCES, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	74,952	74,952
ASSURED - ADEQUATE WATER SUPPLY ADMIN	268,300	268,291
LOWER COLORADO RIVER LITIGATION EXPENSES	2,365,413	(336,007)
OPERATING LUMP SUM APPROPRIATION	1,249,400	384,617
SWEEPS	1,700,000	1,700,000
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES	<u>\$ 1,822,543,196</u>	<u>\$ 1,537,514,819</u>

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 LAND ENDOWMENTS FUND
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CORRECTIONS, REHABILITATION & REENTRY, STATE DEPARTMENT OF		
INMATE HEALTH CARE CONTRACTED SERVICES	\$ 1,500,000	\$ 1,500,000
OPERATING LUMP SUM APPROPRIATION	1,880,200	1,867,103
PRIVATE PRISON PER DIEM	2,062,500	2,062,500
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	124,503	124,503
ADMIN ADJUSTMENT PRESCHOOL OUTREACH PROGRAMS	92,407	92,407
ADMIN ADJUSTMENT TUCSON CAMPUS	106,700	106,700
PHOENIX DAY SCHOOL FOR THE DEAF	6,922,120	6,391,009
PRESCHOOL OUTREACH PROGRAMS	3,701,948	3,197,907
TUCSON CAMPUS	4,718,633	4,664,888
REPLACE TUCSON CLASSROOM NOTIFICATION SYSTEM	71,260	64,185
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	328,895,600	328,895,600
HEALTH SERVICES, DEPARTMENT OF		
ARIZONA STATE HOSPITAL - OPERATING	650,000	589,271
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	254,737	254,737
OPERATING LUMP SUM APPROPRIATION	4,125,400	3,485,667
LAND DEPARTMENT, STATE		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	117,234	117,234
OPERATING LUMP SUM APPROPRIATION	8,028,800	6,528,881
LEGISLATIVE COUNCIL		
REPAIR RESTORE AND RENOVATE HISTORIC CAPITOL BUILDING	86,671	86,671
PIONEERS' HOME, ARIZONA		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	47,435	47,435
OPERATING LUMP SUM APPROPRIATION	8,343,300	7,791,400
CAPITAL IMPROVEMENTS	749,600	245,200
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	\$ 372,479,048	\$ 368,113,298



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 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.

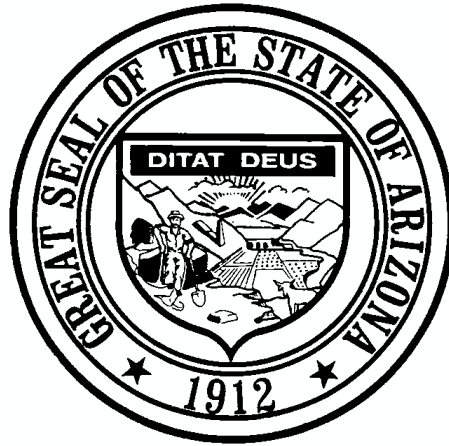
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds and certificates of participation issued by the State of Arizona's School Facilities Board (under the Department of Administration) and the retirement of previous issuances.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	DEPARTMENT OF GAME & FISH DEBT INSTRUMENT	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
ASSETS					
Cash and pooled investments with State Treasurer	\$ —	\$ —	\$ 3,000	\$ 9,400	\$ 12,400
Restricted assets:					
Cash and pooled investments with State Treasurer	—	832	2,113	—	2,945
Cash held by trustee	2,800	—	8,365	56,676	67,841
Total Assets	<u>\$ 2,800</u>	<u>\$ 832</u>	<u>\$ 13,478</u>	<u>\$ 66,076</u>	<u>\$ 83,186</u>
FUND BALANCES					
Fund Balances:					
Restricted	2,800	832	13,478	66,076	83,186
Total Fund Balances	<u>2,800</u>	<u>832</u>	<u>13,478</u>	<u>66,076</u>	<u>83,186</u>
Total Liabilities and Fund Balances	<u>\$ 2,800</u>	<u>\$ 832</u>	<u>\$ 13,478</u>	<u>\$ 66,076</u>	<u>\$ 83,186</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	DEPARTMENT OF GAME & FISH DEBT INSTRUMENT	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
REVENUES					
Earnings on investments	\$ 83	\$ 4,359	\$ 325	\$ 48	\$ 4,815
Other	—	—	5	—	5
Total Revenues	83	4,359	330	48	4,820
EXPENDITURES					
Current:					
General government	—	—	6,505	—	6,505
Natural resources	1,162	—	—	—	1,162
Debt service:					
Principal	885	245,500	95,155	—	341,540
Interest and other fiscal charges	541	65,232	3,872	—	69,645
Total Expenditures	2,588	310,732	105,532	—	418,852
Excess (Deficiency) of Revenues Over Expenditures	(2,505)	(306,373)	(105,202)	48	(414,032)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,371	306,969	15,307	5,029	329,676
Total Other Financing Sources (Uses)	2,371	306,969	15,307	5,029	329,676
Net Change in Fund Balances	(134)	596	(89,895)	5,077	(84,356)
Fund Balances - Beginning	2,934	236	103,373	60,999	167,542
Fund Balances - Ending	\$ 2,800	\$ 832	\$ 13,478	\$ 66,076	\$ 83,186



NON-MAJOR GOVERNMENTAL FUND CAPITAL PROJECTS FUND

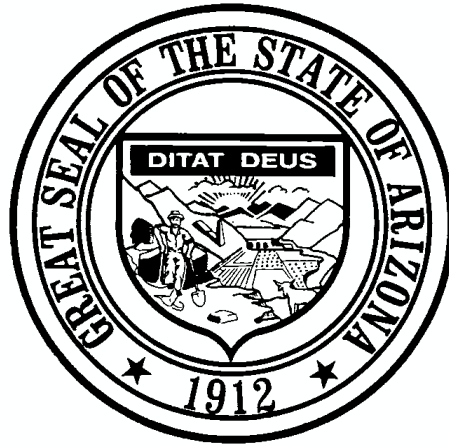
The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board. These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUND
JUNE 30, 2023
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
<hr/>	
ASSETS	
Restricted assets:	
Cash and pooled investments with State Treasurer	\$ 90
Total Assets	<u>\$ 90</u>
FUND BALANCES	
Fund Balances:	
Restricted	\$ 90
Total Fund Balances	<u>90</u>
Total Fund Balances	<u>\$ 90</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, 2023
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
EXPENDITURES	
Current:	
Transportation	3,481
Total Expenditures	3,481
(Deficiency) of Revenues	
Over Expenditures	(3,481)
Net Change in Fund Balances	(3,481)
Fund Balances - Beginning	3,571
Fund Balances - Ending	\$ 90



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

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund, the Highway Expansion & Extension Loan Program, the Museum Gift Shop Revolving Fund, the State Parks Store Fund, and the State Parks Revenue Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
ASSETS				
Current Assets:				
Cash	\$ —	\$ 1	\$ 60	\$ 11,458
Cash with U.S. Treasury	—	—	—	—
Cash and pooled investments with State Treasurer	201,659	21,598	17,308	1,462
Receivables, net of allowances:				
Taxes	—	—	—	—
Interest	—	—	—	1,038
Leases	—	—	—	—
Other	9,119	6,482	49	11,909
Inventories, at cost	10,461	10,170	—	—
Other current assets	—	139	—	—
Total Current Assets	<u>221,239</u>	<u>38,390</u>	<u>17,417</u>	<u>25,867</u>
Noncurrent Assets:				
Lease receivables	—	—	—	—
Investments	—	—	—	373,308
Net OPEB asset	—	265	76	—
Other noncurrent assets	10,118	—	—	—
Capital assets, net	<u>23,227</u>	<u>7,755</u>	<u>4,131</u>	<u>4,080</u>
Total Noncurrent Assets	<u>33,345</u>	<u>8,020</u>	<u>4,207</u>	<u>377,388</u>
Total Assets	<u>254,584</u>	<u>46,410</u>	<u>21,624</u>	<u>403,255</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	972	1,355	564	—
Related to OPEB	<u>589</u>	<u>863</u>	<u>242</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>1,561</u>	<u>2,218</u>	<u>806</u>	<u>—</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 7,659	\$ 2,290	\$ 446	\$ 402
Payable for securities purchased	—	—	—	38,170
Accrued liabilities	—	475	59	—
Due to U.S. Government	—	—	—	—
Due to others	86,038	—	—	—
Due to other funds	122,645	—	—	—
Unearned revenue	—	1,272	—	—
Current portion of accrued insurance losses	—	—	—	9,695
Current portion of net OPEB liability	41	77	8	—
Current portion of other long-term liabilities	<u>489</u>	<u>1,067</u>	<u>208</u>	<u>—</u>
Total Current Liabilities	<u>216,872</u>	<u>5,181</u>	<u>721</u>	<u>48,267</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	—	—	191,172
Net pension liability	6,041	7,562	2,226	—
Net OPEB liability	1,433	2,716	288	—
Other long-term liabilities	<u>1,376</u>	<u>467</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>8,850</u>	<u>10,745</u>	<u>2,514</u>	<u>191,172</u>
Total Liabilities	<u>225,722</u>	<u>15,926</u>	<u>3,235</u>	<u>239,439</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	444	245	386	—
Related to OPEB	<u>1,085</u>	<u>2,310</u>	<u>640</u>	<u>—</u>
Related to leases	—	—	—	—
Total Deferred Inflows of Resources	<u>1,529</u>	<u>2,555</u>	<u>1,026</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	21,791	6,952	4,131	4,080
Restricted for:				
Unemployment Compensation	—	—	—	—
Other	<u>8,052</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unrestricted (deficit)	<u>(949)</u>	<u>23,195</u>	<u>14,038</u>	<u>159,736</u>
Total Net Position	<u>\$ 28,894</u>	<u>\$ 30,147</u>	<u>\$ 18,169</u>	<u>\$ 163,816</u>

UNEMPLOYMENT COMPENSATION	OTHER	TOTAL
\$ 53,555	\$ 13	\$ 65,087
1,645,966	—	1,645,966
—	84,333	326,360
68,616	—	68,616
—	—	1,038
—	184	184
147,949	2,608	178,116
—	—	20,631
—	—	139
1,916,086	87,138	2,306,137
—	277	277
—	—	373,308
—	295	636
—	—	10,118
—	38,315	77,508
—	38,887	461,847
1,916,086	126,025	2,767,984
—	2,459	5,350
—	838	2,532
—	3,297	7,882
\$ —	\$ 1,848	\$ 12,645
—	—	38,170
145,232	669	146,435
140,653	—	140,653
11,536	—	97,574
446	—	123,091
26,031	—	27,303
—	—	9,695
—	75	201
—	1,250	3,014
323,898	3,842	598,781
—	—	191,172
—	8,475	24,304
—	2,671	7,108
—	—	1,843
—	11,146	224,427
323,898	14,988	823,208
—	469	1,544
—	2,192	6,227
—	428	428
—	3,089	8,199
—	38,315	75,269
1,592,188	—	1,592,188
—	—	8,052
—	72,930	268,950
\$ 1,592,188	\$ 111,245	\$ 1,944,459

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION**
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

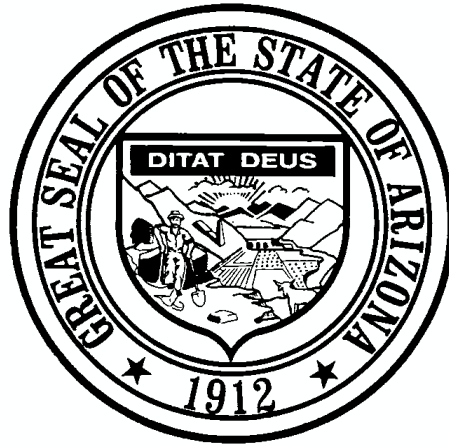
	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
OPERATING REVENUES				
Sales and charges for services	\$ 1,514,855	\$ 52,543	\$ 19,284	\$ —
Assessments	—	—	—	—
Intergovernmental	—	—	—	—
Fines, forfeitures, and penalties	—	—	—	—
Settlement income	—	—	—	834
Other	894	—	57	—
Total Operating Revenues	1,515,749	52,543	19,341	834
OPERATING EXPENSES				
Cost of sales and benefits	1,174,445	42,390	1,010	(3,653)
Personal services	7,056	5,218	5,630	—
Contractual services	15,378	—	164	—
Depreciation and amortization	4,731	1,656	587	251
Insurance	48	—	294	—
Other	3,718	—	6,497	—
Total Operating Expenses	1,205,376	49,264	14,182	(3,402)
Operating Income	310,373	3,279	5,159	4,236
NON-OPERATING REVENUES (EXPENSES)				
Gifts and donations	—	—	—	—
Loss on sale of capital assets	—	(1,350)	—	—
Investment income	434	122	(107)	32,665
Other non-operating revenue	—	—	—	2,746
Distributions	(14,914)	—	—	—
Interest expense	—	(12)	—	—
Other non-operating expense	—	—	—	(5,261)
Total Non-Operating Revenues (Expenses)	(14,480)	(1,240)	(107)	30,150
Income Before Transfers	295,893	2,039	5,052	34,386
Transfers in	—	—	3,470	—
Transfers out	(303,494)	(1,000)	(5,322)	(152)
Change in Net Position	(7,601)	1,039	3,200	34,234
Total Net Position - Beginning, as restated	36,495	29,108	14,969	129,582
Total Net Position - Ending	\$ 28,894	\$ 30,147	\$ 18,169	\$ 163,816

UNEMPLOYMENT COMPENSATION	OTHER	TOTAL
\$ —	\$ 48,118	\$ 1,634,800
377,944	—	377,944
136,507	2,017	138,524
2,379	—	2,379
—	—	834
—	1,833	2,784
516,830	51,968	2,157,265
368,501	832	1,583,525
—	17,150	35,054
—	13,403	28,945
—	3,329	10,554
—	388	730
39	14,666	24,920
368,540	49,768	1,683,728
148,290	2,200	473,537
—	90	90
—	(2)	(1,352)
26,745	805	60,664
—	38,274	41,020
—	(95)	(15,009)
—	—	(12)
(53)	—	(5,314)
26,692	39,072	80,087
174,982	41,272	553,624
—	283	3,753
(4,780)	(1,777)	(316,525)
170,202	39,778	240,852
1,421,986	71,467	1,703,607
\$ 1,592,188	\$ 111,245	\$ 1,944,459

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 642,518	\$ 55,322	\$ 19,254	\$ —
Receipts from assessments	—	—	—	—
Receipts from grants and contracts	—	—	—	—
Receipts from settlement income	—	—	—	833
Payments to suppliers, prize winners, claimants, or insurance companies	(298,197)	(20,101)	(7,984)	(14,149)
Payments to employees	(6,812)	(27,160)	(5,982)	—
Other receipts	—	—	57	2,746
Other payments	—	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>337,509</u>	<u>8,061</u>	<u>5,345</u>	<u>(10,570)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	—	—	3,470	—
Distributions	(14,914)	—	—	—
Transfers to other funds	(257,246)	(1,000)	(5,322)	(152)
Net Cash (Used) by Non-capital Financing Activities	<u>(272,160)</u>	<u>(1,000)</u>	<u>(1,852)</u>	<u>(152)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from capital grants and contributions	—	—	—	—
Acquisition and construction of capital assets	(13)	(4,367)	(178)	—
Interest paid on capital debt, leases, and subscriptions	(22)	(323)	—	—
Principal paid on capital debt, leases, and subscriptions	(57)	(12)	—	—
Net Cash (Used) by Capital and Related Financing Activities	<u>(92)</u>	<u>(4,702)</u>	<u>(178)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	—	—	—	471,041
Interest and dividends from investments	459	122	(107)	6,856
Purchase of investments	—	—	—	(477,984)
Net Cash Provided (Used) by Investing Activities	<u>459</u>	<u>122</u>	<u>(107)</u>	<u>(87)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	65,716	2,481	3,208	(10,809)
Cash and Cash Equivalents - Beginning, as restated	135,943	19,118	14,160	23,729
Cash and Cash Equivalents - Ending	<u>\$ 201,659</u>	<u>\$ 21,599</u>	<u>\$ 17,368</u>	<u>\$ 12,920</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 310,373	\$ 3,279	\$ 5,159	\$ 4,236
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	4,731	1,656	587	251
Miscellaneous income (expense)	—	—	—	(1,460)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	8,712	2,342	(30)	—
(Increase) in due from U.S. Government	—	—	—	—
Decrease in due from other funds	—	—	—	—
(Increase) in inventories, at cost	(2,148)	(589)	—	—
(Increase) decrease in other assets	(207)	94	—	—
(Increase) decrease in net OPEB asset	—	(36)	(15)	—
(Increase) decrease in deferred outflows of resources related to pensions	501	344	(135)	—
Decrease in deferred outflows of resources related to OPEB	131	103	62	—
Increase (decrease) in accounts payable	2,966	(685)	(19)	98
Increase in accrued liabilities	12,928	133	16	—
Increase in due to U.S. Government	—	—	—	—
Increase in due to others	—	—	—	—
Increase (decrease) in unearned revenue	—	1,115	—	—
(Decrease) in accrued insurance losses	—	—	—	(13,695)
Increase (decrease) in net pension liability	808	1,539	614	—
(Decrease) in net OPEB liability	(324)	(293)	(67)	—
Increase in other liabilities	—	77	31	—
(Decrease) in deferred inflows of resources related to pensions	(1,255)	(1,663)	(840)	—
Increase (decrease) in deferred inflows of resources related to OPEB	293	645	(18)	—
(Decrease) in deferred inflows of resources related to leases	—	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>\$ 337,509</u>	<u>\$ 8,061</u>	<u>\$ 5,345</u>	<u>\$ (10,570)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Increase in fair value of investments	\$ —	\$ —	\$ —	\$ 24,788
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,788</u>

UNEMPLOYMENT COMPENSATION	OTHER	TOTAL
\$ —	\$ 48,016	\$ 765,110
405,823	—	405,823
5,522	2,017	7,539
—	—	833
(242,262)	(30,106)	(612,799)
—	(29,599)	(69,553)
2,380	39,952	45,135
(39)	—	(39)
<u>171,424</u>	<u>30,280</u>	<u>542,049</u>
—	283	3,753
—	(95)	(15,009)
(6,061)	(1,777)	(271,558)
<u>(6,061)</u>	<u>(1,589)</u>	<u>(282,814)</u>
—	90	90
—	(2,584)	(7,142)
—	—	(345)
—	—	(69)
<u>—</u>	<u>(2,494)</u>	<u>(7,466)</u>
—	—	471,041
26,745	805	34,880
—	—	(477,984)
<u>26,745</u>	<u>805</u>	<u>27,937</u>
192,108	27,002	279,706
<u>1,507,413</u>	<u>57,344</u>	<u>1,757,707</u>
<u>\$ 1,699,521</u>	<u>\$ 84,346</u>	<u>\$ 2,037,413</u>
\$ 148,290	\$ 2,200	\$ 473,537
—	3,329	10,554
—	38,274	36,814
(23,851)	(102)	(12,929)
(3)	—	(3)
1	—	1
—	—	(2,737)
—	—	(113)
—	251	200
—	375	1,085
—	556	852
—	(817)	1,543
35,823	230	49,130
15,900	—	15,900
1,504	—	1,504
(6,240)	—	(5,125)
—	—	(13,695)
—	(5,914)	(2,953)
—	(2,475)	(3,159)
—	191	299
—	(5,097)	(8,855)
—	(566)	354
—	(155)	(155)
<u>\$ 171,424</u>	<u>\$ 30,280</u>	<u>\$ 542,049</u>
\$ —	\$ —	\$ 24,788
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,788</u>



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 prior fiscal year.

The Other Internal Service Funds consist of the Personnel Division Funds, the Information Technology Funds, the Special Services Fund, the Surplus Property Funds, the Legal Services Cost Allocation Fund, the Stimulus Statewide Administration Funds, the Cyber Risk Insurance Fund, and the Construction Insurance Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
ASSETS				
Current Assets:				
Cash and pooled investments with State Treasurer	\$ 124,790	\$ 17,820	\$ 130,263	\$ 1,493
Receivables, net of allowances:				
Other	40	2,161	28,108	—
Due from other funds	—	—	—	—
Inventories, at cost	—	3,501	—	—
Other current assets	2,997	—	13,536	8
Total Current Assets	127,827	23,482	171,907	1,501
Noncurrent Assets:				
Net OPEB asset	426	489	85	29
Capital assets, net	—	75,953	417	—
Total Noncurrent Assets	426	76,442	502	29
Total Assets	128,253	99,924	172,409	1,530
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	2,034	1,954	424	143
Related to OPEB	596	885	129	42
Total Deferred Outflows of Resources	2,630	2,839	553	185
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	2,980	1,928	41,866	162
Accrued liabilities	287	217	73	21
Due to U.S. Government	10,235	—	—	—
Due to other funds	—	—	—	94
Current portion of accrued insurance losses	73,820	—	106,896	—
Current portion of net OPEB liability	58	—	13	4
Current portion of other long-term liabilities	871	785	268	71
Total Current Liabilities	88,251	2,930	149,116	352
Noncurrent Liabilities:				
Accrued insurance losses	375,646	—	—	—
Net pension liability	12,470	12,220	2,553	771
Net OPEB liability	2,075	2,991	449	140
Other long-term liabilities	—	—	323	—
Total Noncurrent Liabilities	390,191	15,211	3,325	911
Total Liabilities	478,442	18,141	152,441	1,263
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	656	523	205	62
Related to OPEB	1,827	2,944	392	124
Total Deferred Inflows of Resources	2,483	3,467	597	186
NET POSITION				
Net investment in capital assets	—	75,953	119	—
Unrestricted (deficit)	(350,042)	5,202	19,805	266
Total Net Position	\$ (350,042)	\$ 81,155	\$ 19,924	\$ 266

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 4,059	\$ 12,689	\$ —	\$ 61,946	\$ 353,060
1,231	—	—	19	31,559
6,853	—	—	8	6,861
—	—	—	—	3,501
519	—	—	—	17,060
12,662	12,689	—	61,973	412,041
163	3	—	461	1,656
42,658	—	—	143	119,171
42,821	3	—	604	120,827
55,483	12,692	—	62,577	532,868
791	13	—	2,165	7,524
249	6	—	623	2,530
1,040	19	—	2,788	10,054
1,236	—	—	506	48,678
122	—	—	282	1,002
—	—	—	659	10,894
—	—	—	—	94
—	—	—	—	180,716
24	1	—	60	160
9,693	11,366	—	950	24,004
11,075	11,367	—	2,457	265,548
—	—	—	—	375,646
4,810	80	—	13,194	46,098
853	20	—	2,143	8,671
33,760	174,104	—	—	208,187
39,423	174,204	—	15,337	638,602
50,498	185,571	—	17,794	904,150
386	6	—	998	2,836
744	17	—	1,901	7,949
1,130	23	—	2,899	10,785
38	—	—	143	76,253
4,857	(172,883)	—	44,529	(448,266)
\$ 4,895	\$ (172,883)	\$ —	\$ 44,672	\$ (372,013)

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	\$ 112,120	\$ 56,390	\$ 1,026,065	\$ 1,168
Other	1	1,311	—	—
Total Operating Revenues	112,121	57,701	1,026,065	1,168
OPERATING EXPENSES				
Cost of sales and benefits	—	26,784	884,077	106
Personal services	14,537	15,729	40,641	1,065
Contractual services	26,891	2,860	2,318	313
Depreciation and amortization	1	14,423	60	—
Insurance	66,633	—	337	11
Other	2,990	1,749	948	—
Total Operating Expenses	111,052	61,545	928,381	1,495
Operating Income (Loss)	1,069	(3,844)	97,684	(327)
NON-OPERATING REVENUES (EXPENSES)				
Loss on sale of capital assets	—	(757)	(68)	—
Investment income	—	66	—	—
Gain on extinguishment of debt	—	—	—	—
Other non-operating expense	(9,817)	—	—	—
Total Non-Operating Revenues (Expenses)	(9,817)	(691)	(68)	—
Income (Loss) Before Special Items, Contributions, and Transfers	(8,748)	(4,535)	97,616	(327)
Capital grants and contributions	—	9,051	—	—
Transfers in	—	2,393	—	—
Transfers out	(27,318)	—	(100)	(16)
Change in Net Position	(36,066)	6,909	97,516	(343)
Total Net Position - Beginning	(313,976)	74,246	(77,592)	609
Total Net Position - Ending	\$ (350,042)	\$ 81,155	\$ 19,924	\$ 266

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 29,664	\$ 19,509	\$ —	\$ 44,467	\$ 1,289,383
62	—	—	3,644	5,018
29,726	19,509	—	48,111	1,294,401
7,956	5,366	—	—	924,289
6,254	87	—	16,867	95,180
1,742	1	—	6,215	40,340
9,411	—	—	108	24,003
74	—	—	410	67,465
2,600	—	—	13,002	21,289
28,037	5,454	—	36,602	1,172,566
1,689	14,055	—	11,509	121,835
—	—	(1,311)	(14)	(2,150)
—	—	—	—	66
2,142	—	—	—	2,142
—	—	—	(659)	(10,476)
2,142	—	(1,311)	(673)	(10,418)
3,831	14,055	(1,311)	10,836	111,417
—	—	—	—	9,051
347	—	—	24,636	27,376
(112)	—	—	(6,557)	(34,103)
4,066	14,055	(1,311)	28,915	113,741
829	(186,938)	1,311	15,757	(485,754)
\$ 4,895	\$ (172,883)	\$ —	\$ 44,672	\$ (372,013)

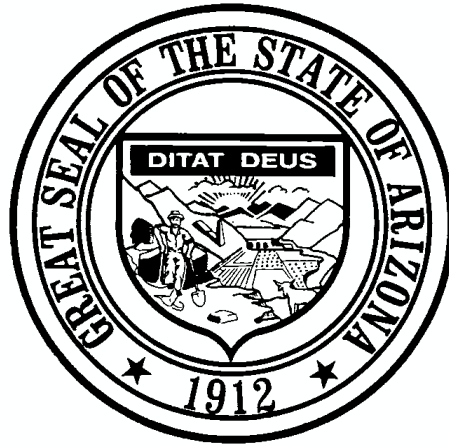
STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION VEHICLE AND EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	\$ 112,124	\$ 55,700	\$ 1,026,835	\$ 1,314
Payments to suppliers or insurance companies	(63,143)	(29,773)	(878,378)	(265)
Payments to employees	(14,086)	(15,584)	(40,749)	(1,085)
Payments to retirees	—	—	—	—
Other receipts	1	1,311	—	—
Other payments	(9,817)	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>25,079</u>	<u>11,654</u>	<u>107,708</u>	<u>(36)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	—	2,393	—	—
Transfers to other funds	(27,318)	—	(100)	(16)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(27,318)</u>	<u>2,393</u>	<u>(100)</u>	<u>(16)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	5	2,049	—	—
Acquisition and construction of capital assets	—	(13,440)	(30)	—
Interest paid on capital debt, leases, and subscriptions	—	—	(8)	—
Principal paid on capital debt, leases, and subscriptions	—	—	(47)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>5</u>	<u>(11,391)</u>	<u>(85)</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	—	66	—	—
Net Cash Provided by Investing Activities	<u>—</u>	<u>66</u>	<u>—</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,234)	2,722	107,523	(52)
Cash and Cash Equivalents - Beginning	127,024	15,098	22,740	1,545
Cash and Cash Equivalents - Ending	<u>\$ 124,790</u>	<u>\$ 17,820</u>	<u>\$ 130,263</u>	<u>\$ 1,493</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,069	\$ (3,844)	\$ 97,684	\$ (327)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	1	14,423	60	—
Miscellaneous income (expense)	(9,817)	—	8	—
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	4	(294)	784	146
(Increase) decrease in due from other funds	—	317	—	—
Decrease in inventories, at cost	—	11	—	—
(Increase) decrease in other assets	4,887	—	(1,619)	(8)
(Increase) decrease in net OPEB asset	(44)	(67)	1	(5)
Decrease in deferred pension outflows of resources	571	713	166	33
Decrease in deferred OPEB outflows of resources	105	192	32	12
Increase (decrease) in accounts payable	(2,041)	1,541	12,663	79
Increase in accrued liabilities	111	36	73	21
Increase (decrease) in due to U.S. Government	9,267	—	—	—
Increase (decrease) in due to other funds	—	(712)	(9)	94
Increase (decrease) in accrued insurance losses	21,258	—	(1,755)	—
Increase in net pension liability	2,229	2,257	175	69
(Decrease) in net OPEB liability	(295)	(607)	(106)	(47)
Increase (decrease) in other liabilities	168	8	32	40
(Decrease) in deferred pension inflows of resources	(2,832)	(2,742)	(552)	(162)
Increase in deferred OPEB inflows of resources	438	422	71	19
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,079</u>	<u>\$ 11,654</u>	<u>\$ 107,708</u>	<u>\$ (36)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other funds	\$ —	\$ 9,051	\$ —	\$ —
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ 9,051</u>	<u>\$ —</u>	<u>\$ —</u>

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 24,393	\$ 19,509	\$ —	\$ 44,497	\$ 1,284,372
(13,830)	(1)	—	(18,988)	(1,004,378)
(5,790)	(87)	—	(16,301)	(93,682)
—	(15,326)	—	—	(15,326)
2,204	—	—	3,606	7,122
—	—	—	(659)	(10,476)
<u>6,977</u>	<u>4,095</u>	<u>—</u>	<u>12,155</u>	<u>167,632</u>
347	—	—	24,636	27,376
(112)	—	—	(6,557)	(34,103)
<u>235</u>	<u>—</u>	<u>—</u>	<u>18,079</u>	<u>(6,727)</u>
—	—	—	—	2,054
(56)	—	—	(12)	(13,538)
(891)	—	—	—	(899)
(9,020)	—	—	—	(9,067)
<u>(9,967)</u>	<u>—</u>	<u>—</u>	<u>(12)</u>	<u>(21,450)</u>
—	—	—	—	66
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>66</u>
(2,755)	4,095	—	30,222	139,521
6,814	8,594	—	31,724	213,539
<u>\$ 4,059</u>	<u>\$ 12,689</u>	<u>\$ —</u>	<u>\$ 61,946</u>	<u>\$ 353,060</u>

\$ 1,689	\$ 14,055	\$ —	\$ 11,509	\$ 121,835
9,411	—	—	108	24,003
3,033	—	—	(659)	(7,435)
1,351	—	—	—	1,991
(6,622)	—	—	(8)	(6,313)
—	—	—	—	11
28	—	—	—	3,288
(14)	—	—	(40)	(169)
237	5	—	685	2,410
32	1	—	75	449
(235)	—	—	189	12,196
45	—	—	64	350
(2,142)	—	—	659	7,784
—	—	—	(209)	(836)
—	—	—	—	19,503
861	8	—	2,109	7,708
(100)	(2)	—	(194)	(1,351)
86	(9,960)	—	(55)	(9,681)
(872)	(17)	—	(2,571)	(9,748)
189	5	—	493	1,637
<u>\$ 6,977</u>	<u>\$ 4,095</u>	<u>\$ —</u>	<u>\$ 12,155</u>	<u>\$ 167,632</u>

\$ —	\$ —	\$ —	\$ —	\$ 9,051
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,051</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, 2023
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ASSETS					
Cash	\$ 36,422	\$ 975,061	\$ 31,155	\$ 229,074	\$ 43,842
Receivables, net of allowances:					
Accrued interest and dividends	32,429	24,250	650	5,711	1,093
Securities sold	9,050	106,022	2,841	24,964	4,778
Futures contracts	33,966	—	—	—	—
Contributions	65,769	45,743	287	5,431	3,629
Court fees	—	—	23	—	—
Due from other funds	—	—	—	—	—
Other	1,013	280	14	215	41
Total receivables	142,227	176,295	3,815	36,321	9,541
Investments, at fair value:					
Short-term investments	781,202	—	—	—	—
Fixed income securities	13,846,850	—	—	—	—
Equity	25,694,812	8,852,207	237,202	2,084,336	398,919
Core bonds	—	993,439	26,621	233,915	44,769
Private credit	—	1,978,695	53,021	465,902	89,169
Real estate	9,137,759	—	—	—	—
Diversifying strategies	—	1,092,505	29,275	257,241	49,233
Collateral investment pool	112,594	530,040	14,203	124,802	23,886
Other investments	—	499,282	13,379	117,561	22,499
Total investments	49,573,217	13,946,168	373,701	3,283,757	628,475
Prepaid benefits	298,937	—	—	—	—
Net OPEB Asset	—	250	7	60	11
Property and equipment, net of accumulated depreciation	—	10,689	385	2,253	431
Total Assets	50,050,803	15,108,463	409,063	3,551,465	682,300
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	—	1,667	46	397	76
Related to OPEB	—	29	1	7	1
Total Deferred Outflows of Resources	—	1,696	47	404	77
LIABILITIES					
Accounts payable and other current liabilities	84,316	356	90	105	20
Securities purchased payable	19,681	1,512	41	356	68
Obligation under securities loan agreements	112,594	530,040	14,203	124,802	23,886
Futures contracts payable	34,062	—	—	—	—
Due to other funds	20,964	—	—	—	—
Net pension liability	—	7,424	207	1,769	338
Total Liabilities	271,617	539,332	14,541	127,032	24,312
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	—	196	5	47	9
Related to OPEB	—	163	5	39	7
Total Deferred Inflows of Resources	—	359	10	86	16
NET POSITION					
Restricted for:					
Pension benefits	49,779,186	14,570,468	394,559	3,424,751	658,049
Other post-employment benefits	—	—	—	—	—
Total Net Position	\$ 49,779,186	\$ 14,570,468	\$ 394,559	\$ 3,424,751	\$ 658,049

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY FUND	HEALTH BENEFIT SUPPLEMENT FUND						TOTAL
	ASRS	ASRS	PSPRS	EORP	CORP	AOC	
	ASRS	ASRS	PSPRS	EORP	CORP	AOC	
\$ 143	\$ 1,542	\$ 26,287	\$ 1,788	\$ 9,138	\$ 1,020	\$ 1,355,472	
124	1,424	659	45	230	26	66,641	
34	383	2,885	196	1,003	112	152,268	
129	1,438	—	—	—	—	35,533	
634	246	13	—	1	58	121,811	
—	—	—	—	—	—	23	
613	20,351	—	—	—	—	20,964	
5,193	4,301	7	1	2	—	11,067	
6,727	28,143	3,564	242	1,236	196	408,307	
2,976	43,459	—	—	—	—	827,637	
52,756	586,274	—	—	—	—	14,485,880	
97,897	1,087,915	240,861	16,380	83,726	9,351	38,803,606	
—	—	27,031	1,838	9,396	1,049	1,338,058	
—	—	53,839	3,661	18,715	2,090	2,665,092	
34,815	386,891	—	—	—	—	9,559,465	
—	—	29,726	2,021	10,333	1,154	1,471,488	
429	4,767	14,422	981	5,013	560	831,697	
—	—	13,585	925	4,722	527	672,480	
188,873	2,109,306	379,464	25,806	131,905	14,731	70,655,403	
—	8,620	—	—	—	—	307,557	
—	—	—	—	—	—	328	
—	—	—	—	—	—	13,758	
195,743	2,147,611	409,315	27,836	142,279	15,947	72,740,825	
—	—	—	—	—	—	2,186	
—	—	—	—	—	—	38	
—	—	—	—	—	—	2,224	
156	19,726	—	—	—	—	104,769	
75	833	41	3	15	1	22,626	
429	4,767	14,422	981	5,013	560	831,697	
130	1,442	—	—	—	—	35,634	
—	—	—	—	—	—	20,964	
—	—	—	—	—	—	9,738	
790	26,768	14,463	984	5,028	561	1,025,428	
—	—	—	—	—	—	257	
—	—	—	—	—	—	214	
—	—	—	—	—	—	471	
—	—	—	—	—	—	68,827,013	
194,953	2,120,843	394,852	26,852	137,251	15,386	2,890,137	
\$ 194,953	\$ 2,120,843	\$ 394,852	\$ 26,852	\$ 137,251	\$ 15,386	\$ 71,717,150	

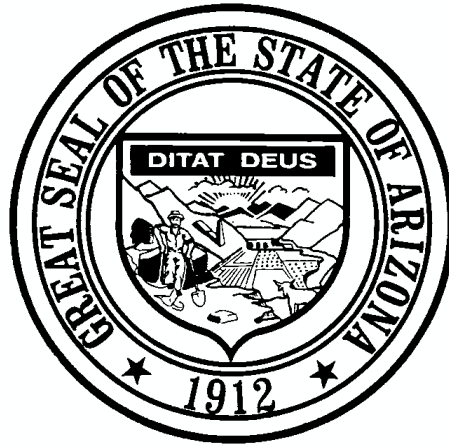
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
ADDITIONS:					
Member contributions	\$ 1,534,132	\$ 150,224	\$ 2,746	\$ 30,713	\$ 9,820
Employer contributions	1,556,750	1,250,620	47,105	217,600	46,121
Health insurance contributions	—	—	—	—	—
Non-employer entity contributions	—	1,000	65,000	—	—
Contributions from other plans	682	—	—	—	—
Member purchase of service credit	13,870	7,628	101	468	86
Court fees	—	—	11,032	—	—
Investment income:					
Net increase in fair value of investments	3,442,417	736,799	19,213	174,361	32,819
Interest, dividends, and other	407,504	333,008	8,914	78,143	14,708
Securities lending income	6,928	26,467	712	6,241	1,175
Total investment income	3,856,849	1,096,274	28,839	258,745	48,702
Less investment expenses:					
Investment activity expenses	247,463	30,215	804	7,142	1,344
Securities lending expenses	692	21,550	580	5,081	956
Net investment income	3,608,694	1,044,509	27,455	246,522	46,402
Other additions:					
Other revenues	1	140	109	21	—
Total Additions	6,714,129	2,454,121	153,548	495,324	102,429
DEDUCTIONS:					
Retirement, disability, and survivor benefits	3,705,109	1,068,283	76,498	165,579	45,793
Health insurance subsidy	—	—	—	—	—
Refunds to withdrawing members, including interest	286,739	13,623	—	14,753	2,068
Administrative expense	31,479	6,732	357	3,291	744
Other deductions	766	434	—	166	101
Total Deductions	4,024,093	1,089,072	76,855	183,789	48,706
Net increase in Fiduciary Net Position	2,690,036	1,365,049	76,693	311,535	53,723
Net Position - Beginning	47,089,150	13,205,419	317,866	3,113,216	604,326
Net Position - Ending	\$ 49,779,186	\$ 14,570,468	\$ 394,559	\$ 3,424,751	\$ 658,049

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY		HEALTH BENEFIT SUPPLEMENT FUND					TOTAL
FUND							
ASRS	ASRS	PSPRS	EORP	CORP	AOC		
\$ 17,875	\$ —	\$ —	\$ —	\$ —	\$ —	\$	1,745,510
18,111	14,028	—	—	—	—		3,150,335
—	—	5,571	—	30	446		6,047
—	—	—	—	—	—		66,000
—	—	—	—	—	—		682
16	27	—	—	—	—		22,196
—	—	—	—	—	—		11,032
13,183	146,466	20,012	1,424	7,033	770		4,594,497
1,557	17,947	9,049	660	3,169	347		875,006
27	296	718	53	252	27		42,896
14,767	164,709	29,779	2,137	10,454	1,144		5,512,399
950	10,550	681	60	239	26		299,474
3	30	585	43	205	22		29,747
13,814	154,129	28,513	2,034	10,010	1,096		5,183,178
747	39	—	—	—	—		1,057
50,563	168,223	34,084	2,034	10,040	1,542		10,186,037
45,627	—	—	—	—	—		5,106,889
—	101,849	17,882	1,088	4,153	620		125,592
—	—	—	—	—	—		317,183
1,723	3,935	211	27	134	10		48,643
1	15	—	—	—	—		1,483
47,351	105,799	18,093	1,115	4,287	630		5,599,790
3,212	62,424	15,991	919	5,753	912		4,586,247
191,741	2,058,419	378,861	25,933	131,498	14,474		67,130,903
\$ 194,953	\$ 2,120,843	\$ 394,852	\$ 26,852	\$ 137,251	\$ 15,386	\$	71,717,150



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 Developmental 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.

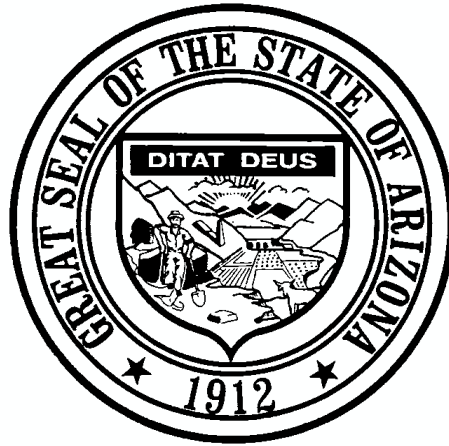
The Compact Trust Fund was established for the exclusive purposes of mitigating impacts to Indian Tribes from gaming authorized by the 2021 Gaming Compact amendment and provides economic benefits to beneficiary tribes, including those with an effective Gaming Compact that includes the 2021 amendments and do not engage in gaming. The Compact Trust Fund consists of contributions from Indian Tribes designated in the 2021 Gaming Compact amendments.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2023
(Expressed in Thousands)

	AZ529	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	COMPACT TRUST FUND	TOTAL
ASSETS				
Cash	\$ 140	\$ 2,714	\$ —	\$ 2,854
Cash and pooled investments with State Treasurer	—	1,621	8,888	10,509
Receivables, net of allowances:				
Accrued interest and dividends	170	—	—	170
Securities sold	13,301	—	—	13,301
Distributions	1,173	—	—	1,173
Total receivables	<u>14,644</u>	<u>—</u>	<u>—</u>	<u>14,644</u>
Investments, at fair value:				
Short-term investments	119,867	—	—	119,867
Mutual funds	1,546,115	—	—	1,546,115
Exchange traded funds	192,957	—	—	192,957
Guaranteed investment contracts	56,944	—	—	56,944
Other investments	391	—	—	391
Total investments	<u>1,916,274</u>	<u>—</u>	<u>—</u>	<u>1,916,274</u>
Total Assets	<u>1,931,058</u>	<u>4,335</u>	<u>8,888</u>	<u>1,944,281</u>
LIABILITIES				
Securities purchased payable	15,604	—	—	15,604
Management fee payable	717	—	—	717
Capital shares redeemed payable	580	—	—	580
Due to others	—	983	—	983
Total Liabilities	<u>16,901</u>	<u>983</u>	<u>—</u>	<u>17,884</u>
NET POSITION				
Restricted for:				
Individuals and other governments	<u>1,914,157</u>	<u>3,352</u>	<u>8,888</u>	<u>1,926,397</u>
Total Net Position	<u>\$ 1,914,157</u>	<u>\$ 3,352</u>	<u>\$ 8,888</u>	<u>\$ 1,926,397</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	AZ529	DEVELOPMENTAL DISABILITIES CLIENT INVESTMENT	COMPACT TRUST FUND	TOTAL
ADDITIONS:				
Tribal contributions	\$ —	\$ —	\$ 11,375	\$ 11,375
Other contributions	—	13,236	—	13,236
Investment income:				
Net (decrease) in fair value of investments	(69,362)	—	(183)	(69,545)
Interest, dividends, and other	67,684	—	196	67,880
Total investment income	(1,678)	—	13	(1,665)
Less investment expenses:				
Investment activity expenses	7,651	—	—	7,651
Net investment income	(9,329)	—	13	(9,316)
Capital share and individual account transactions:				
Shares sold	263,399	—	—	263,399
Shares redeemed	(197,028)	—	—	(197,028)
Net capital share and individual account transactions	66,371	—	—	66,371
Total Additions	57,042	13,236	11,388	81,666
DEDUCTIONS:				
Other deductions	—	13,061	—	13,061
Distributions to other governments	—	—	2,500	2,500
Total Deductions	—	13,061	2,500	15,561
Net increase in Fiduciary Net Position	57,042	175	8,888	66,105
Net Position - Beginning, as restated	1,857,115	3,177	—	1,860,292
Net Position - Ending	\$ 1,914,157	\$ 3,352	\$ 8,888	\$ 1,926,397



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 Corporate 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 account 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 consist 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 County and City Tax Collections fund consists of taxes levied by cities and counties that is collected and distributed by the State. The State operates a statewide electronic Transaction Privilege Taxes (TPT) filing system to receive TPT payments. This electronic system makes the State the single source for taxpayers to apply for licenses, file returns, and make payments for all state, county, and municipal TPT and sales taxes.

The External Investment Pool and Individual Investment Account consists of the External Investment Pool, which accounts for assets held by the State Treasurer for local governments and political subdivisions of the State of Arizona, and the Individual Investment Account, which accounts for the assets held by the State Treasurer for the Central Arizona Water Conservation District; both have elected to invest cash with the State Treasurer's Office.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023
(Expressed in Thousands)

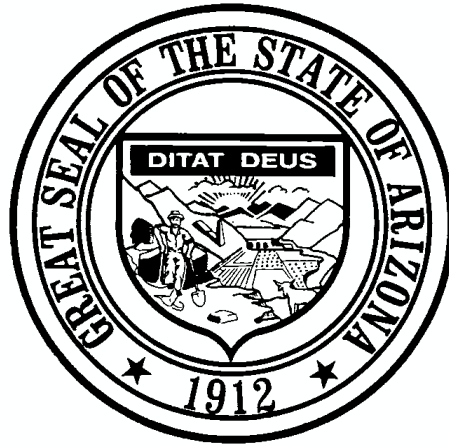
	CONSUMER RESTITUTION	PRISONER SPENDABLE ACCOUNTS	CHILD SUPPORT	REGISTRAR OF CONTRACTORS
ASSETS				
Cash	\$ —	\$ 12,289	\$ 10,134	\$ 5,989
Cash and pooled investments with State Treasurer	16,661	17,183	—	2,341
Receivables, net of allowances:				
Accrued interest and dividends	—	—	—	—
Other	—	1	—	—
Investments, at fair value				
Fixed income securities	—	—	—	—
Total investments	—	—	—	—
Due from others	—	—	68,260	—
Custodial securities in safekeeping	—	—	—	—
Total Assets	16,661	29,473	78,394	8,330
LIABILITIES				
Management fee payable	—	—	—	—
Due to others	—	3	671	1
Total Liabilities	—	3	671	1
NET POSITION				
Restricted for:				
Pool participants	—	—	—	—
Individuals, organizations, and other governments	16,661	29,470	77,723	8,329
Total Net Position	\$ 16,661	\$ 29,470	\$ 77,723	\$ 8,329

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	COUNTY AND CITY TAX COLLECTIONS	EXTERNAL INVESTMENT POOL AND INDIVIDUAL INVESTMENT ACCOUNT	TOTAL
\$ — 14,259	\$ — —	\$ — —	\$ — 1,940	\$ 28,412 52,384
— —	— —	— —	10,844 —	10,844 1
—	—	—	6,137,294	6,137,294
—	—	—	6,137,294	6,137,294
—	—	—	—	68,260
—	296,746	—	—	296,746
14,259	296,746	—	6,150,078	6,593,941
—	—	—	299	299
—	—	—	—	675
—	—	—	299	974
—	—	—	6,149,779	6,149,779
14,259	296,746	—	—	443,188
<u>\$ 14,259</u>	<u>\$ 296,746</u>	<u>\$ —</u>	<u>\$ 6,149,779</u>	<u>\$ 6,592,967</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
(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	314	176	—	6
Securities lending income	—	—	—	—
Total investment income	314	176	—	6
Less investment expenses:				
Investment activity expenses	—	—	—	—
Securities lending expenses	—	—	—	—
Net investment income	314	176	—	6
Capital share and individual account transactions:				
Shares sold	—	—	—	—
Reinvested distributions	—	—	—	—
Shares redeemed	—	—	—	—
Net capital share and individual account transactions	—	—	—	—
Other additions:				
Collections for restitutions	10,506	—	—	—
Collections for inmates	—	83,149	—	—
Collections for child support	—	—	621,806	—
Deposits from applicants	—	—	—	424
Collections from condemnation proceedings	—	—	—	—
Tax collections for other governments	—	—	—	—
Other revenues	210	—	—	—
Total other additions	10,716	83,149	621,806	424
Total Additions	11,030	83,325	621,806	430
DEDUCTIONS:				
Allocation to pool participants	—	—	—	—
Distributions to individuals, organizations, and other governments	7,005	82,332	618,423	152
Total Deductions	7,005	82,332	618,423	152
Net increase (decrease) in Fiduciary Net Position	4,025	993	3,383	278
Net Position - Beginning	12,636	28,477	74,340	8,051
Net Position - Ending	\$ 16,661	\$ 29,470	\$ 77,723	\$ 8,329

CONDEMNATION FUND	CUSTODIAL SECURITIES HELD WITH TREASURER	COUNTY AND CITY TAX COLLECTIONS	EXTERNAL INVESTMENT POOL AND INDIVIDUAL INVESTMENT ACCOUNT	TOTAL
\$ —	\$ —	\$ —	\$ (8,444)	\$ (8,444)
405	—	—	216,263	217,164
—	—	—	303	303
405	—	—	208,122	209,023
—	—	—	3,377	3,377
—	—	—	196	196
405	—	—	204,549	205,450
—	—	—	6,046,321	6,046,321
—	—	—	219,337	219,337
—	—	—	(5,971,635)	(5,971,635)
—	—	—	294,023	294,023
—	—	—	—	10,506
—	—	—	—	83,149
—	—	—	—	621,806
—	161,103	—	—	161,527
4,432	—	—	—	4,432
—	—	6,537,668	—	6,537,668
—	—	—	—	210
4,432	161,103	6,537,668	—	7,419,298
4,837	161,103	6,537,668	498,572	7,918,771
—	—	—	204,543	204,543
1,211	180,363	6,537,668	—	7,427,154
1,211	180,363	6,537,668	204,543	7,631,697
3,626	(19,260)	—	294,029	287,074
10,633	316,006	—	5,855,750	6,305,893
\$ 14,259	\$ 296,746	\$ —	\$ 6,149,779	\$ 6,592,967



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 Finance Authority consists of the Greater Arizona Development Authority (GADA) and the Arizona Industrial Development Authority (AIDA). The GADA provides cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The AIDA provides cost-effective capital for private borrowers by reducing their financing costs through the issuance of tax-exempt bonds.

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, 2023
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA FINANCE AUTHORITY	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT
ASSETS				
Current Assets:				
Cash	\$ —	\$ 9,300	\$ 2,358	\$ —
Cash and pooled investments with State Treasurer	8,848	—	1,247	108,568
Short-term investments	—	—	—	—
Restricted investments held by trustee	1,193	—	—	—
Receivables, net of allowances:				
Loans and notes	—	—	—	—
Other	1,393	291	—	—
Due from primary government	—	3,273	—	—
Custodial securities in safekeeping	—	—	1,622	—
Other current assets	552	129	—	—
Total Current Assets	<u>11,986</u>	<u>12,993</u>	<u>5,227</u>	<u>108,568</u>
Noncurrent Assets:				
Restricted assets:				
Restricted cash and pooled investments with State Treasurer	—	—	11,965	—
Cash held by trustee	—	19,168	—	—
Investments held by trustee	1,814	—	—	—
Loans and notes receivable, net of allowances	—	7,755	—	—
Investments	—	—	—	—
Lease receivables	—	1,182	—	—
Other receivables, net of allowances	—	—	—	—
Other noncurrent assets	20,267	—	—	—
Capital assets, net	127	150,266	—	—
Total Noncurrent Assets	<u>22,208</u>	<u>178,371</u>	<u>11,965</u>	<u>—</u>
Total Assets	<u>34,194</u>	<u>191,364</u>	<u>17,192</u>	<u>108,568</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	47	—	—	—
Related to OPEB	32	—	—	—
Loss on debt refundings	—	1,694	—	—
Total Deferred Outflows of Resources	<u>79</u>	<u>1,694</u>	<u>—</u>	<u>—</u>

ARIZONA COMMERCE AUTHORITY	DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS GUARANTY FUNDS	TOTAL
\$ 62,437	\$ 10,058	\$ 84,153
125,970	174	244,807
—	156,940	156,940
—	—	1,193
40	—	40
5,175	2,319	9,178
—	—	3,273
—	—	1,622
7,467	434	8,582
<u>201,089</u>	<u>169,925</u>	<u>509,788</u>
—	—	11,965
—	—	19,168
—	—	1,814
116	—	7,871
—	67,973	67,973
—	—	1,182
—	112,500	112,500
—	—	20,267
2,025	—	152,418
<u>2,141</u>	<u>180,473</u>	<u>395,158</u>
<u>203,230</u>	<u>350,398</u>	<u>904,946</u>
—	203	250
—	1	33
—	—	1,694
<u>—</u>	<u>204</u>	<u>1,977</u>

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2023
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA FINANCE AUTHORITY	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 2,447	\$ 1,152	\$ —	\$ —
Accrued liabilities	565	7,665	—	—
Due to others	—	—	1,622	—
Unearned revenue	—	—	—	—
Current portion of accrued insurance losses	—	—	—	—
Current portion of net OPEB liability	3	—	—	—
Current portion of long-term debt	595	7,759	—	—
Current portion of other long-term liabilities	—	127	—	—
Total Current Liabilities	<u>3,610</u>	<u>16,703</u>	<u>1,622</u>	<u>—</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	—	—	—
Net pension liability	534	—	—	—
Net OPEB liability	117	—	—	—
Long-term debt	23,740	93,350	—	80,000
Other long-term liabilities	—	5,015	—	—
Total Noncurrent Liabilities	<u>24,391</u>	<u>98,365</u>	<u>—</u>	<u>80,000</u>
Total Liabilities	<u>28,001</u>	<u>115,068</u>	<u>1,622</u>	<u>80,000</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	214	—	—	—
Related to OPEB	54	—	—	—
Related to leases	—	3,369	—	—
Total Deferred Inflows of Resources	<u>268</u>	<u>3,369</u>	<u>—</u>	<u>—</u>
NET POSITION				
Net investment in capital assets	127	55,275	—	—
Restricted for:				
Debt service	3,007	7,962	11,965	—
Loans and other financial assistance	—	—	—	—
Other	—	—	—	—
Unrestricted (deficit)	<u>2,870</u>	<u>11,384</u>	<u>3,605</u>	<u>28,568</u>
Total Net Position	<u>\$ 6,004</u>	<u>\$ 74,621</u>	<u>\$ 15,570</u>	<u>\$ 28,568</u>

ARIZONA COMMERCE AUTHORITY	DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS GUARANTY FUNDS	TOTAL
\$ 2,817	\$ 651	\$ 7,067
264	90	8,584
—	—	1,622
870	—	870
—	13,284	13,284
—	—	3
—	—	8,354
909	—	1,036
<u>4,860</u>	<u>14,025</u>	<u>40,820</u>
—	201,387	201,387
—	423	957
—	1	118
—	—	197,090
875	—	5,890
<u>875</u>	<u>201,811</u>	<u>405,442</u>
<u>5,735</u>	<u>215,836</u>	<u>446,262</u>
—	134	348
—	1	55
—	—	3,369
<u>—</u>	<u>135</u>	<u>3,772</u>
241	—	55,643
—	—	22,934
199,522	—	199,522
—	134,631	134,631
(2,268)	—	44,159
<u>\$ 197,495</u>	<u>\$ 134,631</u>	<u>\$ 456,889</u>

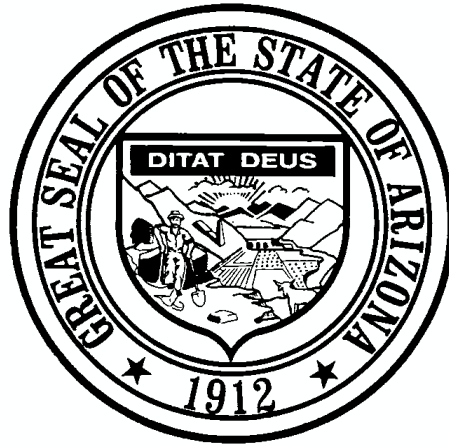
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
 NON-MAJOR COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Expressed in Thousands)

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Power Authority	\$ 18,882	\$ 19,005	\$ —
Rio Nuevo	20,141	1,233	—
Arizona Finance Authority	21,806	8,109	—
Arizona Public School Credit Enhancement	—	4,372	—
Arizona Commerce Authority	48,112	2,688	41,734
Department of Insurance and Financial Institutions			
Guaranty Funds	2,039	4,343	—
Total	<u>\$ 110,980</u>	<u>\$ 39,750</u>	<u>\$ 41,734</u>

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA FINANCE AUTHORITY	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY	DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS GUARANTY FUNDS	TOTAL
\$ 123	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 123
—	(18,908)	—	—	—	—	(18,908)
—	—	(13,697)	—	—	—	(13,697)
—	—	—	4,372	—	—	4,372
—	—	—	—	(3,690)	—	(3,690)
—	—	—	—	—	2,304	2,304
96	757	646	(459)	3,675	(3,559)	1,156
—	—	—	—	175	—	175
—	16,107	—	—	49,550	—	65,657
—	(2,722)	—	—	—	—	(2,722)
—	202	2	—	—	—	204
219	(4,564)	(13,049)	3,913	49,710	(1,255)	34,974
5,785	79,185	28,619	24,655	147,785	135,886	421,915
<u>\$ 6,004</u>	<u>\$ 74,621</u>	<u>\$ 15,570</u>	<u>\$ 28,568</u>	<u>\$ 197,495</u>	<u>\$ 134,631</u>	<u>\$ 456,889</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 the ASU or the 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 Applied Research Corporation was established to further the educational, research and development objectives of the U of A through conducting applied multidisciplinary research and development in the areas of optics, hypersonics, quantum information science, artificial intelligence cyber security, and space related research.

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, 2023
(Expressed in Thousands)

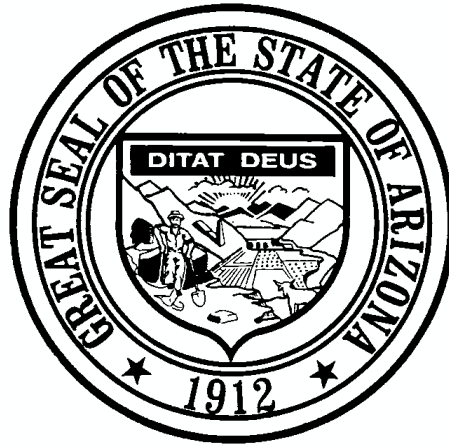
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
ASSETS					
Cash and cash equivalent investments	\$ 2,406	\$ 4,317	\$ 7,349	\$ 6,991	\$ 533
Receivables:					
Pledges receivable	15,430	—	21,225	—	—
Other receivables	368	333	8,823	60,569	162
Total receivables	15,798	333	30,048	60,569	162
Investments:					
Investments in securities	251,978	17,707	—	—	22,028
Other investments	15,208	—	—	—	—
Total investments	267,186	17,707	—	—	22,028
Net direct financing leases	—	29,906	—	—	—
Lease assets	—	—	—	—	—
Property and equipment, net of accumulated depreciation	—	94,383	—	4,406	—
Intangible assets, net	—	—	—	—	—
Other assets	—	8	283	2,399	177
Total Assets	285,390	146,654	37,680	74,365	22,900
LIABILITIES					
Accounts payable and accrued liabilities	607	8,759	444	131	33
Liability under endowment trust agreements	42,862	—	—	—	—
Long-term debt	—	182,560	—	—	—
Lease liability	—	—	—	—	—
Deferred revenue	831	—	—	12,868	95
Other liabilities	2,422	—	—	4,483	45
Total Liabilities	46,722	191,319	444	17,482	173
NET ASSETS					
With donor restrictions	224,685	—	28,949	—	83
Without donor restrictions	13,983	(44,665)	8,287	56,883	22,644
Total Net Assets	\$ 238,668	\$ (44,665)	\$ 37,236	\$ 56,883	\$ 22,727

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA APPLIED RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 25,967	\$ 1,252	\$ 6,537	\$ 1,342	\$ 295	\$ 56,989
—	2,031	—	—	—	38,686
16,571	2	1,435	334	560	89,157
16,571	2,033	1,435	334	560	127,843
—	14,484	—	—	—	306,197
—	161	—	—	—	15,369
—	14,645	—	—	—	321,566
—	—	—	—	—	29,906
—	—	188	4,029	—	4,217
14,322	—	30,162	43	—	143,316
—	—	1,333	—	—	1,333
14,647	6	1,270	171	81	19,042
71,507	17,936	40,925	5,919	936	704,212
10,906	298	2,615	509	272	24,574
—	—	—	—	—	42,862
—	—	3,007	—	164	185,731
—	—	257	4,070	—	4,327
3,462	—	2,042	26	107	19,431
13,281	—	—	—	—	20,231
27,649	298	7,921	4,605	543	297,156
26	16,408	—	—	—	270,151
43,832	1,230	33,004	1,314	393	136,905
\$ 43,858	\$ 17,638	\$ 33,004	\$ 1,314	\$ 393	\$ 407,056

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2023
(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	\$ 20,501	\$ —	\$ 13,934	\$ —	\$ 1,387
Rental revenue	—	16,522	—	14,118	—
Sales and services	—	13,306	175	—	1,386
Net investment income	23,962	551	86	48	628
Grants and aid	—	—	—	—	—
Other revenues	2,184	4,479	304	82	22
Total Revenues	46,647	34,858	14,499	14,248	3,423
EXPENSES					
Program services:					
Payments to Universities	—	4,211	14,802	5,483	—
Leasing related expenses	—	—	—	—	—
Payments on behalf of Universities	—	—	—	—	—
Other program services	14,723	—	—	—	—
Management and general expenses	1,347	11,073	1,265	1,367	3,396
Fundraising expenses	5,463	—	—	—	—
Interest	—	6,871	—	—	—
Depreciation and amortization	—	10,437	—	406	4
Other expenses	—	85	568	150	76
Total Expenses	21,533	32,677	16,635	7,406	3,476
Increase (decrease) in Net Assets, before loss	25,114	2,181	(2,136)	6,842	(53)
Loss of uncollectible pledges	—	—	(484)	—	—
Loss on sale of capital assets	—	—	—	—	—
Increase (decrease) in Net Assets	25,114	2,181	(2,620)	6,842	(53)
Net Assets - Beginning, as restated	213,554	(46,846)	39,856	50,041	22,780
Net Assets - Ending	\$ 238,668	\$ (44,665)	\$ 37,236	\$ 56,883	\$ 22,727

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA APPLIED RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 5,283	\$ 4,268	\$ —	\$ —	\$ —	\$ 45,373
—	—	12,599	—	—	43,239
2,964	—	—	6,224	2,198	26,253
—	1,212	55	—	—	26,542
73,138	—	—	—	—	73,138
22,266	67	585	1	—	29,990
103,651	5,547	13,239	6,225	2,198	244,535
—	—	—	—	—	24,496
—	—	13,138	—	—	13,138
—	3,057	191	—	—	3,248
—	—	—	3,431	1,292	19,446
97,095	338	1,494	3,556	345	121,276
—	155	—	—	—	5,618
—	—	—	—	—	6,871
—	—	—	—	—	10,847
—	—	—	—	—	879
97,095	3,550	14,823	6,987	1,637	205,819
6,556	1,997	(1,584)	(762)	561	38,716
—	—	—	—	—	(484)
(1,082)	—	—	—	—	(1,082)
5,474	1,997	(1,584)	(762)	561	37,150
38,384	15,641	34,588	2,076	(168)	369,906
\$ 43,858	\$ 17,638	\$ 33,004	\$ 1,314	\$ 393	\$ 407,056



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 18 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 19 and 20 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 21 through 23 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, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022, as restated	2021, as restated	2020, as restated	2019, as restated
GOVERNMENTAL ACTIVITIES:					
Net investment in capital assets (2,5,18,19,25)	\$ 25,282,245	\$ 24,383,978	\$ 23,626,310	\$ 22,951,428	\$ 22,109,991
Restricted (9,20,22,27)	11,854,934	11,103,562	11,126,280	8,903,600	8,136,654
Unrestricted (3,5,8,12,15,16,18,26)	6,132,158	5,836,918	(469,347)	(3,657,975)	(4,017,629)
Total Governmental Activities Net Position	<u>\$ 43,269,337</u>	<u>\$ 41,324,458</u>	<u>\$ 34,283,243</u>	<u>\$ 28,197,053</u>	<u>\$ 26,229,016</u>
BUSINESS-TYPE ACTIVITIES:					
Net investment in capital assets (5,6,18,19)	\$ 2,595,747	\$ 2,422,730	\$ 2,341,009	\$ 2,291,691	\$ 2,073,576
Restricted (4,10,13,14)	2,496,833	2,277,559	1,032,376	823,013	1,792,982
Unrestricted (3,5,6,7,8,13,17,18,21,23,24)	589,564	399,671	213,786	(146,714)	131,878
Total Business-type Activities Net Position	<u>\$ 5,682,144</u>	<u>\$ 5,099,960</u>	<u>\$ 3,587,171</u>	<u>\$ 2,967,990</u>	<u>\$ 3,998,436</u>
PRIMARY GOVERNMENT:					
Net investment in capital assets (2,5,6,19,25)	\$ 27,877,992	\$ 26,806,708	\$ 25,967,319	\$ 25,243,119	\$ 24,183,567
Restricted (4,9,10,13,14,22,27)	14,351,767	13,381,121	12,158,656	9,726,613	9,929,636
Unrestricted (3,5,6,7,8,12,13,15,16,17,20,21,23,24,26)	6,721,722	6,236,589	(255,561)	(3,804,689)	(3,885,751)
Total Primary Government Net Position	<u>\$ 48,951,481</u>	<u>\$ 46,424,418</u>	<u>\$ 37,870,414</u>	<u>\$ 31,165,043</u>	<u>\$ 30,227,452</u>

- (1) This schedule reports using the accrual basis of accounting.
- (2) Fiscal year 2014 net investment in capital assets was restated due to a correction of an error related to the private prisons' capital leases.
- (3) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB Statement No. 68.
- (4) Fiscal year 2014 restricted net position was restated due to the fund reclassification of the Insurance Department Guaranty Fund (IDGF).
- (5) 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.
- (6) 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.
- (7) 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.
- (8) Fiscal year 2017 unrestricted net position has been restated due to the implementation of GASB Statement No. 75.
- (9) Fiscal year 2017 restricted net position has been restated due to correction of error of intergovernmental revenue for the General Fund.
- (10) Fiscal year 2017 restricted net position has been restated due to correction of error of accrued insurance losses for the IDGF.
- (11) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (12) Fiscal year 2018 unrestricted net position has been restated due to correction of error of investment earnings for the Land Endowments Fund.
- (13) 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.
- (14) 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.
- (15) 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.
- (16) Fiscal year 2020 unrestricted net position has been restated due to implementation of GASB Statement No. 84.
- (17) Fiscal year 2021 unrestricted net position for the Universities has been restated due to inclusion of the BIOS as a blended university component unit.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) Fiscal year 2021 unrestricted net position for the Universities has been restated due to the implementation of GASB 87.
- (22) 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.
- (23) Fiscal year 2022 unrestricted net position for the Universities has been restated due to the addition of the CCASU as a blended component unit as a result of a legal change of control.
- (24) Fiscal year 2022 unrestricted net position for the Thunderbird, a blended component unit of the Universities, has been restated due to a correction of error of accumulated unearned revenues.
- (25) Fiscal year 2022 net investment in capital assets has been restated due to the implementation of GASB 96; software assets that were previously capitalized met the criteria for a SBITA but did not meet the capitalization threshold for reporting.
- (26) Fiscal year 2022 unrestricted net position has been restated due to the implementation of GASB 94 for the Game & Fish contract with the U.S. Bureau of Reclamation for habitat restoration.
- (27) Fiscal year 2022 restricted net position has been restated due to the Land department reporting a correction of error of unearned revenue as a result of the improper inclusion of GASB 87 leases.

Fiscal Year				
2018, as restated (12)	2017, as restated	2016, as restated	2015, as restated	2014, as restated
\$ 21,486,658	\$ 20,583,563	\$ 19,722,730	\$ 18,790,889	\$ 18,053,540
7,552,460	7,368,184	6,856,271	7,170,289	6,829,299
(5,437,227)	(5,848,655)	(5,205,689)	(5,685,921)	(5,841,106)
<u>\$ 23,601,891</u>	<u>\$ 22,103,092</u>	<u>\$ 21,373,312</u>	<u>\$ 20,275,257</u>	<u>\$ 19,041,733</u>
\$ 1,994,555	\$ 1,879,901	\$ 1,761,694	\$ 1,642,507	\$ 1,581,436
1,669,917	1,332,162	1,191,605	895,616	723,590
(17,239)	27,301	288,164	215,120	(51,586)
<u>\$ 3,647,233</u>	<u>\$ 3,239,364</u>	<u>\$ 3,241,463</u>	<u>\$ 2,753,243</u>	<u>\$ 2,253,440</u>
\$ 23,481,213	\$ 22,463,464	\$ 21,484,424	\$ 20,433,396	\$ 19,634,976
9,222,377	8,700,346	8,047,876	8,065,905	7,552,889
(5,454,466)	(5,821,354)	(4,917,525)	(5,470,801)	(5,892,692)
<u>\$ 27,249,124</u>	<u>\$ 25,342,456</u>	<u>\$ 24,614,775</u>	<u>\$ 23,028,500</u>	<u>\$ 21,295,173</u>

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022 (3)	2021 (3)	2020 (3)	2019 (3)
EXPENSES					
Governmental Activities:					
General government	\$ 2,051,618	\$ 1,295,921	\$ 1,779,607	\$ 1,194,320	\$ 793,504
Health and welfare	29,000,707	26,566,010	22,636,105	18,201,947	16,873,025
Inspection and regulation	306,417	249,665	192,692	194,800	149,976
Education	11,281,256	9,792,491	8,257,299	7,854,849	7,161,842
Protection and safety	2,279,959	1,935,823	1,891,198	1,853,972	1,601,975
Transportation	1,494,140	1,143,401	1,094,831	971,909	842,112
Natural resources	485,810	292,800	279,965	238,873	235,835
Intergovernmental revenue sharing	5,356,346	4,844,422	4,418,998	3,874,998	3,708,063
Interest on long-term debt	49,524	56,581	95,967	140,206	172,071
Total Governmental Activities Expenses	52,305,777	46,177,114	40,646,662	34,525,874	31,538,403
Business-type Activities:					
Universities	6,805,999	6,244,746	5,904,889	5,882,039	5,476,780
Unemployment Compensation (6,7,9)	—	542,802	8,513,331	5,889,387	—
Industrial Commission Special Fund (2)	—	—	—	—	—
Other	1,704,063	1,211,075	1,245,997	988,092	1,178,051
Total Business-type Activities Expenses	8,510,062	7,998,623	15,664,217	12,759,518	6,654,831
Total Primary Government Expenses	\$ 60,815,839	\$ 54,175,737	\$ 56,310,879	\$ 47,285,392	\$ 38,193,234
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government (8)	\$ 347,525	\$ 654,944	\$ 261,066	\$ 230,511	\$ 279,469
Health and welfare (8)	781,491	749,564	712,588	563,157	508,029
Inspection and regulation	271,729	252,394	207,081	176,051	176,676
Transportation	71,247	44,941	213,971	209,658	215,860
Other activities (8)	266,705	289,374	270,352	278,703	267,491
Operating grants and contributions (5)	29,289,266	27,058,660	23,952,916	17,169,249	15,659,663
Capital grants and contributions	825,402	780,045	690,050	566,951	519,021
Total Governmental Activities					
Program Revenues	31,853,365	29,829,922	26,308,024	19,194,280	17,626,209
Business-type Activities:					
Charges for services:					
Universities	3,517,775	3,244,938	2,891,038	2,974,123	2,907,908
Other activities	2,015,957	1,912,737	2,060,726	1,591,127	1,628,240
Operating grants and contributions (7)	2,325,723	3,351,694	10,325,015	6,223,027	1,659,758
Capital grants and contributions	49,338	76,455	41,836	106,734	27,255
Total Business-type Activities					
Program Revenues	7,908,793	8,585,824	15,318,615	10,895,011	6,223,161
Total Primary Government					
Program Revenues	\$ 39,762,158	\$ 38,415,746	\$ 41,626,639	\$ 30,089,291	\$ 23,849,370
NET (EXPENSE) REVENUE					
Governmental activities	\$ (20,452,412)	\$ (16,347,192)	\$ (14,338,638)	\$ (15,331,594)	\$ (13,912,194)
Business-type activities	(601,269)	587,201	(345,602)	(1,864,507)	(431,670)
Total Primary Government Net (Expense)	\$ (21,053,681)	\$ (15,759,991)	\$ (14,684,240)	\$ (17,196,101)	\$ (14,343,864)

Fiscal Year				
2018, as restated (4)	2017 (3)	2016 (3)	2015 (3)	2014 (3)
\$ 933,641	\$ 862,738	\$ 807,320	\$ 923,659	\$ 763,830
16,254,160	15,661,167	15,152,650	14,296,714	12,768,332
156,149	163,416	168,719	159,874	160,797
6,538,614	6,369,100	6,136,303	5,859,267	5,573,656
1,954,842	1,662,550	1,585,620	1,568,732	1,408,049
834,697	799,882	858,958	786,028	791,006
230,505	216,318	208,563	204,939	200,868
3,480,014	3,349,498	3,176,183	2,966,400	2,778,299
153,914	193,099	210,326	230,871	279,525
<u>30,536,536</u>	<u>29,277,768</u>	<u>28,304,642</u>	<u>26,996,484</u>	<u>24,724,362</u>
5,166,157	4,893,271	4,637,567	4,378,481	4,078,053
—	—	—	—	—
—	—	—	—	36,895
<u>1,156,810</u>	<u>1,105,470</u>	<u>1,014,941</u>	<u>1,041,261</u>	<u>1,130,299</u>
<u>6,322,967</u>	<u>5,998,741</u>	<u>5,652,508</u>	<u>5,419,742</u>	<u>5,245,247</u>
<u>\$ 36,859,503</u>	<u>\$ 35,276,509</u>	<u>\$ 33,957,150</u>	<u>\$ 32,416,226</u>	<u>\$ 29,969,609</u>
\$ 218,721	\$ 195,805	\$ 196,179	\$ 188,356	\$ 188,943
490,929	447,334	423,690	411,914	222,173
163,278	170,043	166,075	157,624	157,149
166,221	149,297	143,697	113,163	113,267
263,412	267,315	261,428	252,989	255,391
15,042,818	14,732,701	13,532,247	13,200,146	12,172,836
718,794	716,455	870,644	706,089	546,680
<u>17,064,173</u>	<u>16,678,950</u>	<u>15,593,960</u>	<u>15,030,281</u>	<u>13,656,439</u>
2,799,919	2,708,519	2,519,048	2,303,791	2,056,307
1,598,155	1,461,686	1,468,139	1,345,566	1,325,046
1,573,533	1,488,002	1,452,562	1,320,612	1,343,922
20,699	27,368	11,911	43,321	41,250
<u>5,992,306</u>	<u>5,685,575</u>	<u>5,451,660</u>	<u>5,013,290</u>	<u>4,766,525</u>
<u>\$ 23,056,479</u>	<u>\$ 22,364,525</u>	<u>\$ 21,045,620</u>	<u>\$ 20,043,571</u>	<u>\$ 18,422,964</u>
\$ (13,472,363)	\$ (12,598,818)	\$ (12,710,682)	\$ (11,966,203)	\$ (11,067,923)
(330,661)	(313,166)	(200,848)	(406,452)	(478,722)
<u>\$ (13,803,024)</u>	<u>\$ (12,911,984)</u>	<u>\$ (12,911,530)</u>	<u>\$ (12,372,655)</u>	<u>\$ (11,546,645)</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022 (3)	2021 (3)	2020 (3)	2019 (3)
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Sales	\$ 11,352,957	\$ 10,981,317	\$ 9,523,611	\$ 8,193,712	\$ 7,673,015
Income	7,145,710	8,678,628	6,672,112	5,852,309	5,579,102
Tobacco	253,326	287,539	299,821	295,163	287,875
Property	37,667	43,278	42,583	42,601	42,208
Motor vehicle and fuel	2,532,374	2,497,258	2,502,442	2,256,884	2,202,693
Other	995,873	904,528	769,964	684,256	701,912
Unrestricted investment earnings	483,524	(55,401)	35,056	145,654	165,228
Unrestricted grants and contributions	29,690	37,860	33,083	28,539	29,964
Gain on sale of trust land	291,245	663,197	806,188	13,595	201,327
Gain (loss) on in-substance defeasance	1,800	(24,475)	—	—	—
Gain on termination of lease	23	—	—	—	—
Miscellaneous general revenues	124,144	167,051	300,749	339,967	245,486
Special item: Impairment loss of capital assets (10)	(93,785)	—	—	—	—
Transfers	(757,257)	(785,620)	(488,821)	(577,672)	(495,502)
Total Governmental Activities	22,397,291	23,395,160	20,496,788	17,275,008	16,633,308
Business-type Activities:					
Sales taxes	92,055	130,456	85,891	81,701	81,418
Unrestricted investment earnings	132,103	(83,975)	117,450	92,528	136,913
Unrestricted grants and contributions	—	—	—	10	—
Miscellaneous general revenues	131,467	91,616	173,400	79,277	77,764
Special item: Transfer of operations (11)	67,948	—	—	—	—
Contributions to permanent endowments	2,623	4,490	5,590	2,873	6,838
Extraordinary items	—	—	—	—	—
Transfers	757,257	785,620	488,821	577,672	495,502
Total Business-type Activities	1,183,453	928,207	871,152	834,061	798,435
Total Primary Government	\$ 23,580,744	\$ 24,323,367	\$ 21,367,940	\$ 18,109,069	\$ 17,431,743
CHANGE IN NET POSITION					
Governmental activities	\$ 1,944,879	\$ 7,047,968	\$ 6,158,150	\$ 1,943,414	\$ 2,721,114
Business-type activities	582,184	1,515,408	525,550	(1,030,446)	366,765
Total Primary Government	\$ 2,527,063	\$ 8,563,376	\$ 6,683,700	\$ 912,968	\$ 3,087,879

- (1) This schedule reports using the accrual basis of accounting.
- (2) For fiscal year 2015, Industrial Commission Special Fund changed from a major to a non-major fund.
- (3) Historical data has not been restated for footnote items (2) - (10) and (13) - (26) in Schedule 1.
- (4) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (5) Fiscal year 2018 operating grants and contributions has been restated due to correction of error for the Land Endowments Fund.
- (6) In fiscal year 2020, the Unemployment Compensation changed from a non-major fund to a major fund.
- (7) 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.
- (8) In fiscal year 2022, charges for services has been restated due to the Land department reporting a correction of error of unearned revenue as a result of the improper inclusion of GASB 87 leases.
- (9) In fiscal year 2023, the Unemployment Compensation changed from a major fund to a non-major fund.
- (10) In fiscal year 2023, shipping containers that were originally acquired for an improvised border wall at the Arizona/Mexico border were removed from service and sent to surplus property for auction. The net book value of the shipping containers was adjusted to fair value resulting in an impairment loss of \$93.8 million.
- (11) In fiscal year 2023, the University of Arizona Global Campus was reclassified from a discretely presented component unit of the Universities to a separate business unit within the Universities resulting in a transfer of operations with its impact to net position of \$67.9 million.

Fiscal Year				
2018, as restated (4)	2017 (3)	2016 (3)	2015 (3)	2014 (3)
\$ 7,194,123	\$ 6,775,704	\$ 6,455,837	\$ 6,290,950	\$ 5,948,055
4,946,644	4,500,902	4,511,674	4,430,602	3,963,197
298,369	316,073	318,902	314,522	314,313
55,112	46,798	51,735	52,241	41,215
1,950,380	1,875,392	1,823,998	1,694,779	1,650,579
638,988	655,363	616,580	560,920	547,481
42,463	50,009	58,250	87,115	79,215
35,324	35,032	115,097	39,847	37,926
161,953	47,503	75,042	97,231	83,695
—	—	—	—	—
—	—	—	—	—
178,298	117,933	247,462	232,658	176,035
—	—	—	—	—
(530,492)	(529,455)	(465,840)	(601,539)	(578,361)
14,971,162	13,891,254	13,808,737	13,199,326	12,263,350
75,642	72,696	69,927	64,757	63,669
50,825	81,363	68,795	37,839	108,296
—	—	548	—	107
79,617	79,726	65,143	138,931	78,837
—	—	—	—	—
5,702	3,276	5,472	5,740	6,561
—	—	—	—	3,900
530,492	529,455	465,840	601,539	578,361
742,278	766,516	675,725	848,806	839,731
\$ 15,713,440	\$ 14,657,770	\$ 14,484,462	\$ 14,048,132	\$ 13,103,081
\$ 1,498,799	\$ 1,292,436	\$ 1,098,055	\$ 1,233,123	\$ 1,195,427
411,617	453,350	474,877	442,354	361,009
\$ 1,910,416	\$ 1,745,786	\$ 1,572,932	\$ 1,675,477	\$ 1,556,436

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022, as restated	2021, as restated	2020, as restated	2019
GENERAL FUND:					
Nonspendable	\$ 12,186	\$ 13,370	\$ 14,473	\$ 15,710	\$ 6,617
Restricted (4)	1,116,867	1,179,579	582,364	475,563	339,116
Committed (8)	447,896	323,371	252,077	257,556	150,050
Unassigned (2,5,7)	4,678,832	5,643,198	1,919,752	1,316,305	685,583
Total General Fund	<u>\$ 6,255,781</u>	<u>\$ 7,159,518</u>	<u>\$ 2,768,666</u>	<u>\$ 2,065,134</u>	<u>\$ 1,181,366</u>
ALL OTHER GOVERNMENTAL FUNDS:					
Nonspendable (6,10)	\$ 7,902,830	\$ 7,133,498	\$ 7,671,204	\$ 5,853,677	\$ 6,062,682
Restricted (9)	2,023,596	1,839,760	2,349,830	1,418,680	1,659,621
Committed (11)	2,978,264	2,082,536	1,867,450	1,428,352	1,225,528
Unassigned (3,7)	—	—	226	(1,587)	—
Total All Other Governmental Funds	<u>\$ 12,904,690</u>	<u>\$ 11,055,794</u>	<u>\$ 11,888,710</u>	<u>\$ 8,699,122</u>	<u>\$ 8,947,831</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) 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.
- (10) Fiscal year 2022 nonspendable fund balance has been restated due to the Land department reporting a correction of error of unearned revenue as a result of the improper inclusion of GASB 87 leases.
- (11) Fiscal year 2022 committed fund balance has been restated due to the implementation of GASB 94 for the Game & Fish contract with the U.S. Bureau of Reclamation for habitat restoration.

Fiscal Year				
2018, as restated	2017, as restated	2016	2015, as restated	2014
\$ 11,632	\$ 9,990	\$ 9,669	\$ 9,168	\$ 9,600
44,401	133,472	91,833	241,919	124,390
113,204	93,343	126,484	99,145	79,837
—	(258,262)	(78,903)	(325,380)	(189,238)
<u>\$ 169,237</u>	<u>\$ (21,457)</u>	<u>\$ 149,083</u>	<u>\$ 24,852</u>	<u>\$ 24,589</u>
\$ 5,934,995	\$ 5,603,620	\$ 5,124,432	\$ 5,181,556	\$ 4,878,682
1,482,258	1,479,706	1,488,010	1,573,453	1,741,674
1,060,444	964,570	937,949	825,740	734,446
(14,491)	(18,752)	(21,325)	(27,562)	(29,744)
<u>\$ 8,463,206</u>	<u>\$ 8,029,144</u>	<u>\$ 7,529,066</u>	<u>\$ 7,553,187</u>	<u>\$ 7,325,058</u>

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021 (2)	2020 (2)	2019
REVENUES					
Taxes:					
Sales	\$ 11,343,342	\$ 10,965,907	\$ 9,530,013	\$ 8,125,114	\$ 7,655,588
Income	7,014,085	8,644,242	6,699,521	5,771,734	5,498,061
Tobacco	253,326	287,539	299,821	295,163	287,875
Property	37,667	43,278	42,583	42,601	42,208
Motor vehicle and fuel	2,532,374	2,497,258	2,502,442	2,256,884	2,202,693
Other	995,873	904,528	769,964	684,256	701,912
Intergovernmental (3)	29,004,733	28,358,392	22,904,553	17,711,033	15,602,794
Licenses, fees, and permits	599,865	557,996	721,938	687,754	650,484
Hospital and nursing facility assessments	605,056	559,334	537,236	360,157	316,040
Earnings (loss) on investments (4)	1,274,078	(774,733)	1,876,937	172,496	489,398
Interest revenues - leases (5)	14,421	19,956	—	—	—
Amortization revenues - leases (5)	24,697	24,114	—	—	—
Sales and charges for services (7)	227,639	242,548	243,485	245,191	261,538
Fines, forfeitures, and penalties	301,847	136,747	163,394	164,995	220,513
Gaming	190,741	156,916	148,056	112,448	99,679
Tobacco settlement	98,981	108,433	105,683	94,283	98,938
Proceeds from sale of trust land	358,733	519,423	336,536	126,416	141,616
Other	177,016	211,452	347,439	370,818	285,136
Total Revenues	<u>55,054,474</u>	<u>53,463,330</u>	<u>47,229,601</u>	<u>37,221,343</u>	<u>34,554,473</u>
EXPENDITURES					
Current:					
General government	2,054,184	2,342,776	2,767,295	1,239,781	871,251
Health and welfare	28,895,903	26,596,005	23,038,244	18,293,758	16,783,865
Inspection and regulation	307,588	244,215	193,109	194,784	160,878
Education	11,278,090	9,785,753	8,252,938	7,853,935	7,169,071
Protection and safety	2,217,041	1,898,920	1,727,987	1,704,608	1,594,892
Transportation	1,474,061	1,149,059	1,059,282	925,703	852,491
Natural resources	487,502	283,496	260,072	223,537	225,242
Intergovernmental revenue sharing	5,356,346	4,844,422	4,418,998	3,874,998	3,708,063
Debt service:					
Principal (6)	415,637	1,275,626	379,546	703,731	489,522
Interest and other fiscal charges	82,421	106,003	147,897	177,427	208,954
Capital outlay	839,901	645,455	577,636	850,937	867,114
Total Expenditures	<u>53,408,674</u>	<u>49,171,730</u>	<u>42,823,004</u>	<u>36,043,199</u>	<u>32,931,343</u>
Excess of Revenues Over Expenditures	<u>1,645,800</u>	<u>4,291,600</u>	<u>4,406,597</u>	<u>1,178,144</u>	<u>1,623,130</u>

Fiscal Year				
2018, as restated	2017, as restated	2016	2015 (2)	2014
\$ 7,173,126	\$ 6,732,684	\$ 6,450,967	\$ 6,281,286	\$ 5,933,824
4,892,382	4,473,790	4,513,219	4,398,928	4,012,603
298,369	316,073	318,902	314,522	314,313
55,112	46,798	51,735	52,241	41,215
1,950,380	1,875,392	1,823,998	1,694,779	1,650,579
638,988	655,363	616,580	560,920	547,481
15,040,118	14,731,475	14,166,387	13,606,650	11,752,711
582,918	573,867	542,064	486,331	475,833
318,199	292,049	299,608	291,324	91,578
559,956	639,717	175,444	295,125	739,859
—	—	—	—	—
—	—	—	—	—
243,820	229,099	188,667	193,553	185,682
156,666	136,161	159,647	152,728	171,161
95,367	89,310	91,748	89,512	86,326
101,761	101,522	98,907	99,975	100,765
119,122	179,028	91,022	123,483	86,319
213,776	167,229	264,474	254,522	208,858
32,440,060	31,239,557	29,853,369	28,895,879	26,399,107
814,922	787,284	714,313	843,159	750,163
16,182,335	15,813,515	15,074,454	14,388,149	12,643,455
160,254	160,362	165,009	158,495	161,318
6,541,180	6,364,016	6,132,751	5,857,390	5,572,414
1,521,638	1,487,181	1,456,651	1,402,225	1,360,387
752,575	732,029	815,811	700,080	687,798
216,169	198,567	189,614	189,302	193,043
3,480,014	3,349,498	3,176,183	2,966,400	2,778,299
561,195	639,779	517,389	560,497	493,592
213,992	229,932	249,704	270,872	312,024
933,204	894,210	814,002	783,926	829,630
31,377,478	30,656,373	29,305,881	28,120,495	25,782,123
1,062,582	583,184	547,488	775,384	616,984

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year				
	2023	2022	2021 (2)	2020 (2)	2019
OTHER FINANCING SOURCES (USES)					
Transfers in	1,427,183	1,287,912	1,927,454	921,711	993,164
Transfers out	(2,177,713)	(2,065,929)	(2,411,061)	(1,496,902)	(1,486,841)
Proceeds from sale of capital assets	952	42	52	1,591	343
Capital lease and installment purchase contracts	—	—	—	—	1,034
Lease proceeds	48,937	45,622	—	—	—
Proceeds from notes and loans	—	—	—	—	—
Bonds issued	—	—	—	—	262,010
Certificates of participation issued	—	—	—	—	—
Grant anticipation notes issued	—	—	—	—	62,465
Refunding bonds issued	—	84,520	—	756,630	—
Refunding certificates of participation issued	—	—	—	425,005	—
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)	—
Payment to refunded grant anticipation notes escrow agent	—	—	—	—	—
Premium on debt issued	—	—	—	88,080	41,449
Total Other Financing Sources (Uses)	(700,641)	(731,838)	(483,555)	(566,254)	(126,376)
NET CHANGE IN FUND BALANCES	\$ 945,159	\$ 3,559,762	\$ 3,923,042	\$ 611,890	\$ 1,496,754
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	0.90%	2.80%	1.20%	2.50%	2.20%

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Historical data has not been restated for footnote items (2) - (3), (7) - (9) and (11) 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.
- (6) In fiscal year 2022, the State defeased \$168.6 million and \$524.5 million in Certificates of Participation for the School Facilities Board and the Arizona Department of Administration, respectively. The State also defeased \$265.4 million in Lottery Revenue Bonds.
- (7) Fiscal year 2022 sales and charges for services has been restated due to the Land department reporting a correction of error of unearned revenue as a result of the improper inclusion of GASB 87 leases.

Fiscal Year				
2018, as restated	2017, as restated	2016	2015 (2)	2014
858,631	866,241	914,817	856,446	904,261
(1,375,640)	(1,303,531)	(1,367,979)	(1,392,301)	(1,397,332)
3,524	1,294	1,203	259	900
—	43,248	3,579	1,025	113,914
—	—	—	—	—
—	—	—	783	29,130
—	—	—	—	—
—	119,880	—	—	—
62,595	—	—	—	—
—	312,900	—	754,285	—
31,570	—	427,540	—	305,675
—	90,410	—	—	—
—	(389,350)	(62,630)	(900,813)	—
(31,345)	—	(422,841)	—	(310,059)
—	(112,128)	—	—	—
12,839	117,390	58,933	149,554	6,770
(437,826)	(253,646)	(447,378)	(530,762)	(346,741)
<u>\$ 624,756</u>	<u>\$ 329,538</u>	<u>\$ 100,110</u>	<u>\$ 244,622</u>	<u>\$ 270,243</u>
2.50%	2.90%	2.70%	3.00%	3.20%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
<u>CLASSIFICATION (5)</u>						
Transporting (2)	\$ 47,438	\$ 77,910	\$ 121,844	\$ 34,563	\$ 31,542	\$ 31,022
Mining, oil and gas	259,775	244,673	215,159	187,408	164,066	154,510
Mining severance	797,629	1,988,355	1,424,405	508,177	690,060	982,475
Utilities	10,817,796	10,979,178	10,766,675	9,814,962	10,315,450	10,337,793
Communications	1,306,704	1,254,885	1,387,554	1,771,025	1,917,973	2,067,005
Private car and pipelines	48,579	46,581	50,796	32,944	33,457	30,131
Publishing	36,434	59,363	32,570	35,343	56,071	84,595
Job printing	243,277	228,987	185,316	164,660	241,963	219,210
Restaurants and bars	21,672,945	19,532,366	15,248,826	14,471,700	15,232,888	14,347,556
Amusements	2,332,100	1,834,009	879,532	1,303,261	1,482,455	1,445,107
Commercial lease (3)	0	1	—	—	—	(4)
Personal property rentals	8,106,990	6,127,280	4,994,986	4,893,667	4,762,330	4,276,040
Contracting	23,403,587	19,863,879	17,977,829	15,817,234	13,610,523	11,801,258
Retail	99,927,788	97,186,669	86,248,389	74,712,427	71,664,595	67,429,685
Remote seller/marketplace facilitator (8)	12,228,483	10,337,948	8,333,376	3,485,993	—	—
MRRA amount (7)	265,408	232,728	213,124	218,938	177,361	167,434
Medical marijuana (10)	403,548	723,170	297,829	—	—	—
Adult use marijuana (11)	961,533	747,443	195,211	—	—	—
Hotel/motel	4,546,069	4,160,293	2,460,567	2,805,265	3,646,904	3,342,980
Online lodging marketplace (9)	942,146	854,820	597,916	355,669	—	—
Rental occupancy tax (6)	(13)	—	(1)	—	(1)	—
Use tax	10,691,331	10,104,849	9,061,233	7,744,065	7,316,160	6,590,501
Use tax-utilities	1,562	(891)	1,852	1,642	945	2,512
Total	\$ 199,041,109	\$ 186,584,496	\$ 160,694,988	\$ 138,358,943	\$ 131,344,742	\$ 123,309,810
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 5.6% for fiscal years 2014 through 2023. For fiscal years 2014 through 2023, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2014 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 5.5% for fiscal years 2014 through 2023. Online lodging marketplace was 5.5% for fiscal years 2020 through 2023. 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.
- (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 2023 and prior.

Fiscal Year			
2017	2016	2015	2014
\$ 39,944	\$ 56,139	\$ 57,588	\$ 54,981
140,648	154,947	111,808	116,678
735,086	607,840	994,478	1,047,580
9,920,286	10,031,989	9,856,234	9,923,490
2,000,877	2,306,786	2,565,400	2,965,233
22,117	2,577	6,498	5,616
87,179	105,270	106,357	101,751
237,887	236,324	259,672	321,225
13,571,567	12,715,254	12,053,486	11,085,652
1,323,661	1,342,700	1,252,514	1,096,945
50	2	6	2
3,947,160	3,689,976	3,453,882	3,355,048
10,252,613	9,601,228	10,653,405	11,269,503
63,922,406	61,614,309	58,463,542	55,257,510
—	—	—	—
155,624	160,125	26,816	—
—	—	—	—
—	—	—	—
3,058,663	2,819,143	2,675,510	2,334,373
—	—	—	—
—	(503)	—	—
6,069,074	5,703,365	5,659,094	4,749,508
34,764	38,945	48,070	62,511
<u>\$ 115,519,606</u>	<u>\$ 111,186,416</u>	<u>\$ 108,244,360</u>	<u>\$ 103,747,606</u>
5.60%	5.60%	5.60%	5.60%

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STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

	Fiscal Year 2023		Fiscal Year 2014	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
<u>CLASSIFICATION</u>				
Transporting	\$ 2,372	0.02 %	\$ 2,749	0.05 %
Non-metal mining, oil and gas	8,118	0.07	3,646	0.06
Mining severance	19,941	0.18	26,190	0.45
Utilities	540,890	4.86	496,174	8.59
Communications	65,335	0.59	148,262	2.57
Private car and pipelines	2,429	0.02	281	—
Publishing	1,822	0.02	5,088	0.09
Job printing	12,164	0.11	16,061	0.28
Restaurants and bars	1,083,647	9.74	554,283	9.60
Amusements	116,605	1.05	54,847	0.95
Personal property rentals	405,350	3.64	167,755	2.90
Contracting	1,170,179	10.51	563,368	9.75
Retail	4,996,389	44.88	2,762,875	47.85
Remote seller/marketplace facilitator	611,424	5.49	—	—
MRRA amount (2)	13,270	0.12	—	—
Medical marijuana (4)	20,177	0.18	—	—
Adult use marijuana	48,077	0.43	—	—
Hotel/motel	250,034	2.25	128,390	2.22
Online lodging marketplace	51,818	0.47	—	—
Use tax utilities	78	—	3,126	0.05
Use tax	533,335	4.79	235,985	4.09
License fees	781	0.01	567	0.01
Jet fuel tax (3)	—	—	3,190	0.06
Jet fuel use tax (3)	—	—	382	0.01
Non sufficient funds	482	—	72	—
Mandatory EFT fees	1,548	0.01	179	—
Education tax (1)	2,130	0.02	601,854	10.42
Education tax extension (5)	1,172,895	10.54	—	—
Total	<u>\$ 11,131,290</u>	<u>100.00 %</u>	<u>\$ 5,775,324</u>	<u>100.00 %</u>

- (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 2023 and 2014.

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					
	2022	2021	2020	2019	2018	2017
Farm earnings	\$ 965,062	\$ 728,503	\$ 808,094	\$ 1,188,622	\$ 983,728	\$ 1,258,980
Forestry and fishing	543,725	538,395	581,814	544,326	543,818	534,468
Mining	1,987,790	1,602,649	1,504,792	1,696,196	1,980,023	1,599,241
Utilities	3,369,055	3,737,511	3,645,965	2,886,516	2,518,788	2,097,447
Construction	21,292,578	18,322,331	17,085,278	15,391,513	13,602,238	12,060,433
Manufacturing	21,389,158	20,149,769	18,594,191	17,752,218	16,404,250	15,484,213
Wholesale trade	13,371,195	11,842,443	10,982,297	10,350,870	10,110,694	9,593,453
Retail trade	19,712,622	18,242,870	16,564,141	15,050,396	14,551,031	14,087,776
Transportation and warehousing	11,733,911	10,594,892	8,904,224	8,142,204	7,449,293	6,632,704
Information	6,665,956	7,020,114	6,387,891	6,441,711	5,466,326	4,712,703
Finance and insurance	22,095,541	21,845,041	20,697,863	18,372,509	17,119,982	15,898,075
Real estate, rental, and leasing	13,093,912	8,041,680	7,598,391	7,011,511	6,013,655	5,451,890
Professional and technical services	23,840,736	21,809,028	19,341,472	18,454,279	17,249,604	15,932,298
Managing companies/enterprises	5,632,779	4,833,679	4,074,608	3,637,836	3,232,402	3,549,085
Administrative and waste services	17,824,922	16,114,875	14,522,740	14,189,094	13,452,217	12,637,760
Educational services	4,585,929	4,407,046	4,010,299	3,781,841	3,474,544	3,361,739
Health care and social assistance	34,703,276	32,155,727	30,555,268	28,460,229	26,883,368	25,265,830
Arts, entertainment, and recreation	2,872,342	2,312,863	2,044,959	2,721,648	2,872,480	2,784,972
Accommodation and food services	12,097,390	11,215,582	8,399,575	9,330,252	9,013,270	8,323,393
Other services, except public administration	9,730,714	8,823,134	7,653,056	7,799,450	7,438,232	7,048,876
Government and government enterprises	38,332,190	37,293,159	36,424,592	34,821,982	33,906,786	32,666,497
Other (1)	144,242,751	148,254,409	133,930,286	109,188,871	101,192,232	96,279,673
Total	<u>\$ 430,083,534</u>	<u>\$ 409,885,700</u>	<u>\$ 374,311,796</u>	<u>\$ 337,214,074</u>	<u>\$ 315,458,961</u>	<u>\$ 297,261,506</u>
Average effective rate (2)	1.22%	1.84%	1.75%	1.34%	1.59%	1.53%

- (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 2013 through 2021 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

	2016	2015	2014	2013
\$	1,347,378	\$ 1,198,622	\$ 975,120	\$ 1,333,846
	524,765	501,066	446,116	407,348
	1,370,457	1,448,316	1,558,699	1,530,185
	1,863,613	1,693,967	1,659,654	1,575,442
	10,546,871	9,722,330	9,261,639	8,834,813
	14,711,459	14,174,536	13,714,172	13,486,080
	9,095,991	8,846,132	8,506,553	8,359,558
	13,598,048	13,417,615	13,059,605	12,091,003
	6,284,021	5,967,038	5,502,033	5,114,807
	4,592,238	4,365,514	4,139,080	3,642,745
	14,376,682	13,160,960	12,106,330	11,679,876
	5,701,287	5,098,049	4,384,379	3,937,673
	15,006,743	14,442,743	13,755,625	13,237,720
	3,308,195	3,232,706	3,187,220	2,936,206
	11,781,675	11,410,060	10,857,093	10,263,001
	3,297,280	3,196,741	3,106,432	2,948,797
	23,821,982	22,489,834	21,381,604	20,725,787
	2,580,997	2,342,400	2,361,586	2,085,378
	7,604,652	7,125,994	6,514,167	6,484,872
	6,807,130	6,582,182	6,380,061	5,942,178
	31,442,600	30,876,806	29,854,307	29,601,366
	90,032,685	86,180,448	81,000,145	75,811,631
\$	279,696,749	\$ 267,474,059	\$ 253,711,620	\$ 242,030,312
	1.48%	1.48%	1.48%	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				
	2022	2021	2020	2019	2018
<u>AVERAGE EFFECTIVE RATE (3)</u>					
Personal Income Tax Revenue (1)	\$ 5,241,146	\$ 7,531,598	\$ 6,534,602	\$ 4,531,546	\$ 5,010,333
Personal Income (2)	430,083,534	409,885,700	374,311,796	337,214,074	315,458,961
Average Effective Rate (3)	1.22%	1.84%	1.75%	1.34%	1.59%
<u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u>					
\$0 - \$27 (6)	2.55%	—	—	—	—
\$27 and over (6)	2.98%	—	—	—	—
\$0 - \$27 (5)	—	2.59%	2.59%	2.59%	2.59-2.88%
\$27 - \$55 (5)	—	3.34%	3.34%	3.34%	3.36%
\$55 - \$166 (5)	—	4.17%	4.17%	4.17%	4.24%
\$166 and over (5)	—	4.50%	4.50%	4.50%	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 2013 through 2022 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.
- (5) Taxable income ranges fluctuate annually; the amounts listed are for the latest calendar year (2021).
- (6) For calendar year 2022, the number of tax brackets decreased from four to two.

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 2021 AND 2013 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2021			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u>				
\$50 and under	2,039,761	58.15%	\$ 477,326	7.04%
\$50 - \$100	780,279	22.24%	982,144	14.49%
\$100 - \$500	643,163	18.33%	2,957,047	43.61%
\$500 and over	45,005	1.28%	2,363,676	34.86%
Total	3,508,208	100.00%	\$ 6,780,193	100.00%

- (1) The taxable year 2021 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 2021, filed from January 2022 forward (or 2013, filed from January 2014 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

2017	2016	2015	2014	2013
\$ 4,545,242	\$ 4,131,621	\$ 3,968,883	\$ 3,761,764	\$ 3,463,266
297,261,506	279,696,749	267,474,059	253,711,620	242,030,312
1.53%	1.48%	1.48%	1.48%	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, 2013

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,885,150	66.99%	\$ 457,028	13.62%
572,525	20.34%	747,422	22.27%
342,317	12.16%	1,426,799	42.51%
14,442	0.51%	724,928	21.60%
2,814,434	100.00%	\$ 3,356,177	100.00%

STATE OF ARIZONA

SCHEDULE 10

RATIOS OF OUTSTANDING DEBT BY TYPE

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2023

(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year				
	2023	2022	2021	2020	2019
GOVERNMENTAL ACTIVITIES:					
Revenue bonds (3)	\$ 1,196,535	\$ 1,365,585	\$ 1,872,630	\$ 2,100,710	\$ 2,366,595
Grant anticipation notes (3)	141,905	163,705	184,460	204,220	223,885
Certificates of participation (3)	128,945	217,410	839,825	958,270	1,393,865
Direct placements (3)	14,670	73,320	4,005	4,010	—
Capital lease obligations (2,4)	—	—	123,489	136,745	152,153
Installment purchase contracts	—	—	—	—	—
Financed purchases (4)	86,948	99,460	—	—	—
Notes payable	—	—	—	—	—
Premiums and discounts on debt	214,737	258,691	395,907	452,932	444,111
Total Governmental Activities	<u>1,783,740</u>	<u>2,178,171</u>	<u>3,420,316</u>	<u>3,856,887</u>	<u>4,580,609</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds (3)	3,741,510	3,676,945	3,616,395	3,243,430	3,296,480
Certificates of participation (3)	205,660	245,145	289,610	307,510	451,831
Direct placements (3)	221,615	234,280	247,785	239,605	—
Capital lease obligations (4)	—	—	107,091	117,336	124,952
Installment purchase contracts	—	—	21	42	62
Financed purchases (4)	59,672	68,631	—	—	—
Notes payable	—	—	—	13,542	13,999
Premiums and discounts on debt	417,729	437,174	460,199	410,283	361,083
Total Business-type Activities	<u>4,646,186</u>	<u>4,662,175</u>	<u>4,721,101</u>	<u>4,331,748</u>	<u>4,248,407</u>
Total Primary Government	<u>\$ 6,429,926</u>	<u>\$ 6,840,346</u>	<u>\$ 8,141,417</u>	<u>\$ 8,188,635</u>	<u>\$ 8,829,016</u>
Debt as a Percentage of					
Personal Income (1)	1.5%	1.7%	2.2%	2.4%	2.8%
Amount of Debt per Capita (1)	\$ 874	\$ 942	\$ 1,134	\$ 1,158	\$ 1,267

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (1) See Schedule 19 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 2023 contains data for the calendar year ending December 31, 2022.
- (2) For fiscal year 2014, capital leases related to private prisons were restated due to a correction of an error.
- (3) As a result of implementation of GASB Statement No.88 in fiscal year 2019, previously reported revenue bonds, certificates of participation, and grant anticipation notes that had terms negotiated directly with an investor or lender were identified as a direct placement.
- (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				
2018	2017	2016	2015	2014, as restated
\$ 2,371,765	\$ 2,640,330	\$ 2,899,875	\$ 3,141,190	\$ 3,406,195
177,420	129,475	147,320	194,670	247,710
1,585,995	1,804,395	1,891,460	2,030,805	2,200,675
—	—	—	—	—
189,581	215,084	334,909	408,784	423,513
—	—	176	349	—
—	—	—	—	—
—	22,179	22,179	22,179	89,865
453,713	516,456	492,349	492,048	427,865
<u>4,778,474</u>	<u>5,327,919</u>	<u>5,788,268</u>	<u>6,290,025</u>	<u>6,795,823</u>
3,109,245	3,010,525	2,701,665	2,675,430	2,302,035
502,636	557,506	600,556	637,986	676,345
—	—	—	—	—
131,134	134,399	141,117	168,960	132,957
769	1,460	2,114	2,805	4,098
—	—	—	—	—
—	—	—	—	—
342,647	325,412	268,474	231,178	130,315
<u>4,086,431</u>	<u>4,029,302</u>	<u>3,713,926</u>	<u>3,716,359</u>	<u>3,245,750</u>
<u>\$ 8,864,905</u>	<u>\$ 9,357,221</u>	<u>\$ 9,502,194</u>	<u>\$ 10,006,384</u>	<u>\$ 10,041,573</u>
3.0%	3.3%	3.6%	3.9%	4.1%
\$ 1,289	\$ 1,376	\$ 1,415	\$ 1,507	\$ 1,530

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(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
2023	\$ 3,608,889	\$ 288,711	\$ 162,400	\$ 126,311	4.50 %
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

- (1) For fiscal years 2014 through 2023, projections are based upon the University's fiscal years 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, 2024-2027, and 2025-2028 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, 2023
(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
2023	\$ 2,573,810	\$ 205,905	\$ 108,100	\$ 97,805	4.20 %
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

- (1) For fiscal years 2014 through 2023, projections are based upon the University's fiscal years 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, 2024-2027, and 2025-2028 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, 2023
(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
2023	\$ 642,623	\$ 51,410	\$ 39,200	\$ 12,210	6.10 %
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

- (1) For fiscal years 2014 through 2023, projections are based upon the University's fiscal years 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, 2021-2023, 2022-2024, 2023-2025, 2024-2027, and 2025-2028 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, 2023
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2023	\$ 829,723	\$ 44,650	\$ 37,731	\$ 82,381	10.07
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

- (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, 2023

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2023	\$ 481,726	\$ 124,400	\$ 18,874	\$ 143,274	3.36
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

(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**ARIZONA STATE UNIVERSITY REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2023

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service				Coverage
		Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	
2023	\$ 2,389,942	\$ 63,700	\$ 92,380	\$ (60)	\$ 156,020	15.32
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

(1) Pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue.

STATE OF ARIZONA
SCHEDULE 17
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

Fiscal Year	(1), (2)		Net Revenue Available for Debt Service	Debt Service			Coverage
	Gross Revenues	Direct Operating Expenses		Principal	Interest	Total	
2023	\$ 2,132,522	\$ 2,077,069	\$ 55,453	\$ 46,225	\$ 56,906	\$ 103,131	0.54
2022	1,948,649	1,833,632	115,017	41,370	59,028	100,398	1.15
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

- (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 18
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

Fiscal Year	(1), (2)		Debt Service		Coverage
	Gross Revenues	Principal	Interest (3)	Total	
2023	\$ 340,563	\$ 17,125	\$ 16,807	\$ 33,932	10.04
2022	329,082	13,995	17,422	31,417	10.47
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

- (1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition, certain auxiliary enterprise revenue, investment income, and indirect cost recovery revenue.
- (2) Fiscal year 2015 gross revenue was revised by NAU in fiscal year 2016.
- (3) Fiscal year 2022 interest was revised by NAU in fiscal year 2023.

STATE OF ARIZONA
SCHEDULE 19
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate
2022	7,359,197	\$ 430,083,534	\$ 58,442	3.3
2021	7,264,877	409,885,700	56,420	3.2
2020	7,179,943	374,311,796	52,133	6.4
2019	7,070,511	337,214,074	47,693	4.4
2018	6,969,944	315,458,961	45,260	4.9
2017	6,879,830	297,261,506	43,208	4.6
2016	6,801,591	279,696,749	41,122	5
2015	6,714,328	267,474,059	39,836	5.5
2014	6,638,196	253,711,620	38,220	6.2
2013	6,563,216	242,030,312	36,877	7

- (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).
Arizona Office of Economic Opportunity

STATE OF ARIZONA
SCHEDULE 20
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2022 (1)			Calendar Year Ended December 31, 2013		
	Total Full-Time Count of	Rank	Percentage of Total State	Full-Time Equivalent	Rank	Percentage of Total State
	Employees		Employment	Employees		Employment
Amazon.com	40,000	1	1.11 %	—	—	— %
Walmart Inc.	38,309	2	1.06	32,169	2	1.06
State of Arizona	37,861	3	1.05	49,278	1	1.64
Banner Health	35,205	4	0.97	25,270	3	0.52
Wells Fargo & Co.	15,500	5	0.43	14,713	5	0.49
City of Phoenix	14,960	6	0.41	14,983	4	0.50
Dignity Health Arizona	13,441	7	0.37	—	—	—
Arizona State University	12,866	8	0.36	12,222	7	0.40
Maricopa County	12,712	9	0.35	12,698	6	0.42
University of Arizona	11,128	10	0.31	—	—	—
Intel Corp.	—	—	—	11,900	8	0.39
JP Morgan Chase & Co.	—	—	—	11,042	9	0.37
Bank of America	—	—	—	11,000	10	0.37
Total	231,982		6.42 %	195,275		6.16 %

- (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 2023

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STATE OF ARIZONA
SCHEDULE 21
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
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	240.9	245.9	250.9
Department of Revenue	880.8	880.8	880.8	880.8	880.8	880.8
All other	2,500.4	2,456.4	2,456.4	2,452.4	2,325.4	2,321.4
Health and welfare:						
Department of Economic Security (2)	4,381.8	4,381.8	4,377.8	4,377.8	4,323.8	4,289.4
Department of Child Safety (2)	3,203.1	3,193.1	3,193.1	3,193.1	3,193.1	3,193.1
Arizona Health Care Cost Containment System	2,348.3	2,339.3	2,339.3	2,339.3	2,339.3	2,326.3
Department of Health Services	1,135.5	1,119.5	1,125.0	1,130.5	1,100.0	1,065.5
All other	1,223.6	1,211.6	1,211.6	948.6	947.6	959.6
Inspection and regulation	1,576.2	1,554.7	1,555.7	1,548.7	1,534.2	1,563.7
Education:						
Universities	18,034.5	17,457.1	17,538.6	17,538.6	17,680.4	17,239.3
All other	902.9	913.9	913.9	894.9	889.9	844.9
Protection and safety:						
Department of Corrections, Rehabilitation & Reentry	9,566.0	9,566.0	9,566.0	9,566.0	9,556.0	9,541.0
Department of Juvenile Corrections	738.5	738.5	738.5	738.5	738.5	738.5
Department of Public Safety	2,043.7	2,014.7	2,014.7	2,014.7	1,966.7	1,945.7
All other	98.1	98.1	95.1	101.1	99.1	98.6
Department of Transportation	4,554.0	4,554.0	4,554.0	4,554.0	4,552.0	4,552.0
Natural resources	926.2	801.2	801.2	801.2	795.2	795.2
Total	<u>54,453.3</u>	<u>53,620.4</u>	<u>53,701.4</u>	<u>53,419.9</u>	<u>53,266.7</u>	<u>52,704.7</u>

- (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			
2017	2016	2015	2014
98.8	98.8	98.8	98.8
250.9	250.9	246.9	246.9
880.8	880.8	880.8	861.8
2,280.4	2,331.6	2,308.6	2,229.6
4,218.0	4,147.7	3,882.6	5,654.1
3,057.1	3,057.1	3,045.1	—
2,326.3	2,214.3	2,208.3	2,217.3
1,036.5	1,176.7	1,176.7	1,176.7
961.6	961.6	949.6	946.6
1,651.4	1,656.4	1,650.4	1,643.9
16,721.0	15,635.7	15,635.7	15,607.7
843.9	843.9	840.9	838.9
9,540.0	9,534.0	9,534.0	9,384.0
738.5	738.5	738.5	738.5
1,908.7	1,907.7	1,907.7	1,904.7
98.6	98.6	97.6	95.6
4,552.0	4,548.0	4,548.0	4,548.0
733.5	733.5	730.5	716.5
51,898.0	50,815.8	50,480.7	48,909.6

STATE OF ARIZONA
SCHEDULE 22
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2023

	Fiscal Year				
	2023	2022	2021	2020	2019
<u>FUNCTIONS/PROGRAMS</u>					
General government:					
Number of tax returns received (in millions)	6.6	6.6	6.8	6.1	6.4
Health and welfare:					
Arizona Health Care Cost Containment System membership (2)	2,357,454	2,411,057	2,236,003	1,994,632	1,872,169
Average monthly number of recipients of temporary assistance for needy families	11,354	12,947	15,640	14,430	14,154
Average monthly number of persons receiving food stamp benefits	910,321	842,247	930,130	831,903	824,197
Inspection and regulation:					
Nonfatal occupational injuries and illnesses:					
Total recordable cases (in thousands) (3)	79.5	67.3	68.8	74.7	69.6
Incident rate per 100 full-time workers (3)	3.2	3.0	3.1	3.2	3.1
Education:					
Public school enrollment, grades K-12 (4)	1,110,075	1,114,790	1,097,762	1,128,939	1,120,146
Protection and safety:					
Number of miles patrolled by the Highway Patrol	20,845,995	19,030,955	19,954,464	19,076,187	20,262,923
State prison adult inmate population	34,377	33,371	35,954	40,151	42,312
Transportation:					
Number of registered vehicles (5)	7,969,576	7,764,367	7,444,032	7,828,255	7,863,112
Number of driver licenses issued (6)	5,850,511	5,850,390	5,873,322	5,678,867	5,369,964
Natural resources:					
Game and Fish Department's license, stamp, and tag sales (7)	529,687	533,480	592,633	670,781	552,770
Universities:					
University full-time equivalent students (8)	202,042	195,722	190,600	184,561	176,594
Unemployment compensation:					
Number of initial unemployment claims filed (9)	171,252	150,330	443,841	873,422	197,855

- (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.
- (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 2023 contains data for the calendar year ending December 31, 2022. 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 2023 contains data from the October 1, 2022 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) 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. Beginning 2016, total number of tag sales was not available. For fiscal years 2014-2020, the fiscal years contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2020 contains data for the calendar year ending December 31, 2019. Beginning fiscal year 2021, the license sales count has been compiled and provided by the fiscal year referenced and not the calendar year.
- (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 2023 contains data for the fall 2022 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 State University, Northern Arizona University, University of Arizona, and the U.S. Department of Labor.

Fiscal Year				
2018	2017	2016	2015	2014
6.4	6.0	5.9	5.7	5.7
1,849,093	1,922,724	1,849,578	1,709,550	1,508,690
16,195	18,762	22,171	27,272	32,888
875,241	946,184	980,536	1,027,845	1,070,674
67.2	64.4	65.0	65.4	70.6
3.0	3.1	3.1	3.2	3.5
1,093,867	1,110,425	1,105,592	1,098,701	1,084,276
19,976,488	18,771,511	19,843,962	19,280,016	19,222,811
42,113	42,200	42,902	42,611	41,773
8,518,715	8,247,514	7,970,946	7,694,309	7,453,046
5,285,723	5,165,719	5,083,085	4,979,520	1,188,903
530,500	519,555	524,781	726,285	822,923
170,861	165,536	158,681	148,819	141,264
214,590	223,084	223,141	229,770	257,951

STATE OF ARIZONA
SCHEDULE 23
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2023

	Fiscal Year						
	2023	2022	2021	2020	2019	2018	2017
<u>FUNCTIONS/PROGRAMS</u>							
Protection and safety:							
Number of adult prison facilities (2)	9	9	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	9,435	9,415	9,449	6,822	6,822	6,775	6,780
Number of bridges (1)	4,930	4,927	4,920	4,900	4,860	4,855	4,810
Natural resources:							
State Trust acres	9,186,274	9,188,113	9,186,793	9,207,861	9,207,430	9,215,392	9,215,795
Universities:							
Number of facilities (3)	1,251	1,263	1,251	1,242	1,238	1,251	1,267
Gross square feet (in thousands) (3)	51,894	51,291	50,322	49,247	48,693	48,248	47,437

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 fiscal year 2022, 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		
2016	2015	2014
10	10	10
6,822	6,800	6,800
4,858	4,798	4,787
9,216,213	9,217,704	9,223,617
1,268	1,258	1,212
44,665	46,054	44,658

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