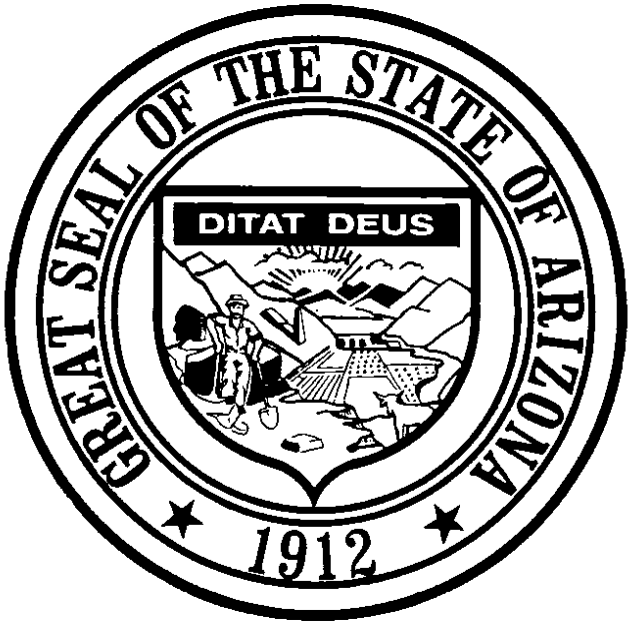
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012



Janice K. Brewer
GOVERNOR

PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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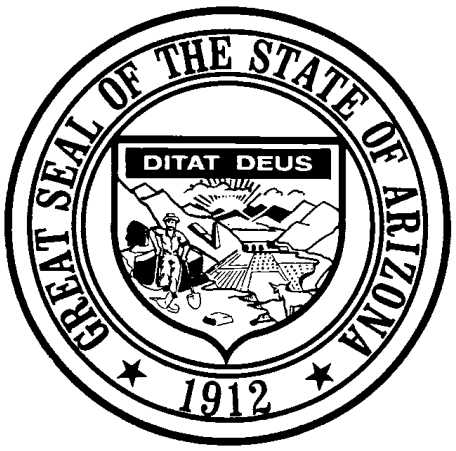
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Janice K. Brewer
Governor

Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE ¡ SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

January 14, 2013

The Honorable Janice K. Brewer,
Governor of the State of Arizona;
Members of the Legislature;
Rebecca White Berch, 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 Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2012. 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 major and non-major funds 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 are 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

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

ARIZONA

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state, 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 courts, justice of the peace courts, and municipal courts. The superior courts, justice of the peace courts, and municipal courts are excluded from the State's reporting entity. The Supreme Court is the highest court in the State and is comprised of five 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.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (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 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.

BUDGETARY CONTROLS

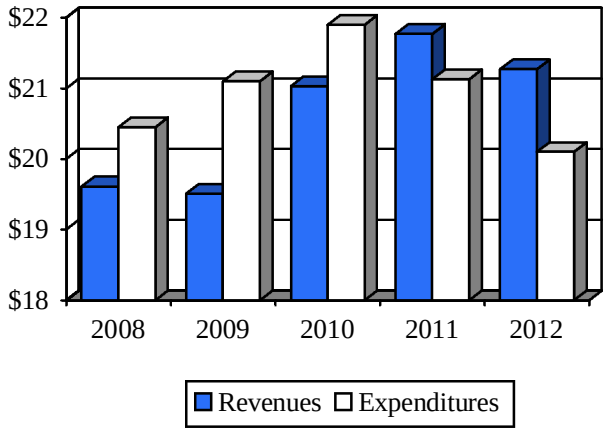
Budgetary control is maintained through legislative appropriation and the Executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by 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. These appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

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

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(*Dollars in billions*)

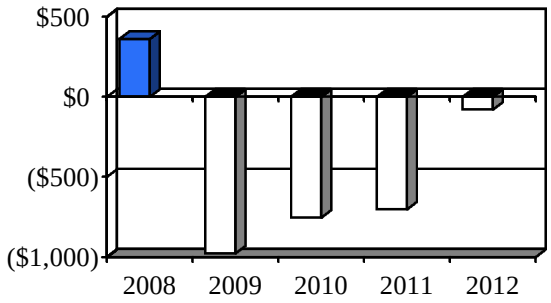


The General Fund ended the June 30, 2012 fiscal year with a total fund balance deficit of $79.7 million. This compares to the previous year's total fund balance deficit of $703.2 million.

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

Graph 2

General Fund Balance (Deficit) for last 5 fiscal years
(*Dollars in millions*)



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is based on the Arizona Department of Administration's Employment Forecast Update, released on November 1, 2012.

Overview

The Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting a gradual increase in nonfarm employment in Arizona for the 2012-2013 projections time period. In comparison to the employment forecast released earlier in May, nonfarm employment growth has been forecast to be slightly greater in both 2012 and 2013. An over-the-year gain of 51,200 nonfarm jobs was estimated for 2012 and 60,900 is projected for 2013. The previous forecast in May was for a 47,000 job gain in 2012 and 55,800 in 2013. In the current forecast, the rate of growth projected for total nonfarm employment is 2.1 percent in 2012 and 2.5 percent in 2013. A total of 112,200 nonfarm jobs are forecast to be gained over the two projected years (2012 and 2013).

The overall employment situation in Arizona is improving. An initial increase in home prices in Arizona and some other states is a positive sign. There are a number of factors that have helped the U.S., as well as Arizona's economy, gradually improve and add jobs:

- Continued improvement in real Gross Domestic Product, real personal income at the state and national levels, employment, and retail sales.
- Continued employment gains in the private sector, increasing private domestic investment, gradual rise in the index of industrial production and rate of capacity utilization, high levels of corporate profit, a gradual resurgence in private residential construction permits.
- Continued gradual climb in household net worth as the decline in U.S. home prices have slowed, a continued decline in the fraction of disposable income used for household debt payments, and continued growth in U.S. exports.
- Further stabilization of home prices in Arizona, with some rise in the Phoenix metropolitan area. The residential real estate market in Arizona and Phoenix metropolitan area is showing an improvement as measured by various indicators, including an increase in the number of building permits issued.
- Expansion of non-revolving consumer credit since 2011 has served as an impetus to expanding economic activity, although revolving consumer credit levels have remained flat. Consumer sentiment and consumer spending has shown signs of improvement.

With an improving domestic economy and employment growth in the private sector, consumers are expected to spend more as their incomes rise. Increased spending will generate further economic activity, creating a higher demand for goods and services. Outside of the U.S., the economies of Asia and Latin America are expected to grow at a slower pace during the forecast time period. These expanding foreign economies are projected to create growing demand for exports that are fabricated in the U.S. and Arizona.

Although positive signs of economic improvement continue, there are some domestic factors that could dampen the growth of the local economy. Regardless of the uncertainties, we remain confident in both the strength of the positive signs described above, and in our forecast. Nevertheless, the following possible threats should be considered:

- Constrained budgets as well as economic and financial uncertainty for a large majority of households. Despite some job growth, many consumers in the U.S. continue to face employment insecurity, lower wages and benefits, high levels of debt, rising gasoline costs, and rising prices for essentials such as food, energy, and healthcare that limits the amount of funds available for discretionary spending. The most recent drought in the Midwestern states, an important agricultural region, has already sent food prices soaring in the U.S. and the rest of the world.
- Weak real estate markets in both the residential and commercial sectors could inhibit the overall economy. Signs of weakness include vacant properties, non-performing loans, under water mortgages and continued home mortgage foreclosures. The residential real estate market, although in the beginning stages of a gradual recovery, is showing more signs of a recovery than the commercial real estate market.
- Business reluctance to invest despite high levels of corporate profits and cash reserves as a consequence of demand uncertainty.
- Public sector fiscal consolidation through spending reductions and/or tax increases to reduce debts could have a bearing on the growth of the economy as a result of the impending "fiscal cliff", the conundrum that the U.S. government will face given the terms of the Budget Control Act of 2011. According to a pre-arranged legislative agreement, scheduled spending will be reduced and taxes will rise to reduce the federal government deficit and debt levels. Spending is scheduled to be reduced in both civilian and military programs. Tax cuts are scheduled to expire and new taxes have been legislated to begin in 2013. Reduced spending and increased taxes are expected to lower the level of aggregate demand in the U.S. economy and slow the rate of economic and employment growth.
- Besides the federal government, state and local governments continue to have budget problems. Many state and local governments have recently been using increases in tax revenues to build up emergency reserve funds to deal with any future economic downturns and have not been increasing their levels of spending.

In addition to the factors listed above, there is some uncertainty on the international front:

- Debt repayment problems in the Euro Monetary Zone economies, and economic contraction. Countries in the Euro Monetary Zone serve as an important market for U.S. exports. They also serve as a source of foreign investment funds for U.S. financial markets. U.S. investments in European banks could run the risk of devaluation and default in a recession. However, news of proposed European Central Bank support for sovereign debt reduces the risk. Although trade with Arizona is limited, it exposes the U.S. to the risk of European financial and economic problems.
- Potential international military conflict in the Persian Gulf with Iran. A military conflict could disrupt the flow of oil out of the Persian Gulf and the Middle East, restrict the global supply of petroleum, further increase gasoline prices, and restrict economic activity around the world.

- Economic growth is slowing in the People's Republic of China resulting from a reduced pace of expansion in China's export markets. The Chinese government is beginning the process of changing the structure of the Chinese mainland economy from being driven by low value added goods for export to Europe, the U.S., and the rest of the world to more value added manufactured goods using higher technology and higher skilled labor for their internal demand. This could create a new middle class dependent on U.S. imports. In the short run, the magnitude of the impact of the slowdown in China is not certain.

Individual Sectors

The Professional and Business Services sector is projected to have an increase of 9,800 jobs, or 2.9 percent, in 2012 and 11,700 jobs, or 3.3 percent, in 2013. The sub-sectors with the largest projected job gains over the projection period include Employment Services, Services to Buildings and Dwellings and Professional, Scientific and Technical Services. Business firms are expected to hire contingent labor as a lower cost means to expand output during the early, uncertain stages of an economic recovery. Management and Business Support Services are the sub-sectors with forecast job losses. A continued need to control costs and minimize expenditures is the cause of the projected employment decreases in Management and Business Support services.

The Educational and Health Services sector is forecast to gain 9,700 jobs, or 2.7 percent, in 2012 and 10,800 jobs, or 2.9 percent, in 2013. The largest projected increases in employment are forecast in the sub-sectors of Ambulatory Health Services and Hospitals. Government spending reductions have the potential to severely curtail growth in the healthcare sectors. Private Educational Services are the sub-sectors with the smallest projected gains in employment as a result of more people leaving school to re-enter the workforce in an improving economy.

The Trade, Transportation, and Utilities sector is forecast to gain 9,300 jobs, or 2.0 percent, in 2012 and 10,500 jobs, or 2.2 percent, in 2013. The order of sub-sectors with the largest to smallest forecast gains include: Retail Trade; Transportation, Warehousing and Utilities; and Wholesale Trade. In the Retail Trade sub-sectors, Food and Beverage stores along with Motor Vehicles and Parts Dealers sub-sectors have the largest projected increases in employment. Improving consumer finances is anticipated to increase consumer spending and, therefore, contribute to job gains in Retail Trade. In the Transportation, Warehousing, and Utilities sub-sectors, Truck Transportation is forecast to have the largest job gains. Increases in employment are projected across most other sub-sectors including Air Transportation and Utilities.

The Leisure and Hospitality (L&H) sector is projected to have an increase of 8,600 jobs, or 3.3 percent, in 2012 and 9,500 jobs, or 3.5 percent, in 2013. The sub-sectors with the largest projected job gains are Food Services and Drinking Places and Arts, Entertainment and Recreation. Despite a projected increase in employment from 2012 to 2013, Accommodations has a slight forecasted loss in jobs for 2012. Growing demand for domestic and international tourism is projected to bolster employment in the L&H sector.

The Construction sector is forecast to gain 6,100 jobs, or 5.5 percent, in 2012 and 7,000 jobs, or 5.9 percent, in 2013. The largest forecast job gains from 2011 to 2013 are in the sub-sectors of Specialty Trades followed by Heavy and Civil Engineering Construction. Building construction is the only sub-sector with projected job losses. Repair and maintenance activities along with new infrastructure projects such as the expansion of light rail in Phoenix are expected to bolster employment in Specialty Trades and Heavy and Civil Engineering Construction sub-sectors. The vacant properties in residential and commercial real estate are anticipated to stop the growth of employment in Building Construction sub-sectors.

The Financial Activities sector is projected to have an employment increase of 5,000 jobs, or 3.0 percent, in 2012 and 5,400 jobs, or 3.1 percent, in 2013. During the 2011 to 2013 forecast time frame, the sub-sectors with the largest projected gains in employment are: Credit Intermediation and Monetary Authorities; Real Estate, Rental and Leasing; and Securities, Commodities Contracts and Investments. Insurance, Funds and Trusts also has projected job gains.

The Government sector is forecast to gain 2,000 jobs, or 0.5 percent, in 2012 and 3,800 jobs, or 0.9 percent, in 2013. The majority of projected increases in employment from 2011 to 2013 are in the sub-sectors of public education at the State and Local government levels. Slight job gains are also forecast for the non-education sectors of local government. However, job losses are projected for the Federal government and non-education sectors of State government.

The Manufacturing sector is projected to have an employment increase of 2,000 jobs, or 1.4 percent, in 2012 and 2,900 jobs, or 1.9 percent, in 2013. From 2011 to 2013, job gains are forecast across most Durable Goods sectors including Fabricated Metals, Aerospace and Computer and Electronic products, and Non-Durable Goods. However, job losses are projected in the unreported Durable Goods sectors.

The Natural Resources and Mining (NRM) sector is forecast to gain 200 jobs, or 1.9 percent, in 2012 and less than 50 jobs, or 0.4 percent, in 2013. From 2011 to 2013, slowing job gains are projected in Metal Ore Mining sub-sectors as a consequence of slowing economic growth in Asia and an emerging recession in Europe. Reductions in employment levels are forecast in the Non-Metal Ore Mining sub-sectors of the NRM.

The Information sector is projected to have a decrease in employment of 100 jobs, or 0.1 percent, in 2012 and an increase in employment of 300 jobs, or 0.8 percent in 2013. During the 2011 to 2013 projections time frame, slowing job losses are forecast in the Telecommunications sub-sectors. However, accelerating job gains are projected in the Non-Telecommunications sub-sectors.

The Other Services sector is forecast to lose 1,600 jobs, or 1.8 percent in 2012 and 900 jobs, or 1.0 percent in 2013. Increased employment insecurity, reduced wages and benefits, large levels of consumer and mortgage debt, and rising food, energy and healthcare costs have resulted in retrenchment of consumer spending towards establishments primarily engaged in raising funds for a wide range of social welfare activities. These establishments include foundations or charitable trusts, religious, professional, and civic organizations, etc.

MAJOR INITIATIVES

Arizona's economic condition during fiscal year 2012 continued to improve over the previous year resulting in a steady upward trend in General Fund tax revenue collections. The fiscal year 2012 budget included the continued additional support to the General Fund of the temporary 1-cent sales tax increase that became effective June 1, 2010. The State Legislature enacted laws regarding millions in shortfall solutions as part of the fiscal year 2012 budget that included spending reductions, fund transfers and revenue adjustments. Additionally, the State Legislature implemented new ongoing revenue from higher local contributions, including increased county cash contributions, and shifting Motor Vehicle Division and Department of Public Safety funding from the Highway Fund to the Highway User Revenue Fund (HURF). New one-time revenues enacted by the Legislature included a tax amnesty program which began in September 2011. Also, decreased contributions to urban revenue sharing based on state income tax collections resulted in significant revenue gains as well.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2011. This was the eighth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

Brian C. McNeil
Director

D. Clark Partridge
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arizona

For its Comprehensive Annual Financial Report

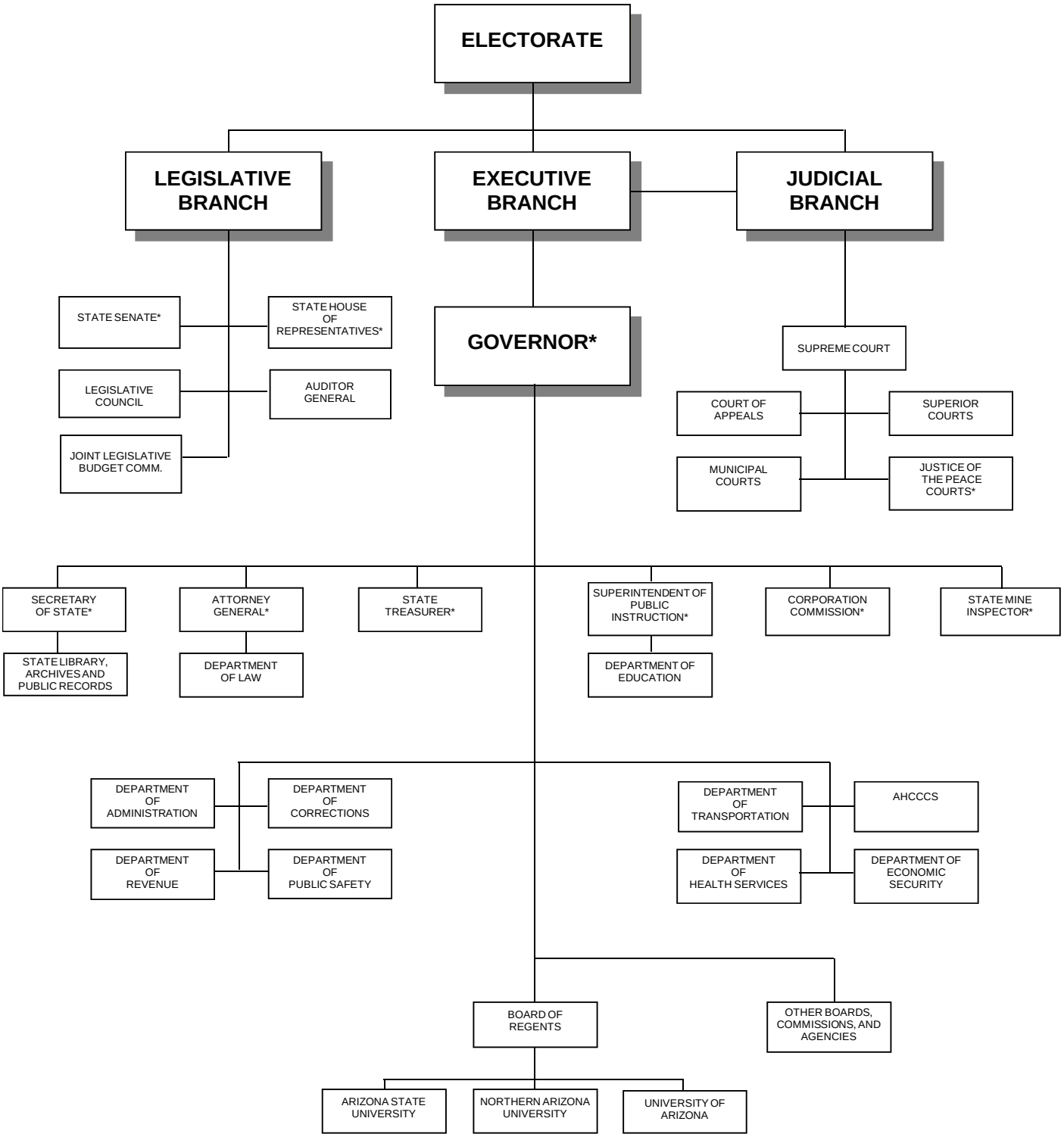
for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2012

ELECTED OFFICIALS

Janice K. Brewer, Governor

Senator Steve Pierce, President of the Senate

Representative Andy Tobin, Speaker of the House

Ken Bennett, Secretary of State

Tom Horne, Attorney General

Joe Hart, State Mine Inspector

Doug Ducey, State Treasurer

John Huppenthal, Superintendent of Public Instruction

Gary Pierce, Chairman – Corporation Commission

Brenda Burns, Commissioner – Corporation Commission

Sandra D. Kennedy, Commissioner – Corporation Commission

Paul Newman, Commissioner – Corporation Commission

Bob Stump, Commissioner – Corporation Commission

APPOINTED OFFICIALS

Executive Officials

Brian C. McNeil, Director – Department of Administration - current

Scott A. Smith, Director – Department of Administration - through October 2012

Charles L. Ryan, Director – Department of Corrections

Clarence H. Carter, Director – Department of Economic Security

John A. Greene, Director – Department of Revenue

Robert Halliday, Director – Department of Public Safety

Will Humble, Director – Department of Health Services

Tom Betlach, Director – Arizona Health Care Cost Containment System

John S. Halikowski, Director – Department of Transportation

Judicial Officials

Rebecca White Berch, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council

Richard Stavneak, Director – Joint Legislative Budget Committee

Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

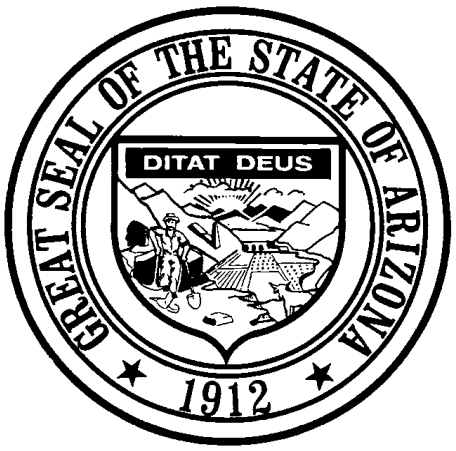
University Officials

Dr. Michael M. Crow, President – Arizona State University

Dr. John D. Haeger, President – Northern Arizona University

Dr. Ann W. Hart, President – University of Arizona – current

Dr. Eugene G. Sander, President – University of Arizona – through June 2012


GREAT SEAL OF THE STATE OF ARIZONA
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1912

FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable Andy Tobin, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

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, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, the State's retirement plans, and certain discretely presented component units, which account for the following percentages of the assets and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
Government-wide Statements		
Governmental activities:		
Arizona Department of Transportation	66.19%	11.55%
Arizona Health Care Cost Containment System	2.83%	16.39%
Early Childhood Development and Health Board	1.49%	0.52%
Business-type activities:		
Arizona Correctional Industries	0.23%	0.69%
Arizona Department of Transportation	1.14%	0.11%
Arizona Health Care Cost Containment System	0.13%	0.56%
Arizona State Lottery	1.10%	11.58%
Aggregate discretely presented component units	98.29%	99.05%

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
Fund Statements		
Major Governmental Funds:		
General Fund—Arizona Health Care Cost Containment System	26.78%	19.14%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Arizona Department of Transportation	100.00%	100.00%
Major Enterprise Fund:		
Lottery Fund—Arizona State Lottery	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Correctional Industries	0.04%	0.59%
Arizona Department of Transportation	1.28%	18.82%
Arizona Health Care Cost Containment System	0.13%	2.54%
Arizona State Retirement System	63.54%	34.81%
Corrections Officer Retirement Plan	2.91%	1.51%
Early Childhood Development and Health Board	1.00%	2.03%
Elected Officials' Retirement Plan	0.67%	0.39%
Public Safety Personnel Retirement System	11.46%	5.84%

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

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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Arizona Power Authority, the University of Arizona Health Network, and the Universities - Affiliated Component Units, except for those of the University Public Schools, Inc., which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Amounts presented for the Rio Nuevo Multipurpose Facilities District (Rio Nuevo) as of and for the year ended June 30, 2012, were unaudited. Rio Nuevo is a discretely presented component unit of the State and is included in the component units column on the government-wide financial statements. This had no effect on our opinion for the aggregate discretely presented component units as of and for the year ended June 30, 2012.

As described in Note 1.O, the State established the Arizona Commerce Authority on July 1, 2011, that was reported as a discretely presented component unit. This constitutes a change in reporting entity.

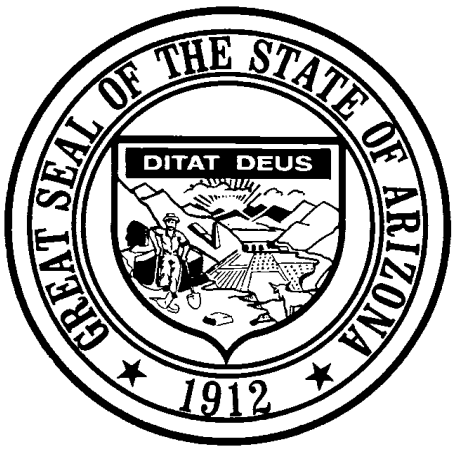
U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 21 through 33, the Budgetary Comparison Schedules on pages 135 through 151, the Infrastructure Assets information on pages 152 through 155, and the Agent Benefit Plans' Funding Progress on page 156 be presented to supplement the basic financial statements. Such information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of the State's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund statements and schedules have 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 previously, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we will also 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

January 14, 2013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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2012. 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 of the State exceeded liabilities at the close of the fiscal year by $21.7 billion (reported as net assets). Of this amount, a deficit of $2.5 billion exists for unrestricted net assets, $5.8 billion is restricted for specific purposes (restricted net assets), and $18.4 billion is invested in capital assets, net of related debt.
- The State's total net assets increased in fiscal year 2012 by $1.9 billion. Net assets of governmental activities increased by $1.7 billion, while net assets of the business-type activities increased by $194.4 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $5.5 billion, an increase of $1.1 billion from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of $3.5 billion, $1.9 billion, and $623.6 million, respectively, the State's unassigned fund balance had a deficit of $470.9 million, or 9% of combined fund balances.
- As of the close of the fiscal year, unassigned fund balance for the General Fund had a deficit of $437.0 million, which is approximately 2% of total General Fund expenditures.
- The Land Endowments Fund reported fund balance at fiscal year end of $3.4 billion, an increase of $234.6 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.
- The enterprise funds reported net assets at fiscal year end of $2.7 billion, an increase of $155.4 million during the year.

Long-term Debt:

- The State's total long-term primary government debt increased during the fiscal year to $10.2 billion, an increase of $117.3 million (or 1%). Changes during the year included the addition of revenue bonds, grant anticipation notes, and certificates of participation, of $1.1 billion, $43.8 million, and $158.1 million, respectively. Included in the increase in long-term primary government debt are increases in net issuance premiums of $147.4 million and increases in deferred amounts on refundings of $15.2 million. Also, the State retired $814.6 million of revenue bonds, $101.1 million of grant anticipation notes, and $329.3 million of certificates of participation.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 38**.

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 and liabilities 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 Assets and the Statement of Financial Position (pages 38-40) present all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statements of Activities (pages 42-44) present information showing how the State's net assets changed during the most recent fiscal year. All changes in 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). Additionally, long-term assets and liabilities are reported regardless of when these assets are expected to be converted to cash, or when the liability is expected to be liquidated (e.g., capital assets and long-term debt).

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. Lottery tickets, the State's unemployment compensation services, the Industrial Commission Special Fund, and the State's three universities are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The Water Infrastructure Finance Authority, the University of Arizona Health Network, the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Greater Arizona Development Authority, and the Arizona Commerce Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles, as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, the Arizona Capital Facilities Finance Corporation, the 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 GASB, and include a statement of financial position **(page 40)** and a statement of activities **(page 44)**. See **pages 69-72 and 120-131** for more information on discretely presented component units.

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

The fund financial statements begin on **page 45** 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 160** 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 46 and 48-49)** 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 45 and 47 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 Lottery and 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 propriety fund financial statements on **pages 52-55.**

Proprietary fund financial statements can be found on pages 50-59 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 60.** These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency 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 pages 60-61 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 69 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information 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. This section also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure and agent benefit plans' funding progress schedules.

Required supplementary information begins on page 135 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 funds are also included.

Other supplementary information begins on page 160 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 Assets as of June 30, 2012 and 2011
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2012	2011	2012	2011	2012	2011
Current assets	$ 5,057,124	$ 3,918,220	$ 1,372,172	$ 1,366,923	$ 6,429,296	$ 5,285,143
Capital assets	20,394,137	19,809,830	4,080,053	3,780,580	24,474,190	23,590,410
Other non-current assets	5,049,766	4,835,725	1,556,428	1,479,125	6,606,194	6,314,850
Total Assets	30,501,027	28,563,775	7,008,653	6,626,628	37,509,680	35,190,403
Current liabilities	4,188,849	3,888,505	838,541	886,322	5,027,390	4,774,827
Non-current liabilities	7,373,015	7,466,998	3,380,777	3,145,324	10,753,792	10,612,322
Total Liabilities	11,561,864	11,355,503	4,219,318	4,031,646	15,781,182	15,387,149
Net assets:						
Invested in capital assets, net of related debt	16,940,512	16,326,569	1,483,416	1,397,683	18,423,928	17,724,252
Restricted net assets	5,349,966	5,125,527	496,444	501,437	5,846,410	5,626,964
Unrestricted net assets	(3,351,315)	(4,243,824)	809,475	695,862	(2,541,840)	(3,547,962)
Total Net Assets	$ 18,939,163	$ 17,208,272	$ 2,789,335	$ 2,594,982	$ 21,728,498	$ 19,803,254

For the year ended June 30, 2012, the State's combined net assets totaled $21.7 billion, reflecting an increase of $1.9 billion during the current fiscal year.

The largest portion of the State's net assets (85%) represents capital assets, net of related debt of $18.4 billion. Additions to roads and bridges provided the majority of the governmental activities increase of $613.9 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 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 assets also included $5.8 billion (27%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net assets of $224.4 million is primarily the result of an increase of $253.7 million in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund. This increase was partially offset by reductions of restrictions for other government programs.

After accounting for the above net asset restrictions, the State has a remaining deficit of $2.5 billion (12%) reported as unrestricted net assets.

State of Arizona-Primary Government
Changes in Net Assets for Fiscal Years June 30, 2012 and 2011
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 847,502	$ 837,714	$ 2,983,424	$ 2,745,116	$ 3,830,926	$ 3,582,830
Operating grants and contributions	11,357,470	12,580,013	1,705,773	2,212,673	13,063,243	14,792,686
Capital grants and contributions	778,572	745,559	53,571	14,799	832,143	760,358
General revenues:						
Sales taxes	6,296,151	5,942,250	55,309	52,913	6,351,460	5,995,163
Income taxes	3,706,698	3,366,783	-	-	3,706,698	3,366,783
Tobacco taxes	317,369	320,657	-	-	317,369	320,657
Property taxes	30,656	32,038	-	-	30,656	32,038
Motor vehicle and fuel taxes	1,581,909	1,565,525	-	-	1,581,909	1,565,525
Other taxes	522,510	550,430	-	-	522,510	550,430
Unrestricted investment earnings	79,190	29,183	49,501	68,401	128,691	97,584
Unrestricted grants and contributions	40,678	16,468	3,468	-	44,146	16,468
Gain (loss) on sale of trust land	125,479	(154,359)	-	-	125,479	(154,359)
Miscellaneous revenue	167,604	140,854	155,757	50,510	323,361	191,364
Total Revenues	25,851,788	25,973,115	5,006,803	5,144,412	30,858,591	31,117,527
Expenses:						
General government	840,189	929,107	-	-	840,189	929,107
Health and welfare	11,992,408	12,558,119	-	-	11,992,408	12,558,119
Inspection and regulation	151,937	149,649	-	-	151,937	149,649
Education	5,331,848	5,467,543	-	-	5,331,848	5,467,543
Protection and safety	1,380,999	1,299,205	-	-	1,380,999	1,299,205
Transportation	808,967	857,194	-	-	808,967	857,194
Natural resources	213,339	196,210	-	-	213,339	196,210
Intergovernmental revenue sharing	2,473,881	2,462,178	-	-	2,473,881	2,462,178
Interest on long-term debt	350,483	341,801	-	-	350,483	341,801
Universities	-	-	3,629,568	3,533,977	3,629,568	3,533,977
Unemployment Compensation	-	-	1,069,531	1,655,364	1,069,531	1,655,364
Industrial Commission Special Fund	-	-	83,290	27,196	83,290	27,196
Lottery	-	-	496,830	439,069	496,830	439,069
Other business-type activities	-	-	113,347	115,442	113,347	115,442
Total Expenses	23,544,051	24,261,006	5,392,566	5,771,048	28,936,617	30,032,054
Excess (deficiency) before contributions, extraordinary item, and transfers	2,307,737	1,712,109	(385,763)	(626,636)	1,921,974	1,085,473
Contributions to permanent endowments	-	-	3,270	3,656	3,270	3,656
Extraordinary item:						
Insurance recovery, net of impairment loss	-	-	-	3,884	-	3,884
Transfers	(576,846)	(734,892)	576,846	734,892	-	-
Change in Net Assets	1,730,891	977,217	194,353	115,796	1,925,244	1,093,013
Net Assets - July 1	17,208,272	16,231,055	2,594,982	2,479,186	19,803,254	18,710,241
Net Assets - June 30	$ 18,939,163	$ 17,208,272	$ 2,789,335	$ 2,594,982	$ 21,728,498	$ 19,803,254

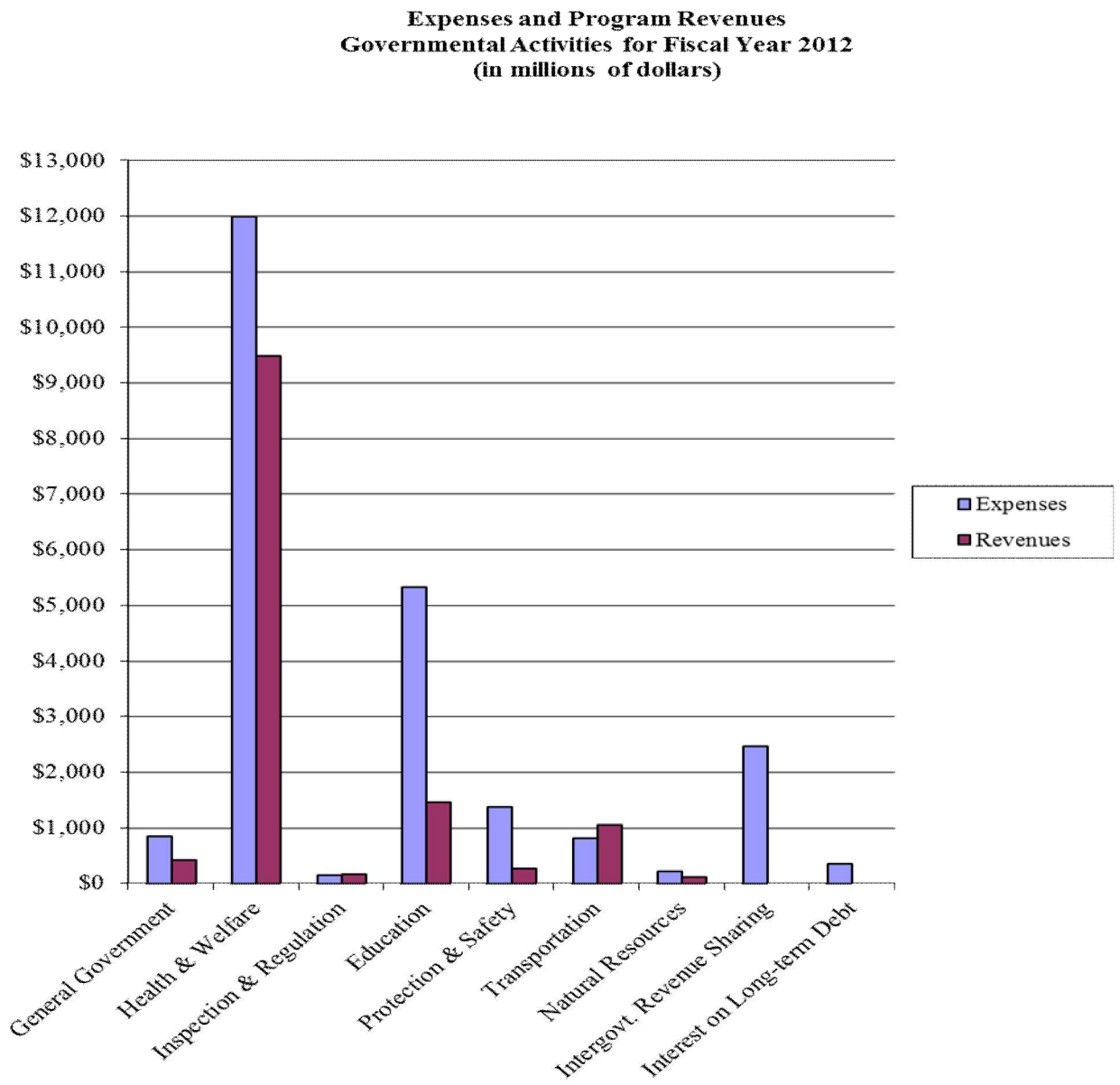
Change in Net Assets

Governmental Activities – Net Assets increased by $1.7 billion from fiscal year 2011, or a 10% increase from fiscal year 2011 total net assets. Reported sales tax and income tax revenues increased by $353.9 million, or 6%, and $339.9 million, or 10%, from fiscal year 2011, respectively. The increase in tax collections generally reflects increased economic activity in the State during fiscal year 2012. Net taxable sales increased by approximately 6% from fiscal year 2011 resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2012 were in retail sales, use tax, restaurants and bars, and contracting. Over half of the increase in income tax revenue for the State during fiscal year 2012 was due to increased withholding and individual income tax collections; however, corporate income tax revenue also increased during the year. During fiscal year 2012, the State received less federal stimulus funds from the American Recovery and Reinvestment Act (ARRA). This contributed to the decrease in fiscal year 2012 operating grants and contributions revenue of $1.2 billion, or 10%, as compared to fiscal year 2011; however, the decrease in ARRA funding also resulted in decreased expenses in health and welfare and education. In addition, there was a $279.8 million net increase on the sale of State trust land. This increase resulted from land sales and no additional increase to the estimate of uncollectable accounts receivable recognized in fiscal year 2011 due to the non-payment of long-term sales contracts. Furthermore, there were decreases in expenses for health and welfare and education of $565.7 million and $135.7 million, respectively. The decrease in health and welfare expenses resulted primarily from the AHCCCS implementing program changes during fiscal year 2012 in the form of enrollment freezes, provider rate reductions, and medical service limits, as well as the expiration of ARRA funding. The reduction in education expenses is primarily a result of reductions in operating State aid to community colleges (to offset the districts' estimated year-over-year operating revenue growth) and reductions to the Department of Education expenses related to the capital outlay revenue limit for school districts with a student count of fewer than 1,100 pupils (which the school districts may partially offset with federal Education Jobs Fund Program monies), as well as the expiration of ARRA funding. Also contributing to the increase in governmental activities net assets during fiscal year 2012 was a reduction of transfers of $158.0 million primarily resulting from decreases in the Universities' operating lump sum appropriations from the General Fund.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2012 and 2011. 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	
	2012	2011	2012	2011
Functions/Programs:				
General government	$ 840,189	$ 929,107	$ 412,626	$ 391,881
Health and welfare	11,992,408	12,558,119	2,501,647	2,289,217
Inspection and regulation	151,937	149,649	(20,835)	(21,380)
Education	5,331,848	5,467,543	3,879,205	3,706,090
Protection and safety	1,380,999	1,299,205	1,106,410	1,059,449
Transportation	808,967	857,194	(238,715)	(221,736)
Natural resources	213,339	196,210	95,805	90,220
Intergovernmental revenue sharing	2,473,881	2,462,178	2,473,881	2,462,178
Interest on long-term debt	350,483	341,801	350,483	341,801
Total Governmental Activities	$ 23,544,051	$ 24,261,006	$ 10,560,507	$ 10,097,720



Business-type Activities – Net Assets increased by $194.4 million from fiscal year 2011, or 7%. This increase is primarily due to an increase in net assets for the Universities of $193.3 million. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of $1.0 billion. Although the Universities experienced increased operating revenues due to approved student tuition rate increases and increased enrollment, the revenue increase was offset by a decrease in State appropriation transfers from the General Fund and increases in expenses for instruction, academic support, and research. The net asset decreases in both the Industrial Commission Special Fund and the Unemployment Compensation Fund partially offset the net asset increase discussed above; however, these decreases were offset by the Universities' allocated share of Internal Service Fund net revenue. The $32.8 million decrease in net assets of the Industrial Commission Special Fund was largely due to an increase of $55.2 million in the actuarial accrued insurance loss for medical and compensation over the fiscal year 2011 estimate. This increase is reported in the cost of sales and benefits expense and primarily results in the operating loss of $54.8 million in fiscal year 2012. In addition, a decrease in investment income of $23.9 million during fiscal year 2012 also contributed to the decrease in net assets, as compared to the prior fiscal year. The Unemployment Compensation Fund also experienced a decrease in net assets of $16.8 million in fiscal year 2012; however, this was less than the net asset

decrease of $207.7 million in the prior fiscal year. The cost of sales and benefits and the intergovernmental revenue decreased $591.8 million and $506.6 million, respectively, as compared to the prior fiscal year.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for fiscal years 2011 and 2012. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

Business-type Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2012	2011	2012	2011
Functions/Programs:				
Universities	$ 3,629,568	$ 3,533,977	$ 642,418	$ 737,451
Unemployment Compensation	1,069,531	1,655,364	105,819	208,185
Industrial Commission Special Fund	83,290	27,196	58,315	5,535
Lottery	496,830	439,069	(149,845)	(144,468)
Other	113,347	115,442	(6,909)	(8,243)
Total Business-type Activities	$ 5,392,566	$ 5,771,048	$ 649,798	$ 798,460

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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2012, unassigned fund balance of the General Fund had a deficit of $437.0 million, while total fund balance closed the year at a deficit of $79.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents a negative 2% of total expenditures and other financing uses, while total fund balance is less than a negative 1% of the same amount.

The fund balance of the State's General Fund increased $623.5 million during the fiscal year. The primary reasons for the increase in fund balance during the fiscal year are increased collections of sales and income taxes, decreases in health and welfare and education expenditures, and a decrease in transfers to the Universities, as discussed in the government-wide financial analysis beginning on **page 24**. As a result of these revenue increases and expenditure reductions, revenues exceeded expenditures by $1.2 billion, before other financing sources and uses. Other financing sources and uses partially offset this excess by $551.8 million. Other financing sources and uses consist primarily of transfers to the Universities in support of higher education, offset by legislative transfers from other funds to the General Fund. Overall revenues decreased by $494.6 million (2%) and expenditures decreased by $1.0 billion (5%) from fiscal year 2011. Although sales taxes and income taxes increased by a total of $626.9 million (7%), this increase was more than offset by a decrease of $1.2 billion (10%) in intergovernmental revenue. The expiration of the federal fiscal stabilization program, which is part of the ARRA, contributed to the decrease in intergovernmental revenue; however, expenditures also decreased as a result of reduced ARRA funding. The reduction in health and welfare expenditures and education expenditures was discussed in the government-wide financial analysis beginning on **page 24**.

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 Arizona Department of Transportation (ADOT). Total fund balance decreased $21.0 million during fiscal year 2012. Although revenues exceeded expenditures by $289.6 million, transfers to non-major governmental funds of $331.7 million to pay debt service offset this excess. In addition, capital outlay expenditures increased by $116.8 million, as compared to the prior fiscal year.

Land Endowments Fund

The 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. The Land Endowments Fund total fund balance increased $234.6 million during fiscal year 2012. Endowment investments increased $224.4 million, at fiscal year-end, primarily due to receipts from land sales of $137.4 million and a net increase in the fair value of investments of $104.2 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 24**.

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 of $14.9 billion and the final amended budget of $16.5 billion resulted in a $1.6 billion net increase in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. $160.9 million increase due to prior fiscal year obligations that were paid in the current fiscal year per ARS §35-191.
2. $914.3 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases based on projected shortfalls that resulted from delayed approval and certain modification by the Centers for Medicare and Medicaid Services to the Governor's proposed Medicaid Reform plan.
3. $272.8 million increase to the Universities' original budget is primarily due to payment deferrals from fiscal year 2011, which were budgeted in fiscal year 2012, and for lease purchase capital financing for research infrastructure facilities.
4. $250.0 million increase to the General Accounting Office's original budget is due to a supplemental appropriation for the Budget Stabilization Fund (BSF). The transfer of monies to the BSF is not included in the General Appropriations Act. The BSF is described more fully in the accompanying Notes to the Financial Statements beginning on **page 69**.

The actual expenditures were less than the final budget by $737.1 million, after adjustments. Of this amount, $52.0 million will continue as legislative multiple fiscal year spending authority for fiscal years 2013 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining $685.1 million represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 135-151 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, 2012 totaled $24.5 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current

period was 4%, with a 3% increase in capital assets used for governmental activities and an 8% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $370.1 million.

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

- The Universities' additions to capital assets totaled $630.2 million and included increased investments in buildings for instruction and research, building renewal, and other capital projects.

- The ADOT started or completed roads and bridges totaling $1.3 billion during the fiscal year.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to 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, 2012 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 2,886,458	$ 2,757,806	$ 202,913	$ 186,143	$ 3,089,371	$ 2,943,949
Buildings	2,106,913	1,899,835	4,622,149	4,196,305	6,729,062	6,096,140
Improvements other than buildings	159,380	157,580	4,816	4,816	164,196	162,396
Equipment	795,147	757,691	1,527,822	1,460,701	2,322,969	2,218,392
Software and intangibles	130,947	129,857	19,328	19,328	150,275	149,185
Collections (non-depreciable)	-	-	19,173	18,657	19,173	18,657
Infrastructure	12,229,571	11,626,519	449,069	399,431	12,678,640	12,025,950
Construction in progress	3,535,660	3,839,780	332,382	404,843	3,868,042	4,244,623
Development in progress	85,586	85,672	3,949	-	89,535	85,672
Less: accumulated depreciation	(1,535,525)	(1,444,910)	(3,101,548)	(2,909,644)	(4,637,073)	(4,354,554)
Total	$ 20,394,137	$ 19,809,830	$ 4,080,053	$ 3,780,580	$ 24,474,190	$ 23,590,410

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, that the ADOT is responsible for maintaining, using the modified approach as described in Note 1H. Assets accounted for under the modified approach include 6,751 center lane miles (21,440 travel lane miles) and 4,754 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 3.69 was achieved for fiscal year 2012.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2012, a CRI of 93.1% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of $10.0 million were started during fiscal year 2012 (expressed in thousands):

Description	Contract Start Date	Contract Amount	Current Year Expenditures
Capacity additions and major widening on State Route 303L at Interstate 10 interchange in Maricopa County.	9/16/11	$ 133,910	$ 43,200
Capacity additions and major widening on State Route 303L Peoria Avenue to Mountain View Road in Maricopa County.	7/15/11	128,777	52,692
Capacity additions and reconstruction on Interstate 10, Ruthrauff Road to Prince Road in Pima County.	7/15/11	76,439	21,656
New facilities – construction of new roads on State Route 24 from State Route 202L to Ellsworth Road in Maricopa County (Phase I).	2/17/12	71,415	5,117
Capacity additions and major widening on State Route 303L Glendale Avenue to Peoria Avenue in Maricopa County.	4/20/12	65,105	1,532
Construct interim roadway on Northern Avenue from US Route 60 to State Route 303L in Maricopa County.	7/20/11	57,618	715
System preservation and relocations on Interstate 17 at the Cordes Junction traffic interchange in Yavapai County.	7/15/11	50,928	28,537
Capacity additions and major widening on State Route 303L Thomas Road to Camelback Road in Maricopa County.	4/13/12	31,450	-
Capacity additions and major widening on La Canada Drive, River Road to Ina Road in Pima County.	9/28/11	18,210	-
Capacity additions and major widening on State Route 89 Fain Road in Yavapai County.	12/6/11	16,268	6,234
System preservation – bridge replacement on State Route 70, the Gila River Bridge at Bylas #2945 in Graham County.	11/18/11	12,685	7,222
System preservation-restoration/rehab/resurface in Interstate 15 Virgin River to Utah State Line in Mohave County.	4/20/12	11,556	-

Furthermore, the following major highway construction projects had expenditures in excess of $15.0 million in fiscal year 2012. These project expenditures include payments made to construction contractors (as shown above) as well as utility, design, right-of-way, and landscaping costs (expressed in thousands):

Location Description	Project Expenditures
State Route 303L from Peoria Avenue to Mountain View Boulevard in Maricopa County.	$ 55,312
State Route 303L Interstate 10/State Route 303L Traffic Interchange in Maricopa County.	52,613
State Route 101 Interstate 10 – Tatum Boulevard in Maricopa County.	50,329
State Route 202L, Santan Freeway, Interstate 10 to Gilbert Road in Maricopa County.	33,105
State Route 303L Camelback Road to Olive Avenue in Maricopa County.	32,107
Interstate 17 Cordes Junction Traffic Interchange in Yavapai County.	32,624
State Route 202L, Red Mountain Freeway, Higley Road to US Highway 60 in Maricopa County.	26,035
Interstate 10 Ruthrauff Road to Prince Road in Pima County.	25,861
Interstate 10 Val Vista Road to Early Road in Pinal County.	24,917
Interstate 10 Salt River to Baseline Road in Maricopa County.	21,664
Interstate 10 Interstate 8 to State Route 87 in Pinal County.	20,401
Interstate 10 and State Route 90 Traffic Interchange in Cochise County.	16,620

More detailed information regarding capital assets is on pages 95 and 96.

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 State issued revenue bonds totaling $259.5 million to pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and the costs of issuing the bonds.

- The State issued revenue bonds and grant anticipation notes totaling $499.7 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.

- The Universities issued revenue bonds for $364.2 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure, and to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.

- The Universities issued certificates of participation for $158.1 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2012
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	$ 3,593,420	$ 3,529,115	$ 1,942,755	$ 1,742,125	$ 5,536,175	$ 5,271,240
Grant anticipation notes	335,230	392,495	-	-	335,230	392,495
Certificates of participation	2,495,825	2,611,255	756,980	812,706	3,252,805	3,423,961
Capital leases	391,184	400,540	163,637	167,841	554,821	568,381
Total	$ 6,815,659	$ 6,933,405	$ 2,863,372	$ 2,722,672	$ 9,679,031	$ 9,656,077

More detailed information regarding long-term debt begins on page 101.

ECONOMIC CONDITION AND OUTLOOK

The Office of Employment and Population Statistics within the Arizona Department of Administration is forecasting a gradual increase in nonfarm employment in the State for the calendar year 2012-2013 projections time period. The State is projected to gain 112,200 nonfarm jobs, representing a growth rate of 4.7% over the two projected years of 2012 and 2013. An over-the-year gain of 51,200 jobs is projected in 2012 and 60,900 jobs in 2013. The rate of growth projected for nonfarm employment is 2.1% in 2012 and 2.5% in 2013.

Additionally, home prices have stabilized in the State and have begun to rise in the Phoenix metropolitan area. Residential real estate market in the State and Phoenix metropolitan area is showing an improvement as measured by various indicators. These include rising levels of building permits.

The State's fiscal year 2013 General Fund budget reflects projected growth in base revenues of 5.1%. The net ongoing revenues are projected to increase from $8.7 billion in fiscal year 2012 to $8.8 billion in fiscal year 2013. General Fund spending is projected to increase from $8.5 billion in fiscal year 2012 to $8.6 billion in fiscal year 2013. The budget includes spending for the replacement of the State's financial accounting system, which is scheduled to be implemented beginning in fiscal year 2016. The General Fund fiscal year 2013 ending balance is projected to be $249 million.

Legislative discussions on the fiscal year 2013 General Fund budget also included analyzing the impact of budget decisions on estimated fiscal year 2014 and 2015 spending.

The fiscal year 2014 General Fund budget is estimated to spend $8.8 billion. The spending includes statutory formula caseload growth plus the federal health care costs associated with the Federal Affordable Care Act (FACA). Effective January 1, 2014, FACA will expand the number of persons eligible for Medicaid health care coverage (including childless adults currently frozen from coverage) while partially offsetting the costs with higher federal matching rates. The net ongoing revenues for fiscal year 2014 are estimated to be $8.4 billion. The revenues are lower than in fiscal

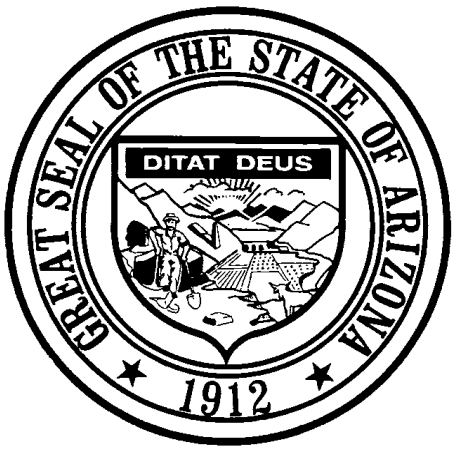
year 2013 due to the expiration of the temporary 1-cent sales tax in May 2013. The fiscal year 2014 General Fund ending balance is projected with a shortfall of $132 million. The Arizona State Legislature tentatively allocated $132 million of the $450 million from the BSF for planning purposes to balance the fiscal year 2014 budget.

The fiscal year 2015 General Fund budget is estimated to spend $9.2 billion. The spending includes statutory formula caseload growth plus a full year of the federal health care costs associated with the FACA. The net ongoing revenues for fiscal year 2015 are estimated to be $8.7 billion. This reflects base revenue growth of 5%, reduced by $155 million in enacted tax reductions. The fiscal year 2015 General Fund ending balance is projected with a shortfall of $486 million. If the $132 million of the original $450 million of BSF deposits is used to balance the fiscal year 2014 General Fund budget, there would be a total of $318 million remaining in the BSF to help address the projected $486 million shortfall.

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 Arizona Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at http://www.gao.az.gov/financials/.

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 69**.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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 2,857	$ 307,428	$ 310,285	$ 87,319
Cash with U.S. Treasury	-	4,114	4,114	-
Cash and pooled investments with State Treasurer	2,318,818	84,183	2,403,001	254,902
Restricted cash and pooled investments with State Treasurer	446,938	76,350	523,288	-
Cash held by trustee	-	-	-	8,286
Collateral investment pool	537,560	44,336	581,896	7,459
Short-term investments	-	234,568	234,568	98,330
Restricted investments held by trustee	-	-	-	17,667
Receivables, net of allowances:				
Taxes	533,916	93,782	627,698	5,524
Interest	206,816	3,418	210,234	10,485
Loans and notes	148,543	4,971	153,514	272
Patient accounts receivable	-	-	-	125,548
Other	171,181	171,391	342,572	100,230
Internal balances	(223,432)	223,432	-	-
Due from U.S. Government	611,799	88,358	700,157	-
Due from local governments	125,213	-	125,213	-
Due from others	133,768	-	133,768	-
Due from primary government	-	-	-	2,716
Inventories, at cost	19,032	19,405	38,437	17,416
Other current assets	24,115	16,436	40,551	1,176
Total Current Assets	5,057,124	1,372,172	6,429,296	737,330
Noncurrent Assets:				
Restricted assets:				
Cash	109	10,431	10,540	-
Cash and pooled investments with State Treasurer	1,289,308	-	1,289,308	10,465
Cash held by trustee	52,878	269,364	322,242	21,300
Investments	2,608	-	2,608	80,788
Investments held by trustee	-	122,437	122,437	33,122
Receivables, net of allowances:				
Loans and notes	197,914	31,042	228,956	1,133,178
Other	-	12,267	12,267	7,038
Securities held in escheat	47,586	-	47,586	-
Investments	-	752,534	752,534	115,773
Endowment investments	3,444,512	305,682	3,750,194	-
Deferred outflow - interest rate swap	-	22,880	22,880	-
Other noncurrent assets	14,851	29,791	44,642	32,002
Capital assets:				
Infrastructure, land, and other non-depreciable	18,715,141	558,417	19,273,558	44,298
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,678,996	3,521,636	5,200,632	377,139
Total Noncurrent Assets	25,443,903	5,636,481	31,080,384	1,855,103
Total Assets	30,501,027	7,008,653	37,509,680	2,592,433

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 574,361	$ 123,403	$ 697,764	$ 78,555
Payable for securities purchased	-	1,308	1,308	-
Accrued liabilities	833,868	53,451	887,319	98,013
Obligations under securities loan agreements	537,560	44,336	581,896	7,459
Tax refunds payable	1,118	-	1,118	-
Due to U.S. Government	5,371	249,273	254,644	-
Due to local governments	1,195,608	-	1,195,608	-
Due to others	285,264	79,886	365,150	-
Due to component units	-	2,716	2,716	-
Unearned deferred revenue	89,645	137,890	227,535	-
Current portion of accrued insurance losses	53,287	26,272	79,559	16,382
Current portion of long-term debt	447,574	103,183	550,757	86,766
Current portion of other long-term liabilities	165,193	16,823	182,016	19,521
Total Current Liabilities	4,188,849	838,541	5,027,390	306,696
Noncurrent Liabilities:				
Unearned deferred revenue	76,363	5,370	81,733	2,741
Contracts payable	-	879	879	-
Accrued insurance losses	311,476	442,661	754,137	14,961
Funds held for others	-	17,607	17,607	-
Long-term debt	6,819,580	2,835,831	9,655,411	1,342,165
Derivative instrument - interest rate swap	-	22,880	22,880	-
Other long-term liabilities	165,596	55,549	221,145	11,599
Total Noncurrent Liabilities	7,373,015	3,380,777	10,753,792	1,371,466
Total Liabilities	11,561,864	4,219,318	15,781,182	1,678,162
NET ASSETS				
Invested in capital assets, net of related debt	16,940,512	1,483,416	18,423,928	96,100
Restricted for:				
General government	37,409	-	37,409	-
Health and welfare	125,779	-	125,779	-
Inspection and regulation	4,614	-	4,614	-
Education	508,085	-	508,085	-
Protection and safety	20,237	-	20,237	-
Natural resources	10,563	-	10,563	-
Capital projects	666,162	186	666,348	-
Debt service	6,738	12,596	19,334	21,948
Permanent funds and University funds:				
Expendable	166,024	220,354	386,378	-
Nonexpendable	3,804,355	186,426	3,990,781	-
Loans and other financial assistance:				
Expendable	-	76,882	76,882	435,182
Other purposes	-	-	-	45,537
Unrestricted (deficit)	(3,351,315)	809,475	(2,541,840)	315,504
Total Net Assets	$ 18,939,163	$ 2,789,335	$ 21,728,498	$ 914,271

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

STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

ASSETS		
Cash and cash equivalent investments	$	72,550
Receivables:		
Pledges receivable		118,519
Other receivables		18,534
Total receivables		137,053
Investments:		
Investments in securities		1,322,442
Other investments		52,272
Total investments		1,374,714
Net direct financing leases		119,483
Property and equipment, net of accumulated depreciation		371,729
Licenses		3,500
Other assets		47,908
Total Assets		2,126,937
LIABILITIES		
Accounts payable and accrued liabilities		37,534
Liability under endowment trust agreements		290,923
Long-term debt		601,815
Deferred revenue		29,781
Other liabilities		38,564
Total Liabilities		998,617
NET ASSETS		
Permanently restricted		772,273
Temporarily restricted		356,488
Unrestricted (deficit)		(441)
Total Net Assets	$	1,128,320

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

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 840,189	$ 189,175	$ 238,388	$ -
Health and welfare	11,992,408	135,345	9,355,416	-
Inspection and regulation	151,937	150,557	22,215	-
Education	5,331,848	71,414	1,381,229	-
Protection and safety	1,380,999	123,450	149,959	1,180
Transportation	808,967	108,877	161,992	776,813
Natural resources	213,339	68,684	48,271	579
Intergovernmental revenue sharing	2,473,881	-	-	-
Interest on long-term debt	350,483	-	-	-
Total Governmental Activities	23,544,051	847,502	11,357,470	778,572
Business-type Activities:				
Universities	3,629,568	1,752,509	1,181,070	53,571
Unemployment Compensation	1,069,531	439,074	524,638	-
Industrial Commission Special Fund	83,290	24,975	-	-
Lottery	496,830	646,675	-	-
Other	113,347	120,191	65	-
Total Business-type Activities	5,392,566	2,983,424	1,705,773	53,571
Total Primary Government	$ 28,936,617	$ 3,830,926	$ 13,063,243	$ 832,143
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 44,562	$ 38,014	$ 23,099	$ -
University of Arizona Health Network	1,166,960	1,160,468	-	2,345
Other Component Units	68,708	38,788	7,280	-
Total Component Units	$ 1,280,230	$ 1,237,270	$ 30,379	$ 2,345

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 State of Arizona
Miscellaneous
Contributions to permanent endowments
Transfers

Total General Revenues, Contributions, and Transfers
Change in Net Assets
Net Assets - Beginning, as restated

Net Assets - Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (412,626)		$ (412,626)	
(2,501,647)		(2,501,647)	
20,835		20,835	
(3,879,205)		(3,879,205)	
(1,106,410)		(1,106,410)	
238,715		238,715	
(95,805)		(95,805)	
(2,473,881)		(2,473,881)	
(350,483)		(350,483)	
(10,560,507)		(10,560,507)	
	$ (642,418)	(642,418)	
	(105,819)	(105,819)	
	(58,315)	(58,315)	
	149,845	149,845	
	6,909	6,909	
	(649,798)	(649,798)	
(10,560,507)	(649,798)	(11,210,305)	
			$ 16,551
			(4,147)
			(22,640)
			(10,236)
6,296,151	55,309	6,351,460	12,171
3,706,698	-	3,706,698	-
317,369	-	317,369	-
30,656	-	30,656	-
1,581,909	-	1,581,909	-
522,510	-	522,510	15,991
79,190	49,501	128,691	9,208
40,678	3,468	44,146	239
125,479	-	125,479	-
-	-	-	78,385
167,604	155,757	323,361	1
-	3,270	3,270	-
(576,846)	576,846	-	-
12,291,398	844,151	13,135,549	115,995
1,730,891	194,353	1,925,244	105,759
17,208,272	2,594,982	19,803,254	808,512
$ 18,939,163	$ 2,789,335	$ 21,728,498	$ 914,271

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	$ 13,943	$ 143,570	$ 22,137	$ 179,650
Rental revenue	49,963	-	-	49,963
Sales and services	37,520	131	-	37,651
Net investment income (loss)	(6,373)	(817)	3,923	(3,267)
Licensing revenue	1,281	-	-	1,281
Other revenues	35,162	3,521	72	38,755
Net assets released from restrictions	162,431	(144,423)	(18,008)	-
Total Revenues	293,927	1,982	8,124	304,033
EXPENSES				
Program services:				
Payments to Universities	143,983	-	-	143,983
Leasing related expenses	10,445	-	-	10,445
Payments on behalf of Universities	16,410	-	-	16,410
Other program services	6,489	-	-	6,489
Management and general expenses	73,718	-	-	73,718
Fundraising expenses	9,189	-	-	9,189
Interest	27,357	-	-	27,357
Depreciation and amortization	23,272	-	-	23,272
Other expenses	13,490	21,178	41	34,709
Total Expenses	324,353	21,178	41	345,572
Increase (decrease) in Net Assets, before extraordinary items	(30,426)	(19,196)	8,083	(41,539)
Extraordinary items (Primarily equity transfers)	1,890	-	-	1,890
Increase (decrease) in Net Assets, after extraordinary items	(28,536)	(19,196)	8,083	(39,649)
Net Assets - Beginning	27,951	375,344	764,674	1,167,969
Transfers	255	344	(599)	-
Reclassification of funds with deficiencies	(111)	(4)	115	-
Net Assets - Ending	$ (441)	$ 356,488	$ 772,273	$ 1,128,320

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

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 1,892	$ -	$ 28	$ 937	$ 2,857
Cash and pooled investments with State Treasurer	1,195,776	33,720	78,253	612,570	1,920,319
Collateral investment pool	57,629	4,962	453,946	21,023	537,560
Receivables, net of allowances:					
Taxes	402,017	64,439	-	67,460	533,916
Interest	101	-	206,714	1	206,816
Loans and notes	-	5,872	340,585	-	346,457
Other	107,271	16,429	14,099	25,392	163,191
Due from U.S. Government	446,039	143,309	-	14,335	603,683
Due from local governments	125,213	-	-	-	125,213
Due from other Funds	42,460	3,829	325	26,472	73,086
Inventories, at cost	7,237	8,235	-	12	15,484
Restricted assets:					
Cash	109	-	-	-	109
Cash and pooled investments with State Treasurer	49,612	764,107	-	922,527	1,736,246
Cash held by trustee	42,822	-	-	10,056	52,878
Investments	2,608	-	-	-	2,608
Securities held in escheat	47,586	-	-	-	47,586
Endowment investments	-	-	3,444,512	-	3,444,512
Other	128	18,169	-	-	18,297
Total Assets	$ 2,528,500	$ 1,063,071	$ 4,538,462	$ 1,700,785	$ 9,830,818
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 229,438	$ 162,488	$ 19,519	$ 62,736	$ 474,181
Accrued liabilities	477,383	4,922	2	43,598	525,905
Obligations under securities loan agreements	57,629	4,962	453,946	21,023	537,560
Tax refunds payable	1,118	-	-	-	1,118
Due to U.S. Government	5,371	-	-	-	5,371
Due to local governments	984,622	106,613	-	104,373	1,195,608
Due to others	265,418	-	1	19,845	285,264
Due to other Funds	213,694	9,037	3,036	30,072	255,839
Unavailable deferred revenue	299,638	5,872	540,470	739	846,719
Unearned deferred revenue	73,887	-	91,579	510	165,976
Total Liabilities	2,608,198	293,894	1,108,553	282,896	4,293,541
Fund Balances:					
Nonspendable	891	8,235	3,463,770	-	3,472,896
Restricted	246,977	650,424	-	1,014,322	1,911,723
Committed	109,469	110,518	-	403,567	623,554
Unassigned	(437,035)	-	(33,861)	-	(470,896)
Total Fund Balances	(79,698)	769,177	3,429,909	1,417,889	5,537,277
Total Liabilities and Fund Balances	$ 2,528,500	$ 1,063,071	$ 4,538,462	$ 1,700,785	$ 9,830,818

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

STATE OF ARIZONA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

(Expressed in Thousands)

Total fund balances - governmental funds		$	5,537,277
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			20,331,376
Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the governmental funds.			134,727
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			846,719
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			(126,671)
The allocation of the internal service fund accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds.			(43,048)
Deferred issue costs are reported as current expenditures in the governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.			14,851
Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. These amounts consist of:			
Revenue bonds	(3,593,420)		
Grant anticipation notes	(335,230)		
Certificates of participation	(2,495,825)		
Capital leases	(391,184)		
Installment purchase contracts	(177)		
Notes payable	(55,666)		
Premium on debt	(396,465)		
Deferred amounts on refundings	813		(7,267,154)
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.			(270,370)
Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds.			(36,926)
Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. Those liabilities consist of:			
Compensated absences	(151,036)		
Pollution remediation obligations	(30,582)		(181,618)
Net assets of governmental activities		$	18,939,163

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

STATE OF ARIZONA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 5,612,685	$ 216,281	$ -	$ 483,904	$ 6,312,870
Income	3,715,007	-	-	75	3,715,082
Tobacco	63,838	-	-	253,531	317,369
Property	17,921	10,735	-	2,000	30,656
Motor vehicle and fuel	106,404	1,314,275	-	161,230	1,581,909
Other	425,759	-	-	96,751	522,510
Intergovernmental	10,830,480	937,982	-	75,446	11,843,908
Licenses, fees, and permits	84,140	94,575	3,973	294,656	477,344
Earnings on investments	17,820	6,389	111,123	54,723	190,055
Sales and charges for services	104,527	821	63,717	19,741	188,806
Fines, forfeitures, and penalties	30,856	-	-	137,384	168,240
Gaming	6,056	-	-	79,479	85,535
Tobacco settlement	101,067	-	-	-	101,067
Proceeds from sale of trust land	-	-	137,405	-	137,405
Other	158,067	13,525	5,807	22,056	199,455
Total Revenues	21,274,627	2,594,583	322,025	1,680,976	25,872,211
EXPENDITURES					
Current:					
General government	730,123	-	-	108,653	838,776
Health and welfare	11,774,277	-	5,366	249,887	12,029,530
Inspection and regulation	43,987	-	-	109,960	153,947
Education	4,658,966	-	47,180	625,995	5,332,141
Protection and safety	1,111,843	-	4,471	234,937	1,351,251
Transportation	51	724,205	-	21,050	745,306
Natural resources	88,636	-	1,065	112,976	202,677
Intergovernmental revenue sharing	1,468,757	1,004,768	-	10	2,473,535
Debt service:					
Principal	98,590	15,903	-	271,534	386,027
Interest and other fiscal charges	75,265	214	-	269,424	344,903
Capital outlay	48,826	559,912	73	160,905	769,716
Total Expenditures	20,099,321	2,305,002	58,155	2,165,331	24,627,809
Excess (Deficiency) of Revenues Over Expenditures	1,175,306	289,581	263,870	(484,355)	1,244,402
OTHER FINANCING SOURCES (USES)					
Transfers in	286,107	1,760	-	533,205	821,072
Transfers out	(838,161)	(331,701)	(29,267)	(124,649)	(1,323,778)
Proceeds from sale of capital assets	-	1,815	-	-	1,815
Capital lease and installment purchase contracts	211	7,955	-	-	8,166
Proceeds from notes and loans	-	9,541	-	-	9,541
Bonds issued	-	-	-	259,460	259,460
Refunding bonds issued	-	-	-	455,900	455,900
Refunding GANs issued	-	-	-	43,825	43,825
Payment to refunded bond escrow agent	-	-	-	(560,228)	(560,228)
Premium on debt issued	-	-	-	90,753	90,753
Total Other Financing Sources (Uses)	(551,843)	(310,630)	(29,267)	698,266	(193,474)
Net Change in Fund Balances	623,463	(21,049)	234,603	213,911	1,050,928
Fund Balances - Beginning	(703,161)	790,226	3,195,306	1,203,978	4,486,349
Fund Balances - Ending	$ (79,698)	$ 769,177	$ 3,429,909	$ 1,417,889	$ 5,537,277

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

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, 2012

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,050,928
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 expense. Also, infrastructure was adjusted to primarily reflect reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital. This is the amount by which capital outlays exceeded depreciation and infrastructure adjustments in the current period.		
Capital outlay	769,716	
Infrastructure adjustment	(67,693)	
Depreciation expense	(121,542)	580,481
The net revenue of the internal service funds is included with governmental activities in the Statement of Activities.		38,419
Net change in certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Sales taxes	(16,719)	
Income taxes	(8,384)	
Operating grants	(21,153)	
Right-of-way lease revenue	(369)	
Tobacco tax	(4,106)	
Other revenue	99	(50,632)
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 2012, mortgage payments exceeded gains resulting from current year land sales. In addition, accrued interest on land sales' contracts are reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.		
Excess of mortgage receipts over gain on sale of land	(11,926)	
Accrued interest on land sales' contracts	31,410	19,484
Certain expenses reported in the 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	32,132	
Compensated absences	(3,585)	
Pollution remediation obligations	(9,021)	
Interest on long-term obligations	3,850	
Other expenses	(345)	23,031

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

(Continued)

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Thousands)

Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
Bonds issued	(259,460)	
Refunding bonds issued	(455,900)	
Refunding grant anticipation notes issued	(43,825)	
Proceeds from notes and loans	(9,541)	
Bond issuance costs	2,936	
Premium on debt issued	(90,753)	(856,543)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt service principal	386,027	
Payment to refunded bond escrow agent	512,904	
Debt premium/discount amortization	36,891	
Amortization of bond issuance costs	(1,525)	
Amortization of deferred amount	(408)	933,889
Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds; however, these amounts are reported as liabilities in the Statement of Net Assets.		(8,166)
Change in net assets of governmental activities		$ 1,730,891

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

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash	$ 239,763	$ -	$ 64,800	$ -	$ 2,865
Cash with U.S. Treasury	-	4,114	-	-	-
Cash and pooled investments with State Treasurer	1,747	-	4,606	56,303	21,527
Restricted cash and pooled investments with State Treasurer	-	-	-	-	76,350
Collateral investment pool	-	-	44,336	-	-
Short-term investments	234,568	-	-	-	-
Receivables, net of allowances:					
Taxes	-	89,019	4,763	-	-
Interest	691	-	2,724	-	3
Loans and notes	4,441	-	-	-	530
Other	106,349	48,992	1,406	5,389	9,255
Due from U.S. Government	88,220	-	-	-	138
Due from other Funds	210,299	-	-	-	171
Inventories, at cost	9,891	-	-	3,126	6,388
Other current assets	15,775	-	-	-	661
Total Current Assets	911,744	142,125	122,635	64,818	117,888
Noncurrent Assets:					
Restricted assets:					
Cash	10,431	-	-	-	-
Cash held by trustee	269,364	-	-	-	-
Investments held by trustee	122,437	-	-	-	-
Receivables, net of allowances:					
Loans and notes	31,042	-	-	-	-
Other	12,267	-	-	-	-
Investments	417,766	-	334,768	-	-
Endowment investments	305,682	-	-	-	-
Deferred outflow - interest rate swap	22,880	-	-	-	-
Other noncurrent assets	20,434	-	-	9,357	-
Capital assets:					
Land and other non-depreciable	552,381	-	2,997	998	2,041
Buildings, equipment, and other depreciable, net of accumulated depreciation	3,484,852	-	12,557	2,141	22,086
Total Noncurrent Assets	5,249,536	-	350,322	12,496	24,127
Total Assets	6,161,280	142,125	472,957	77,314	142,015

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 307,428	$ -
4,114	-
84,183	398,499
76,350	-
44,336	-
234,568	-
93,782	-
3,418	-
4,971	-
171,391	7,990
88,358	7,157
210,470	2,752
19,405	3,548
16,436	5,818
1,359,210	425,764
10,431	-
269,364	-
122,437	-
31,042	-
12,267	-
752,534	-
305,682	-
22,880	-
29,791	-
558,417	109
3,521,636	62,652
5,636,481	62,761
6,995,691	488,525

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	$ 114,016	$ 4	$ 3,500	$ 4,148	$ 1,735
Payable for securities purchased	-	-	1,308	-	-
Accrued liabilities	28,091	22,073	-	124	3,163
Obligations under securities loan agreements	-	-	44,336	-	-
Due to U.S. Government	-	249,273	-	-	-
Due to others	21,689	26,980	-	31,217	-
Due to component units	-	-	-	2,716	-
Due to other Funds	-	175	1,711	28,199	1
Unearned deferred revenue	131,959	-	103	-	5,828
Current portion of accrued insurance losses	-	-	26,272	-	-
Current portion of long-term debt	103,164	-	-	-	19
Current portion of other long-term liabilities	15,548	-	-	292	983
Total Current Liabilities	414,467	298,505	77,230	66,696	11,729
Noncurrent Liabilities:					
Unearned deferred revenue	5,370	-	-	-	-
Contracts payable	-	-	-	-	879
Accrued insurance losses	-	-	442,661	-	-
Funds held for others	17,607	-	-	-	-
Long-term debt	2,835,831	-	-	-	-
Derivative instrument - interest rate swap	22,880	-	-	-	-
Other long-term liabilities	55,471	-	-	-	78
Total Noncurrent Liabilities	2,937,159	-	442,661	-	957
Total Liabilities	3,351,626	298,505	519,891	66,696	12,686
NET ASSETS					
Invested in capital assets, net of related debt	1,440,615	-	15,554	3,139	24,108
Restricted for:					
Capital projects	186	-	-	-	-
Debt service	12,596	-	-	-	-
Universities fund:					
Expendable	220,354	-	-	-	-
Nonexpendable	186,426	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	76,882
Unrestricted (deficit)	949,477	(156,380)	(62,488)	7,479	28,339
Total Net Assets	$ 2,809,654	$ (156,380)	$ (46,934)	$ 10,618	$ 129,329

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 123,403	$ 100,179
1,308	-
53,451	668
44,336	-
249,273	-
79,886	-
2,716	-
30,086	383
137,890	32
26,272	53,287
103,183	-
16,823	11,779
868,627	166,328
5,370	-
879	-
442,661	311,476
17,607	-
2,835,831	-
22,880	-
55,549	137,392
3,380,777	448,868
4,249,404	615,196
1,483,416	62,761
186	-
12,596	-
220,354	-
186,426	-
76,882	-
766,427	(189,432)
$ 2,746,287	$ (126,671)
43,048	
$ 2,789,335	

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of $435,408	$ 1,325,589	$ -	$ -	$ -	$ -
Auxiliary enterprises, net of scholarship allowances of $19,000	322,333	-	-	-	-
Educational department	104,587	-	-	-	-
Lottery	-	-	-	646,675	-
Other	-	-	-	-	120,189
Unemployment assessments	-	437,053	-	-	-
Workers' compensation assessments	-	-	21,863	-	-
Intergovernmental	614,803	524,638	-	-	65
Nongovernmental grants and contracts	116,656	-	-	-	-
Earnings on investments	-	-	-	-	2
Fines, forfeitures, and penalties	-	2,021	-	-	-
Settlement income	-	-	3,112	-	-
Other	37,042	90,926	-	173	2,336
Total Operating Revenues	2,521,010	1,054,638	24,975	646,848	122,592
OPERATING EXPENSES					
Cost of sales and benefits	964,616	1,058,179	78,366	459,259	69,646
Scholarships and fellowships	200,069	-	-	-	-
Personal services	2,147,310	-	-	5,881	26,671
Contractual services	-	-	-	15,214	8,478
Depreciation and amortization	232,827	-	1,371	270	1,717
Insurance	-	-	-	40	510
Other	-	-	-	1,466	6,269
Total Operating Expenses	3,544,822	1,058,179	79,737	482,130	113,291
Operating Income (Loss)	(1,023,812)	(3,541)	(54,762)	164,718	9,301
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	55,309	-	-	-	-
Intergovernmental	286,940	-	-	-	-
Gifts and donations	177,996	-	-	-	-
Gain (loss) on sale of capital assets	(144)	-	-	-	(3)
Investment income	30,806	-	17,685	102	908
Endowment earnings on investments	(15,325)	-	-	-	-
Other non-operating revenue	23,453	-	1,788	-	186
Distributions	-	-	-	(14,700)	-
Interest expense	(115,344)	(11,352)	-	-	(9)
Other non-operating expense	(8,358)	-	(3,553)	-	(47)
Total Non-Operating Revenues (Expenses)	435,333	(11,352)	15,920	(14,598)	1,035
Income (Loss) Before Contributions, and Transfers	(588,479)	(14,893)	(38,842)	150,120	10,336
Capital grants and contributions	53,571	-	-	-	3,468
Contributions to permanent endowments	3,270	-	-	-	-
Transfers in	724,892	-	6,000	-	16
Transfers out	-	(1,901)	-	(150,018)	(2,143)
Change in Net Assets	193,254	(16,794)	(32,842)	102	11,677
Total Net Assets - Beginning	2,616,400	(139,586)	(14,092)	10,516	117,652
Total Net Assets - Ending	$ 2,809,654	$ (156,380)	$ (46,934)	$ 10,618	$ 129,329

Change in net assets of enterprise funds
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net assets of business-type activities

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 1,325,589	$ -
322,333	-
104,587	-
646,675	-
120,189	1,009,813
437,053	-
21,863	-
1,139,506	-
116,656	-
2	-
2,021	-
3,112	-
130,477	74
4,370,063	1,009,887
2,630,066	745,506
200,069	-
2,179,862	34,375
23,692	23,449
236,185	12,333
550	46,468
7,735	10,867
5,278,159	872,998
(908,096)	136,889
55,309	-
286,940	-
177,996	-
(147)	84
49,501	23
(15,325)	-
25,427	744
(14,700)	-
(126,705)	(2)
(11,958)	(158)
426,338	691
(481,758)	137,580
57,039	13,935
3,270	-
730,908	-
(154,062)	(74,140)
155,397	77,375
2,590,890	(204,046)
$ 2,746,287	$ (126,671)
$ 155,397	
38,956	
$ 194,353	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ -	$ 312,574	$ 118,486
Receipts from assessments	-	434,254	23,322	-	-
Receipts from student tuition and fees	1,291,397	-	-	-	-
Receipts from sales and services of auxiliary enterprises	342,196	-	-	-	-
Receipts from sales and services of educational departments	114,548	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from grants and contracts	708,116	524,638	-	-	-
Receipts from student loans collected	5,779	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	3,894
Receipts from settlement income	-	-	3,112	-	-
Payments to suppliers, prize winners, claimants, insurance companies, or beneficiaries	(985,158)	(1,053,948)	(27,598)	(154,233)	(69,415)
Payments to employees	(2,191,897)	-	-	(6,151)	(44,138)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(193,241)	-	-	-	-
Payments for student loans issued	(6,834)	-	-	-	-
Other receipts	23,011	92,812	1,788	19,198	2,357
Other payments	(6,700)	-	(131)	-	(3,304)
Net Cash Provided (Used) by Operating Activities	(898,783)	(2,244)	493	171,388	7,880
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from custodial funds	269,828	-	-	-	-
Receipts from share of State sales tax	55,962	-	-	-	-
Receipts from grants and contributions	1,334,127	-	-	-	-
Receipts from settlement income	-	-	-	-	185
Transfers from other Funds	679,967	-	6,000	-	16
Custodial funds disbursed	(267,161)	-	-	-	-
Grants and contributions disbursed	(848,505)	-	-	-	-
Distributions	-	-	-	(14,700)	-
Interest paid on loan due to U.S. Government	-	(8,237)	-	-	-
Transfers to other Funds	-	(2,239)	-	(144,160)	(2,144)
Other receipts	21,583	-	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	1,245,801	(10,476)	6,000	(158,860)	(1,943)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	242	-	-	-	-
Proceeds from capital debt, installment purchase contracts, and capital leases	273,715	-	-	-	-
Receipts from federal subsidy	9,745	-	-	-	-
Receipts from capital grants and contributions	27,896	-	-	-	-
Receipts from insurance recoveries	-	-	-	-	-
Transfers from other Funds	21,362	-	-	-	-
Acquisition and construction of capital assets	(481,389)	-	-	(154)	(2,184)
Interest paid on capital debt, installment purchase contracts, and capital leases	(115,754)	-	-	-	(6)
Principal paid on capital debt, installment purchase contracts, and capital leases	(102,441)	-	-	-	(111)
Net Cash (Used) by Capital and Related Financing Activities	(366,624)	-	-	(154)	(2,301)

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 431,060	$ -
457,576	-
1,291,397	-
342,196	-
114,548	-
-	1,006,703
1,232,754	-
5,779	-
3,894	-
3,112	-
(2,290,352)	(780,916)
(2,242,186)	(35,195)
-	(12,160)
(193,241)	-
(6,834)	-
139,166	344
(10,135)	-
(721,266)	178,776
269,828	-
55,962	-
1,334,127	-
185	-
685,983	-
(267,161)	-
(848,505)	-
(14,700)	-
(8,237)	-
(148,543)	(74,140)
21,583	-
1,080,522	(74,140)
242	889
273,715	-
9,745	-
27,896	-
-	472
21,362	-
(483,727)	(3,187)
(115,760)	-
(102,552)	-
(369,079)	(1,826)

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	453,907	-	258,549	-	-
Interest and dividends from investments	44,119	-	13,451	86	862
Change in cash collateral received from securities lending transactions	-	-	608	-	(912)
Purchase of investments	(596,389)	(31)	(252,467)	-	-
Net Cash Provided (Used) by Investing Activities	(98,363)	(31)	20,141	86	(50)
Net Increase (Decrease) in Cash and Cash Equivalents	(117,969)	(12,751)	26,634	12,460	3,586
Cash and Cash Equivalents - Beginning	639,274	16,865	87,108	43,843	97,156
Cash and Cash Equivalents - Ending	$ 521,305	$ 4,114	$ 113,742	$ 56,303	$ 100,742
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (1,023,812)	$ (3,541)	$ (54,762)	$ 164,718	$ 9,301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	232,827	-	1,371	270	1,717
Miscellaneous income (expense)	(12,098)	-	(212)	-	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(13,713)	315	(309)	2,645	3,054
(Increase) in due from U.S. Government	-	-	-	-	(65)
(Increase) in due from other Funds	-	-	-	-	(59)
(Increase) decrease in inventories, at cost	49	-	-	948	(81)
(Increase) in other assets	(8,441)	-	-	(309)	(56)
Increase (decrease) in accounts payable	(43,594)	-	(2,555)	1,117	87
Increase (decrease) in accrued liabilities	(36,157)	1,416	-	1,999	(4,987)
(Decrease) in due to local governments	-	-	-	-	(30)
(Decrease) in due to U.S. Government	-	(123)	-	-	-
Increase (decrease) in due to other Funds	-	-	1,711	-	-
(Decrease) in due to others	-	(311)	-	-	-
Increase (decrease) in deferred revenue	6,156	-	56	-	(996)
Increase in accrued insurance losses	-	-	55,193	-	-
Increase (decrease) in other liabilities	-	-	-	-	(5)
Net Cash Provided (Used) by Operating Activities	$ (898,783)	$ (2,244)	$ 493	$ 171,388	$ 7,880
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets to other Funds	$ -	$ -	$ -	$ -	$ -
Contribution of capital assets from other Funds	-	-	-	-	3,468
Gifts and conveyances of capital assets	33,984	-	-	-	-
Assets acquired through debt	18,274	-	-	-	-
(Loss) on disposal of capital assets, net	(7,817)	-	-	-	(4)
Increase (decrease) in fair value of investments	(18,582)	-	2,922	-	-
Amortization of bond discount and issuance costs	(2,059)	-	-	-	-
Amortization of bond premium	1,558	-	-	-	-
Amortization of deferred rent	4,900	-	-	-	-
Refinancing long-term debt	281,965	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ 312,223	$ -	$ 2,922	$ -	$ 3,464

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
712,456	-
58,518	21
(304)	-
(848,887)	-
(78,217)	21
(88,040)	102,831
884,246	295,668
$ 796,206	$ 398,499
$ (908,096)	$ 136,889
236,185	12,333
(12,310)	272
(8,008)	1,963
(65)	(4,180)
(59)	(776)
916	(231)
(8,806)	(174)
(44,945)	12,112
(37,729)	(816)
(30)	-
(123)	-
1,711	(1,093)
(311)	-
5,216	12
55,193	1,960
(5)	20,505
$ (721,266)	$ 178,776
$ -	$ (158)
3,468	13,935
33,984	-
18,274	-
(7,821)	-
(15,660)	-
(2,059)	-
1,558	-
4,900	-
281,965	-
$ 318,609	$ 13,777

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS	AGENCY FUNDS
ASSETS			
Cash	$ 161,037	$ -	$ 62,002
Cash and pooled investments with State Treasurer	-	-	326,655
Short-term investments	-	-	3,210
Receivables, net of allowances:			
Accrued interest and dividends	73,662	2,782	1
Securities sold	493,371	-	-
Forward contracts receivable	282,445	-	-
Contributions	51,356	-	-
Court fees	730	-	-
Due from other Funds	25,353	-	-
Other	28,698	-	1
Total receivables	955,615	2,782	2
Investments, at fair value:			
Temporary investments	1,500,354	-	-
Fixed income securities	6,270,904	3,223,798	-
Corporate stocks	19,543,468	-	-
Global tactical asset allocation	624,973	-	-
Real estate	2,269,864	-	-
Private equity	2,008,347	-	-
Opportunistic investments	1,223,657	-	-
Collateral investment pool	184,123	30,907	5,458
Other investments	642,559	-	-
Total investments	34,268,249	3,254,705	5,458
Prepaid benefits	190,732	-	-
Due from others	-	-	82,907
Custodial securities in safekeeping	-	-	3,623,680
Other assets	-	-	2,228
Property and equipment, net of accumulated depreciation	4,683	-	-
Total Assets	35,580,316	3,257,487	4,106,142
LIABILITIES			
Accounts payable and other current liabilities	54,442	-	-
Payable for securities purchased	546,039	4,191	-
Management fee payable	-	175	-
Obligation under securities loan agreements	184,123	30,907	5,458
Forward contracts payable	249,501	-	-
Due to U.S. Government	-	-	13,809
Due to local governments	-	-	141,446
Due to others	-	-	3,945,429
Due to other Funds	25,353	-	-
Total Liabilities	1,059,458	35,273	4,106,142
NET ASSETS			
Held in trust for:			
Pension benefits	33,060,716	-	-
Other post-employment benefits	1,460,142	-	-
Pool participants	-	3,222,214	-
Total Net Assets	$ 34,520,858	$ 3,222,214	$ -

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

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS:		
Member contributions	$ 1,098,438	$ -
Employer contributions	1,293,091	-
Federal Government reimbursement	19,978	-
Retrospective rate adjustment reimbursement	15,495	-
Member purchase of service credit	66,671	-
Court fees	8,880	-
Investment income:		
Net increase (decrease) in fair value of investments	(534,226)	2,828
Interest income	215,132	16,649
Dividends	346,123	-
Other investment income	420,221	-
Securities lending income	6,847	279
Total investment income	454,097	19,756
Less investment expenses:		
Investment activity expenses	169,096	2,117
Securities lending expenses	916	189
Net investment income	284,085	17,450
Capital share and individual account transactions:		
Shares sold	-	4,440,304
Reinvested interest income	-	13,925
Shares redeemed	-	(4,921,506)
Net capital share and individual account transactions	-	(467,277)
Other additions	3,293	-
Total Additions	2,789,931	(449,827)
DEDUCTIONS:		
Retirement, disability, and survivor benefits	3,125,480	-
Refunds to withdrawing members, including interest	245,500	-
Administrative expense	41,523	-
Dividends to investors	-	16,988
Other deductions	6,835	-
Total Deductions	3,419,338	16,988
Change in net assets held in trust for:		
Pension benefits	(613,965)	-
Other post-employment benefits	(15,442)	-
Pool participants	-	(466,815)
Net Assets - Beginning	35,150,265	3,689,029
Net Assets - Ending	$ 34,520,858	$ 3,222,214

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

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY OF ARIZONA HEALTH NETWORK	OTHER COMPONENT UNITS	TOTAL
ASSETS				
Current Assets:				
Cash	$ -	$ 62,715	$ 24,604	$ 87,319
Cash and pooled investments with State Treasurer	177,318	-	77,584	254,902
Cash held by trustee	8,286	-	-	8,286
Collateral investment pool	4,743	-	2,716	7,459
Short-term investments	-	98,330	-	98,330
Restricted investments held by trustee	-	13,284	4,383	17,667
Receivables, net of allowances:				
Taxes	-	-	5,524	5,524
Interest	10,485	-	-	10,485
Loans and notes	-	-	272	272
Patient accounts receivable	-	125,548	-	125,548
Other	6,436	89,701	4,093	100,230
Due from primary government	-	-	2,716	2,716
Inventories, at cost	-	17,416	-	17,416
Other current assets	-	-	1,176	1,176
Total Current Assets	207,268	406,994	123,068	737,330
Noncurrent Assets:				
Restricted cash and pooled investments with State Treasurer	-	-	10,465	10,465
Cash held by trustee	-	-	21,300	21,300
Investments	-	80,788	-	80,788
Investments held by trustee	-	26,571	6,551	33,122
Loans and notes receivable, net of allowances	1,130,215	-	2,963	1,133,178
Other receivables, net of allowances	-	7,038	-	7,038
Investments	115,773	-	-	115,773
Other noncurrent assets	4,553	5,560	21,889	32,002
Capital assets:				
Land and other non-depreciable	-	36,530	7,768	44,298
Buildings, equipment, and other depreciable	205	734,002	37,162	771,369
Less: accumulated depreciation	(119)	(384,971)	(9,140)	(394,230)
Total Noncurrent Assets	1,250,627	505,518	98,958	1,855,103
Total Assets	1,457,895	912,512	222,026	2,592,433
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	-	61,282	17,273	78,555
Accrued liabilities	10,765	86,716	532	98,013
Obligations under securities loan agreements	4,743	-	2,716	7,459
Current portion of accrued insurance losses	-	16,382	-	16,382
Current portion of long-term debt	46,470	27,715	12,581	86,766
Current portion of other long-term liabilities	88	19,433	-	19,521
Total Current Liabilities	62,066	211,528	33,102	306,696
Noncurrent Liabilities:				
Unearned deferred revenue	2,741	-	-	2,741
Accrued insurance losses	-	14,961	-	14,961
Long-term debt	917,994	313,914	110,257	1,342,165
Other long-term liabilities	-	11,599	-	11,599
Total Noncurrent Liabilities	920,735	340,474	110,257	1,371,466
Total Liabilities	982,801	552,002	143,359	1,678,162
NET ASSETS				
Invested in capital assets, net of related debt	-	65,946	30,154	96,100
Restricted for:				
Debt service	-	-	21,948	21,948
Loans and other financial assistance	412,526	-	22,656	435,182
Other	-	24,318	21,219	45,537
Unrestricted	62,568	270,246	(17,310)	315,504
Total Net Assets	$ 475,094	$ 360,510	$ 78,667	$ 914,271

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

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STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
Water Infrastructure Finance Authority	$ 44,562	$ 38,014	$ 23,099	$ -
University of Arizona Health Network	1,166,960	1,160,468	-	2,345
Other Component Units	68,708	38,788	7,280	-
Total	$ 1,280,230	$ 1,237,270	$ 30,379	$ 2,345

General Revenues:
Taxes:
Sales
Other
Unrestricted investment earnings
Unrestricted grants and contributions
Payments from State of Arizona
Miscellaneous
Change in Net Assets
Net Assets - Beginning, as restated
Net Assets - Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY OF ARIZONA HEALTH NETWORK	OTHER COMPONENT UNITS	TOTAL
$ 16,551	$ -	$ -	$ 16,551
-	(4,147)	-	(4,147)
-	-	(22,640)	(22,640)
-	-	12,171	12,171
-	-	15,991	15,991
7,695	707	806	9,208
-	-	239	239
-	-	78,385	78,385
-	-	1	1
24,246	(3,440)	84,953	105,759
450,848	363,950	(6,286)	808,512
$ 475,094	$ 360,510	$ 78,667	$ 914,271

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
ASSETS					
Cash and cash equivalent investments	$ 8,221	$ 43,539	$ 2,665	$ 18,125	$ 72,550
Receivables:					
Pledges receivable	102,987	3,622	-	11,910	118,519
Other receivables	2,891	-	169	15,474	18,534
Total receivables	105,878	3,622	169	27,384	137,053
Investments:					
Investments in securities	579,095	588,477	16,800	138,070	1,322,442
Other investments	43,568	4,066	474	4,164	52,272
Total investments	622,663	592,543	17,274	142,234	1,374,714
Net direct financing leases	25,655	-	44,925	48,903	119,483
Property and equipment, net of accumulated depreciation	15,670	12,937	207,251	135,871	371,729
Licenses	-	-	-	3,500	3,500
Other assets	17,560	2,955	4,956	22,437	47,908
Total Assets	795,647	655,596	277,240	398,454	2,126,937
LIABILITIES					
Accounts payable and accrued liabilities	9,248	3,003	7,854	17,429	37,534
Liability under endowment trust agreements	90,133	180,231	-	20,559	290,923
Long-term debt	75,690	-	321,334	204,791	601,815
Deferred revenue	3,636	-	-	26,145	29,781
Other liabilities	28,717	-	167	9,680	38,564
Total Liabilities	207,424	183,234	329,355	278,604	998,617
NET ASSETS					
Permanently restricted	363,823	361,125	-	47,325	772,273
Temporarily restricted	225,375	101,634	-	29,479	356,488
Unrestricted (deficit)	(975)	9,603	(52,115)	43,046	(441)
Total Net Assets	$ 588,223	$ 472,362	$ (52,115)	$ 119,850	$ 1,128,320

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, 2012
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	$ 92,735	$ 64,156	$ -	$ 22,759	$ 179,650
Rental revenue	972	-	17,737	31,254	49,963
Sales and services	20,705	-	8,992	7,954	37,651
Net investment income (loss)	(6,361)	1,932	124	1,038	(3,267)
Licensing revenue	-	-	-	1,281	1,281
Other revenues	4,101	9,285	8,505	16,864	38,755
Total Revenues	112,152	75,373	35,358	81,150	304,033
EXPENSES					
Program services:					
Payments to Universities	59,307	68,680	273	15,723	143,983
Leasing related expenses	-	-	-	10,445	10,445
Payments on behalf of Universities	-	11,996	-	4,414	16,410
Other program services	-	-	-	6,489	6,489
Management and general expenses	25,790	4,357	10,199	33,372	73,718
Fundraising expenses	-	6,340	-	2,849	9,189
Interest	2,151	-	14,666	10,540	27,357
Depreciation and amortization	1,784	-	13,568	7,920	23,272
Other expenses	10,779	-	562	23,368	34,709
Total Expenses	99,811	91,373	39,268	115,120	345,572
Increase (decrease) in Net Assets, before extraordinary items	12,341	(16,000)	(3,910)	(33,970)	(41,539)
Extraordinary item (Primarily equity transfers)	-	-	83	1,807	1,890
Increase (decrease) in Net Assets, after extraordinary items	12,341	(16,000)	(3,827)	(32,163)	(39,649)
Net Assets - Beginning	575,882	488,362	(48,288)	152,013	1,167,969
Net Assets - Ending	$ 588,223	$ 472,362	$ (52,115)	$ 119,850	$ 1,128,320

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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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 14 – *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.

GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14) 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.

In addition, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB 39) 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 State reports the following blended component units:

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 Arizona Revised Statutes (ARS) 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. 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 www.azasrs.gov.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multi-employer public employee retirement system that benefits public safety employees of certain State and local governments. The PSPRS is jointly administered by the Board of Trustees (formerly Fund Manager) and 237 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Board of Trustees is a seven-member board appointed by the Governor and approved by the Senate to serve a fixed five-year term. 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 www.psprs.com.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multi-employer public employee retirement plan that benefits elected officials and judges of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS administers the EORP plan according to the provisions of ARS Title 38, Chapter 5, Article 3. 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 www.psprs.com.

The Corrections Officer Retirement Plan (CORP) is an agent, multi-employer public employee retirement plan that benefits prison and jail employees of certain State, county, and local governments. The Board of Trustees (formerly Fund Manager) of the PSPRS and 26 local boards administer the CORP plan according to the provisions of ARS Title 38, Chapter 5, Article 6. 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 www.psprs.com.

The State reports the following discretely presented component units:

Major Component Units:

University of Arizona Health Network and Subsidiaries (UAHN) – The UAHN, formerly known as UA Healthcare, Inc., an Arizona not-for-profit corporation, controls the University Medical Center Corporation and subsidiaries (UMC) and University Physicians Healthcare and subsidiaries (UPH). The UAHN is comprised of (i) a Hospital Division, which encompasses the University of Arizona Medical Center – University Campus, the University of Arizona Medical Center – South Campus, and more than 40 physician offices and clinics across southern Arizona, (ii) a faculty-physician Practice Plan Division known as the University of Arizona Physicians, which is the practice plan of the faculty-physicians of the University of Arizona College of Medicine, (iii) a Health Plans Division known as the University of Arizona Health Plans, which offers health care insurance plans, and (iv) the University Medical Center Foundation, which provides philanthropic support to the UAHN. The UAHN is governed by a seventeen-member board of directors whose appointments are approved by the Arizona Board of Regents. Complete financial statements may be obtained in writing from the UAHN at: The University of Arizona Health Network, Attn: Administration, 1501 N. Campbell Ave., Tucson, AZ 85724.

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors. The seven Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1110 West Washington Street, Suite 290, Phoenix, AZ 85007, (602) 364-1324.

Non-major Component Units:

Greater Arizona Development Authority (GADA) – The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA was created by an Act of the Arizona Legislature in 1997 and is a body, corporate and politic, of the State. The GADA is governed by a nine-member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five-year terms. The GADA fund was originally capitalized with General Fund appropriations and requests for additional capitalization of the GADA must be approved by the Arizona Legislature. Complete financial statements may be obtained from the GADA's administrative office at 1110 West Washington Street, Suite 290, Phoenix, AZ 85007, (602) 364-1324.

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. Under applicable ARS, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. 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. Complete financial statements may be obtained from Beach Fleischman & Co. PC, c/o Jim Lovelace, 1985 E. River Rd. #201, Tucson, AZ 85718-7176, (520) 321-4600.

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. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices 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. The ACA is allocated State General Fund withholding tax revenues in each fiscal year according to ARS §43-409. Complete financial statements may be obtained from the ACA's administrative office at 333 North Central Avenue, Suite 1900, Phoenix, AZ 85004, (602) 845-1200.

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 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc., and Campus Research Corporation (CRC). The Collegiate Golf Foundation and University Public Schools, Inc. are included because each is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship or close affiliation to the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

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

Arizona State University Foundation (ASU Foundation) – The ASU Foundation's resources are disbursed at the discretion of the Foundation's independent board of directors, in accordance with donor directions and Foundation policy.

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

University of Arizona Foundation (U of A Foundation) – The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs.

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

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment – These three component units of the State affiliated with the Universities receive funds primarily through donations, dues, and/or affinity partners and contribute funds to ASU for support of various programs.

Arizona State University Research Park, Inc. (ASU Research Park) – ASU Research Park manages a research park to promote and support research activities in coordination with ASU.

Mesa Student Housing, LLC and Downtown Phoenix Student Housing, LLC – These component units of the State affiliated with the Universities provide facilities for use by students of ASU.

Collegiate Golf Foundation – This component unit of the State affiliated with the Universities operates an ASU-owned golf course.

University Public Schools, Inc. (UPSI) – The UPSI operates schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

University of Arizona Alumni Association (U of A Alumni Association) – The U of A Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing, and encouraging them to advance the U of A's missions - teaching, research, and public service.

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.

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 (Park) and related properties. The CRC currently leases from the U of A the remaining 67% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the 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.

Northern Arizona University Foundation, Inc. (NAU Foundation) – The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of NAU for advancement of its mission.

Northern Arizona Capital Facilities Finance Corporation (NACFFC) – The NACFFC was established for the purpose of acquiring, developing, constructing, maintaining, and operating student housing and other capital facilities and equipment for the use and benefit of NAU's students.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained at the following addresses:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Collegiate Golf Foundation, Mesa Student Housing, LLC, Downtown Phoenix Student Housing, LLC, and the UPSI – Arizona State University, Financial Services, P.O. Box 875812, Tempe, AZ 85287-5812 or (480) 965-3601

U of A Alumni Association – Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, AZ 85721-0109

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

CRC – The University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, Tucson, AZ 85747

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 Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

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 14 and GASB 39. 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 is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – ARS §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of improving health care for Arizona residents by providing less expensive financing for health care facilities.

Proceeds from bond issues are loaned to various qualifying nonprofit health care organizations. The health care organizations reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) – ARS §41-4502 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) – ARS §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.

Arizona Housing Finance Authority (the Authority) – ARS §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority shall notify a city, town, county, tribal government, or existing corporation (as defined in ARS §35-701) that a multifamily residential rental project is planned for its jurisdiction and, before proceeding, shall obtain written consent from the governing body of the city, town, county, or tribal government. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

State Compensation Fund – ARS §23-981 established the State Compensation Fund to provide insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits. The State Compensation Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members.

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 assets 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 Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Both the governmental and business-type activities are presented on a consolidated basis by column.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated

with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

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

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 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 Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport. The fund primarily receives revenues from motor vehicle and fuel taxes and federal grants.

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

The State reports the following major enterprise funds:

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

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

The Industrial Commission Special Fund (Special Fund) – accounts for the payment of workers' compensation claims that are not covered by the State Compensation Fund, the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

The Lottery – accounts for the activities of the Arizona State Lottery.

Additionally, the State reports the following fund types:

Internal Service Funds – account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

Pension and Other Employee Benefit Trust Funds – account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, 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.

Investment Trust Funds – account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds – account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governments and organizations.

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. However, the agency funds are custodial in nature and do not have a measurement focus. 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.

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 31 days after year-end, except for the Department of Economic Security (DES) revenue, reported in the General Fund, and the Transportation and Aviation Planning, Highway Maintenance and Safety Major Fund, as well as certain non-major governmental funds administered by the DES and the ADOT, which consider revenues to be available if collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for 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 capital leases are reported as other financing sources.

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

The State's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

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 Assets (unrestricted/restricted) "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State

Treasurer", "Cash held by trustee" and "Collateral investment pool". For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- *Cash (not with State Treasurer)* – includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

- *Cash with U.S. Treasury* – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.

- *Cash and pooled investments with State Treasurer* – consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's pooled investments are described in Note 2.

- *Cash held by trustee* – consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.

- *Collateral investment pool* – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using JP Morgan prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange closing price. In the absence of a closing price, the bid price will be utilized. If no pricing source is available, the cost price or last available price from any source will be utilized. All bonds are priced using an evaluated bid, the most recent mid/bid price or the bid price, 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. If no pricing source is available, the cost price or the last available price from any source will be utilized.

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. ASRS' derivative instruments, which consist of futures, forward contracts, options, swaps, rights, and warrants, are measured at fair value. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments. Private real estate, private equity, and opportunistic partnership investments are valued based on the partnerships' March 2012 financial statements adjusted for cash flows through June 30, 2012. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis. Net investment income (loss) includes net increase (decrease) in the fair value of investments, interest income, dividend income, real estate, private equity, and opportunistic investments income, and total investment expense. This includes investment management, real estate, private equity, and opportunistic investment expenses and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair market value. Short term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets, and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Joint venture real estate investments are reported at fair market value using either appraisals or manager assessment to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

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 revenues.

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, 2012. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2012, but not collected until the following month.

F. 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.

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Most capital assets are depreciated over their estimated useful lives. However, the State reports most infrastructure assets using the modified approach, as provided by GASB Statement No. 34. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

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

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

Other intangibles include licenses and permits, patents, copyrights and trademarks, 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.

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this 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 ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. 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. ASU capitalizes all works of art and historical treasures with a unit cost of $5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

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 Assets. 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 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 Assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

L. 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 264 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 service 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 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

For sick leave policy, see Note 12.C.

M. 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 or the effective interest method. Bonds and COPs are reported net of the applicable premium or discount. Bond issuance costs and deferred gains or losses on debt refundings are charged to expense in the period incurred unless those costs are deemed to be material to the State's financial statements by management, in which case, they are deferred and amortized using either the straight-line method or the effective interest method.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, other issuances, and premiums and discounts on debt as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 7.

N. NET ASSETS/FUND BALANCES

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund financial statements and "Fund Balance" on the governmental fund financial statements.

Net assets are reported in three categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation 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 assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have 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.

Budget Stabilization Fund

The State's Budget Stabilization Fund (BSF) was enacted in 1990 by ARS §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 inflation adjusted Arizona personal income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of inflation 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 7% 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 done 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 as of June 30, 2012, was $250.1 million.

O. NEW ACCOUNTING PRONOUNCEMENTS AND REPORTING ENTITY CHANGE

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The provisions related to the use and reporting of the alternative measurement method are effective on issuance (December 2009). The provisions related to the frequency and timing of measurements are effective for periods beginning after June 15, 2011. The State has implemented the requirements of this standard, but they had no effect on the financial statements.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for periods beginning after June 15, 2011. As the State has already implemented the requirements of this standard, there is no effect on the financial statements.

The ACA was established through House Bill 2001, Fiftieth Legislature, Second Special Session (2011), to replace the now sunset Arizona Department of Commerce (ADC) on July 1, 2011. The sunset ADC's assets were transferred to the ACA through this legislative action. As discussed earlier in Note 1.A., the ACA is reported in the State's financial statements as a discretely presented component unit based on criteria set forth in GASB 14.

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, and the Industrial Commission (the Commission). 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.

ARS §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 fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

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 U.S. corporations, commercial paper issued by entities organized and doing business in the United States, bankers acceptances, collateralized repurchase agreements, money market mutual funds, exchange traded funds, domestic equities, and other securities. The State Treasurer is not allowed to invest in foreign investments.

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 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §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. In April 2012, approximately $2.4 million was received as an initial 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, 2012, the carry or cost basis and the fair value for the Lehman Brothers Pool were $37.0 million and $8.3 million, respectively. The next distribution is expected to be on October 1, 2012, and generally, every six months after that date. The remaining amount to be recovered is unknown.

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

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

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

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a "prudent person" acting in enterprise of a like character and with like aims as that of the system, subject to certain statutory limitations and restrictions.

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, private equity, and opportunistic investments. Per ARS §38-719, no more than 80% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5% of the voting stock of any one corporation may be owned. No more than 30% of the ASRS' assets may be invested in foreign securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. 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. No more than 1% of the ASRS' assets may be invested in economic development projects authorized as eligible for such investment

by the ACA. ARS §35-392 requires divestment from investments in companies that do business in Sudan, Iran, or other State Sponsors of Terrorism countries under certain conditions. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 50% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848D, §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 ABOR governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per ARS §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 ARS §38-719.

B. CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer's, the Retirement Systems', and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the Retirement Systems must be equal to at least 100% of the bank balance required to be collateralized (102% for the State Treasurer). 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. As of June 30, 2012, the State had uncollateralized and uninsured deposits in the amount of $12.4 million and $30.0 million in deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the State's name.

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 regards to custodial credit risk for investments. As of June 30, 2012, the State had $141.9 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 ARS limitations into their investment policy and setting forth various thresholds or parameters relating to interest rate risk in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASU's policy for the operating funds limits the final maturity of any fixed-rate security or variable-rate security to five years from the settlement date of the purchase. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

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

The following table presents the State Treasurer's, the ASU's, and the Commission's weighted average maturity in years by investment type as of June 30, 2012 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	$ 314,449	1.69
Certificates of deposit (negotiable)	118,078	0.19
Commercial mortgage backed securities	64,787	20.79
Commercial paper	739,686	0.08
Corporate notes & bonds	1,604,515	4.13
FDIC certificates of deposit	80,384	0.39
Government bonds	46,105	7.37
Government mortgage backed securities	18,750	22.58
Money market mutual funds	442,014	0.06
Non-government backed collateralized mortgage obligations (CMOs)	4,394	20.78
Repurchase agreements	2,712,316	0.01
U.S. agency mortgage backed securities	1,132,184	20.11
U.S. agency mortgage backed securities – full faith	661,170	22.82
U.S. agency securities	1,428,471	2.66
U.S. agency securities – full faith	41,708	2.64
U.S. Treasury securities	1,163,289	1.97
Other	7,261	5.54
Total	$ 10,579,561	5.07

The ASRS has not adopted a specific formal policy for interest rate risk, but does set more restrictive requirements in its contracts with money managers. The ASRS uses effective duration to identify and manage its interest rate risk. Effective duration

measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions. The following table presents ASRS' effective duration by investment type as of June 30, 2012 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	$ 204,094	2.30
Commercial mortgage backed securities	232,768	2.90
Corporate bonds	1,758,232	4.90
Government agency CMOs	46,306	2.40
Government bonds	1,246,563	8.10
Government mortgage backed securities	1,345,250	2.00
Government related bonds	509,250	7.20
Non-government backed CMOs	33,325	7.20
Total	$ 5,375,788	4.94

The PSPRS, the EORP, and the CORP do not have a formal policy in regards to interest rate risk. The NAU's and the U of A's investment policies for their operating funds limit the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's and the U of A's endowment funds have no such limitation. The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution as of June 30, 2012 (expressed in thousands):

		Investment Maturities (in years)					
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**11-15**	**16-20**	**More than 20**
Certificates of deposit (negotiable)	$ 23,326	$ 10,794	$ 12,283	$ 249	$ -	$ -	$ -
Collateralized bond obligations (CBOs)	23,242	-	-	12,335	-	-	10,907
Corporate notes & bonds	912,987	40,649	98,755	44,096	7,748	5,930	715,809
Government bonds	3,954	510	3,444	-	-	-	-
Money market mutual funds	140,487	140,487	-	-	-	-	-
Mortgages	11,110	-	-	-	352	3,606	7,152
U.S. agency securities	267,822	99,368	124,346	-	-	22,937	21,171
U.S. Treasury securities	11,090	-	11,090	-	-	-	-
Other	14,573	4,103	1,297	9,078	95	-	-
Total	$ 1,408,591	$ 295,911	$ 251,215	$ 65,758	$ 8,195	$ 32,473	$ 755,039

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, 2012 (expressed in thousands):

Interest Rate Terms	Corporate Notes & Securities	U.S. Agency Securities	Other	Total
Investments with coupon tied to the London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point which resets from monthly to quarterly.	$ 306,500	$ -	$ -	$ 306,500
Asset back securities (including full faith) with coupon tied to the LIBOR plus/minus a fixed basis point which resets from monthly to quarterly.	143,847	43,340	-	187,187
Investments with coupon tied to the LIBOR plus/minus a fixed basis point which resets from monthly to quarterly.	93,372	37,790	98,095	229,257
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 fair value.	56,346	1,812,104	-	1,868,450
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.	-	116,954	-	116,954
Other investments with high sensitivity to rate changes.	-	247,717	-	247,717
Total	$ 600,065	$ 2,257,905	$ 98,095	$ 2,956,065

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. Corporate bonds, debentures, notes, and negotiable certificates of deposit must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P) or their successors. 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. For investments not rated by Moody's, Fitch rating information is used. 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 assumed to be implicitly guaranteed by the U.S. Government, as some are collateralized with U.S. agency securities.

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

The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income securities must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. The portion of the bond portfolio in securities rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20% or less of the fair value of the fixed income portfolio. Commercial paper must have a minimum quality rating of P-1 by Moody's and A1 by S & P at the time of purchase.

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 by S & P or Baa or better rating by Moody's; 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, 2012. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC Thru D	A-1	Not Rated
Asset backed securities	$ 475,203	$ 292,145	$ 30,243	$ 23,695	$ 45,211	$ 37,717	$ 8,082	$ 27,411	$ 3,919	$ 6,780
CBOs	23,242	-	-	10,907	-	-	-	12,335	-	-
Certificates of deposit (negotiable)	141,404	-	73,100	-	-	-	-	-	44,978	23,326
Commercial mortgage backed securities	296,804	256,031	11,980	15,345	10,775	2,350	-	-	-	323
Commercial paper	739,686	-	-	-	-	-	-	-	739,686	-
Corporate notes & bonds	3,916,905	120,478	414,747	1,258,004	588,771	274,864	411,840	125,171	-	723,030
Government agency CMOs	46,306	-	45,993	-	-	-	-	-	-	313
Government bonds	843,951	15,236	814,181	1,859	12,675	-	-	-	-	-
Government mortgage backed securities	1,345,932	-	1,345,250	-	-	-	-	-	-	682
Government related bonds	509,250	37,736	423,048	45,935	462	-	-	-	-	2,069
Money market mutual funds	582,501	521,132	51,013	-	-	-	-	-	-	10,356
Mortgages	11,110	-	-	-	352	-	-	10,758	-	-
Non-government backed CMOs	37,719	7,627	3,581	4,497	376	-	281	12,068	-	9,289
Repurchase agreements	1,182,316	-	1,182,316	-	-	-	-	-	-	-
U.S. agency mortgage backed securities	1,132,184	-	1,132,184	-	-	-	-	-	-	-
U.S. agency securities	1,651,887	2,501	1,564,960	56,680	-	-	-	-	27,738	8
Other	85,359	-	5,012	-	-	-	-	-	-	80,347
Total	$13,021,759	$1,252,886	$7,097,608	$1,416,922	$658,622	$314,931	$420,203	$187,743	$816,321	$856,523

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 federal government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50% of the market value of the pool. 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 used as direct obligations of and fully guaranteed by the U.S. Government. At June 30, 2012, investments in any one issuer, that were more than 5% of the primary government's total investments, are as follows: (i) Federal Home Loan Mortgage Corporation (fair value of $923.7 million, or 9.5%) and (ii) Federal National Mortgage Association (fair value of $982.4 million, or 10.1%).

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 ARS §38-719, no more than 30% of the ASRS' assets

may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. According to State statutes, 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, 2012 (expressed in thousands):

	Foreign Currency Risk by Investment Type at Fair Value				
Currency	**Short Term**	**Fixed Income**	**Equities**	**Other Investments**	**Total**
Australian Dollar	$ 319	$ -	$ 96,674	$ -	$ 96,993
Brazilian Real	-	-	3,064	-	3,064
British Pound Sterling	1,263	5,109	443,619	29,910	479,901
Canadian Dollar	(57)	4,809	101,060	-	105,812
Danish Krone	127	-	21,066	-	21,193
Euro Currency	14,386	79,883	465,661	250,118	810,048
Hong Kong Dollar	366	-	60,959	-	61,325
Israeli Shekel	16	-	3,744	-	3,760
Japanese Yen	3,694	-	366,987	-	370,681
New Taiwan Dollar	1	-	14,832	-	14,833
New Zealand Dollar	28	-	1,303	-	1,331
Norwegian Krone	37	-	10,990	-	11,027
Singapore Dollar	18	-	49,525	-	49,543
South Korean Won	-	-	21,772	-	21,772
Swedish Krona	41	-	52,581	-	52,622
Swiss Franc	1,386	-	200,172	-	201,558
Total	$ 21,625	$ 89,801	$ 1,914,009	$ 280,028	$ 2,305,463

G. UNEMPLOYMENT COMPENSATION

Pursuant to Section 904 of the Social Security Act (42 U.S.C. §1104), unemployment insurance contributions from Arizona employers are deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major enterprise fund, has been established for this purpose.

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. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, The Northern Trust Company, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2012. The Northern Trust Company's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105% of the market value of securities loaned plus accrued interest. The market value at June 30, 2012 for loaned securities collateralized by cash and non-cash collateral was $43.8 million and $20 thousand, respectively. As part of the securities lending transactions, The Northern Trust Company received cash and non-cash collateral valued at $44.3 million and $0, respectively, at June 30, 2012. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 63 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 39 days as of June 30, 2012. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either the lender or the borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2012, the Commission had $44.3 million outstanding as payable for securities lending. A maximum restriction on the amount of securities that can be lent out at any one time of $43.976 million was set by the Commission on September 29, 2008.

2. Arizona State Retirement System

The ASRS is permitted by ARS §38-715(D)(3), to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. The ASRS currently receives as collateral at least 102% of the market 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 no counter party risk to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. Securities loaned are initially fully collateralized by cash (USD and Euro), irrevocable letters of credit, U.S. Government or agency securities, sovereign debt, corporate bonds and equities. Cash collateral may be reinvested (under certain constraints) in: a) instruments issued or fully guaranteed by the U.S. Government, Federal agencies, or sponsored agencies or sponsored corporations, b) instruments issued by domestic corporations including corporate notes and floating rate notes, c) obligations of approved domestic and foreign banks, d) U.S. dollar-denominated instruments issued by sovereigns, sovereign supported credits, and instruments of foreign banks and corporations, e) repurchase agreements, f) insurance company funding agreements, guaranteed investment contracts and bank investment contracts, and g) money market mutual funds. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. 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. Investments made with cash collateral are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2012, the fair value of securities on loan was $49.4 million; all of which were cash collateralized loans. Cash of $50.1 million received as collateral for securities loaned was reinvested and had a net asset value of $49.7 million, as of June 30, 2012. The securities lending payable at June 30, 2012 was $50.1 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. There are no 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.

During the late summer and early fall of 2011, ongoing monitoring of ASRS securities lending exposure showed growing risks throughout Europe and in the European banking sector. In an effort to reduce the securities lending investment pools' exposure to the European banking sector, the ASRS substantially withdrew from securities lending in 2011. As a result, the market values of securities on loan decreased from $3.5 billion as of June 30, 2011 to $49.4 million at June 30, 2012.

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

The PSPRS, the EORP, and the CORP are permitted by ARS 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 bank. The 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, primarily by cash. 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. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2012, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were $98.2 million, $5.7 million, and $25.0 million, respectively. At June 30, 2012, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were $102.1 million, $6.0 million, and $26.0 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan.

4. State Treasurer

The State Treasurer is permitted under ARS §§35-313 and 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash, U.S. government securities, state and local bonds, other municipalities' bonds and notes, commercial paper, banker acceptances, negotiable certificates of deposit, and corporate bonds, notes, and debentures. Securities are loaned for collateral valued at 102% of the market value of the securities loaned at the close of trading on the preceding business day, except for securities asset types such as U.S. Treasury strips and bills where the market fluctuations do not allow for the sale of such a security at greater than par. For these exceptions, collateral valued at the lesser of 100% of the par value of the security loaned or 102% of the market value is acceptable. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer's investment policy, except for investments made for certain endowment equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer's investment policy. Cash collateral investments include: a) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase agreements collateralized at no less than 102% by securities, 100% by cash, and 102% by mortgage-backed securities, b) bonds or other evidences of indebtedness of this state or any of the counties or incorporated cities, towns, or duly organized school districts, c) bonds and notes of other municipalities including repurchase and tri-party repurchase agreements collateralized at no less than 105% by securities and 100% by cash, d) commercial paper, e) bill of exchange or time drafts known as bankers acceptances, f) negotiable certificates of deposit issued by a nationally or state chartered bank or savings and loan, g) bonds, debentures, and notes issued by corporations organized and doing business in the United States, and h) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as obligations under securities loan agreements. As of June 30, 2012, the fair value of securities on loan was $1.1 billion. The associated fair value of the invested collateral was $1.1 billion, of which $581.4 million was invested cash collateral. All securities loans can be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was six days. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default. The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year. At June 30, 2012, the State Treasurer had $581.4 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer's name:

U.S. agency securities	$ 5,059,585
U.S. Treasury securities	519,071,988
Equities S&P 600	26,150
Total Fair Value	$ 524,157,723

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.

The ASRS is the primary State agency that has investment derivatives. The ASRS's derivatives are considered "Investment Derivative Instruments" as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* All funds are considered fiduciary funds.

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2012 financial statements are as follows (expressed in thousands):

Investment Derivatives by Type

	Changes in Fair Value (1)		Fair Value at June 30, 2012		
Investment Derivatives	**Classification**	**Amount (2)**	**Classification**	**Amount (3)**	**Notional (4)**
Commodity futures long	Net increase (decrease) in fair value of investments	$ (67,680)	Not applicable	$ -	$ 212,032
Commodity futures short	Net increase (decrease) in fair value of investments	3,925	Not applicable	-	(24)
Credit default swaps bought	Net increase (decrease) in fair value of investments	473	Equity securities	1,534	47,716
Credit default swaps written	Net increase (decrease) in fair value of investments	54	Equity securities	161	29,025
Fixed income futures long	Net increase (decrease) in fair value of investments	88,416	Not applicable	-	213
Fixed income futures short	Net increase (decrease) in fair value of investments	(21,366)	Not applicable	-	-
Fixed income options bought	Net increase (decrease) in fair value of investments	97	Equity securities	472	19,400
Fixed income options written	Net increase (decrease) in fair value of investments	1,095	Equity securities	(1,581)	(182,000)
Foreign currency futures long	Net increase (decrease) in fair value of investments	(6,595)	Not applicable	-	255,730
Foreign currency futures short	Net increase (decrease) in fair value of investments	14,973	Not applicable	-	-
Foreign currency options bought	Net increase (decrease) in fair value of investments	(71)	Equity securities	321	23,858
Foreign currency options written	Net increase (decrease) in fair value of investments	(20)	Not applicable	-	-
Futures options written	Net increase (decrease) in fair value of investments	74	Not applicable	-	-
Foreign currency forwards	Net increase (decrease) in fair value of investments	(6,328)	Forward contracts receivable	542	244,457
Index futures long	Net increase (decrease) in fair value of investments	(90,881)	Not applicable	-	13,506
Index futures short	Net increase (decrease) in fair value of investments	1,606	Not applicable	-	-
Pay fixed interest rate swaps	Net increase (decrease) in fair value of investments	(7,265)	Equity securities	(1,827)	40,500
Receive fixed interest rate swaps	Net increase (decrease) in fair value of investments	1,906	Equity securities	1,654	73,144
Rights	Net increase (decrease) in fair value of investments	99	Equity securities	192	727
Warrants	Net increase (decrease) in fair value of investments	118	Equity securities	27	275
Total		$ (87,370)		$ 1,495	$ 778,559

(1) Excludes futures margin payments.

(2) Negative values (in brackets) refer to losses.

(3) Negative values refer to liabilities.

(4) Notional may be a dollar amount or size of underlying futures and options; negative values refer to short positions.

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

The credit quality ratings of counterparties as described by NRSROs and the counterparties' related risk concentration, as of June 30, 2012, are as follows (expressed in thousands):

Counterparty Risk and Ratings

Counterparty Name	Total Net Exposure	Risk Concentration	Ratings S&P	Ratings Fitch	Ratings Moody's
Australia and New Zealand Banking Group	$ 25	0.50%	AA-	AA-	Aa2
Barclay's Bank, PLC Wholesale	722	14.36%	A+	A	A2
Barclay's Capital	17	0.34%	A+	A	A2
BNP Paribas, S.A.	12	0.24%	AA-	A+	A2
Citibank N.A.	409	8.13%	A	A	A3
Citigroup Global Markets, CME	138	2.74%	A-	A	Baa2
Credit Suisse FOB CME	124	2.47%	A+	A	A1
Credit Suisse London Branch	1	0.02%	A+	A	A1
Deutsche Bank London	854	16.98%	A+	A+	A2
Goldman Sachs Capital Markets, L.P.	4	0.08%	A-	A	A3
HSBC Bank USA	1,399	27.82%	AA-	AA	A1
JP Morgan Chase Bank N.A.	522	10.38%	A+	AA-	Aa3
Royal Bank of Canada	7	0.14%	AA-	AA	Aa3
Royal Bank of Scotland, PLC	20	0.40%	A	A	A3
Standard Chartered Bank	210	4.18%	AA-	AA-	A1
State Street Bank and Trust Co.	77	1.53%	AA-	A+	Aa2
USB AG	475	9.45%	A	A	A2
Westpac Banking Corporation	12	0.24%	AA-	AA-	Aa2
Total	$ 5,028	100.00%			

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.

The ASRS's derivatives do not have contingent features.

The aggregate fair value of investment derivative instruments in asset positions at June 30, 2012 was $5.0 million. This represents the maximum amount of loss in case of default of all counterparties for the aggregated (positive) fair value of over-the-counter positions as of June 30, 2012. There was no collateral received or netting arrangements in place at June 30, 2012 with counterparties that would reduce this exposure.

The ASRS has exposure to interest rate risk due to the investment in an interest rate swap agreement. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The fair value balance and notional amount of the interest rate swap outstanding as of June 30, 2012, for the year then ended, as reported in the June 30, 2012 financial statements are as follows (expressed in thousands):

Interest Rate Risk for Interest Rate Swap

Asset ID	Asset Description	Interest Rate	Fair Value	Notional
PAY FIXED INTEREST RATE SWAPS				
99S0BNJ83/ 99S0BNJ91	BWU0830U7 IRS USD R V 03MLIBOR / BWU0830U7 IRS USD P F 2.75000	2.75%	$ (367)	$ 7,200
99S0BXJZ1/ 99S0BXK06	BWU0640U7 IRS USD R V 03MLIBOR / BWU0640U7 IRS USD P F 2.25000	2.25%	(1,460)	33,300
Total Pay Fixed Interest Rate Swaps			$ (1,827)	$ 40,500
RECEIVE FIXED INTEREST RATE SWAPS				
99S0AQS53/ 99S0AQS61	SWU026R29 IRS BRL R F 10.53000 / SWU026R29 IRS BRL P V 00MBZDIO	10.53%	$ 1,392	$ 40,774
99S0CHEZ0/ 99S0CHF06	SWU0083W7 IRS CAD R F 2.0000 / SWU0083W7 IRS CAD P V 03MCDOR	2.00%	124	17,657
99S0CK058/ 99S0CK066	SWU000609 IRS CAD R F 2.25000 / SWU000609 IRS CAD P V 03MCDOR	2.25%	138	14,714
Total Receive Fixed Interest Rate Swaps			$ 1,654	$ 73,145

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and futures contracts. The required risk disclosures are included in the Foreign Currency Risk schedule in Note 2.F.

Refer to Note 7.A.4.c. for information on debt derivatives utilized by the ASU.

J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues separately published Annual Audited Financial Statements. These financial statements provide additional information relating to the State Treasurer's total investing activities, including the investment trust funds. A copy of the State Treasurer's Office Annual Audited Financial Statements can be obtained from their office at: Office of the Arizona State Treasurer, 1700 W. Washington Street, Phoenix, AZ 85007, (602) 604-7800, or their website at www.aztreasury.gov.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2012 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Industrial Commission Special Fund	Non-Major Governmental Funds	Government-wide Total
Sales	$ 533,970	$ -	$ -	$ -	$ 49,437	$ 583,407
Income – individual and corporate	207,395	-	-	-	-	207,395
Motor vehicle and fuel	-	64,439	-	-	-	64,439
Luxury	7,290	-	-	-	18,023	25,313
Unemployment	-	-	89,019	-	-	89,019
Other	-	-	-	4,763	-	4,763
Gross taxes receivable	748,655	64,439	89,019	4,763	67,460	974,336
Allowance for uncollectible taxes	(346,638)	-	-	-	-	(346,638)
Net Taxes Receivable	$ 402,017	$ 64,439	$ 89,019	$ 4,763	$ 67,460	$ 627,698

B. DEFERRED REVENUE

At June 30, 2012, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

Current Deferred Revenue for Governmental Funds:	**Unavailable**	**Unearned**	**Total Deferred Revenue**
General Fund:			
Delinquent sales tax	$ 74,540	$ -	$ 74,540
Delinquent income tax	62,177	-	62,177
Tobacco settlement	50,000	-	50,000
Child support administrative reimbursements	4,363	-	4,363
Advance insurance premium taxes	-	42,224	42,224
Advance land lease payments	-	291	291
Public assistance overpayments	723	-	723
Vaccine & commodity food supplement	-	6,223	6,223
Advance county acute and long term care payments	-	20,888	20,888
Federal grants	107,835	-	107,835
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Loans & notes receivable for asset purchases and construction	5,872	-	5,872
Land Endowments Fund:			
Land sales receivable	335,561	-	335,561
Land leases receivable	6,995	-	6,995
Advance land lease payments	-	19,477	19,477
Non-Major Funds:			
Public assistance overpayments	739	-	739
Advance payments for Hawaii/Arizona PMMIS Alliance	-	510	510
Total Current Deferred Revenue for Governmental Funds	648,805	89,613	738,418
Noncurrent Deferred Revenue for Governmental Funds:			
General Fund:			
Advance land lease payments	-	4,261	4,261
Land Endowments Fund:			
Land sales receivable	197,914	-	197,914
Advance land lease payments	-	72,102	72,102
Total Noncurrent Deferred Revenue for Governmental Funds	197,914	76,363	274,277
Total Current and Noncurrent Deferred Revenue for Governmental Funds	$ 846,719	$ 165,976	$ 1,012,695

Current Deferred Revenue for Proprietary Funds:	**Unearned**
Universities:	
Unexpended cash advances received	$ 49,534
Auxiliary sales and services	6,294
IBM lease related to acquisition of research park	4,900
Student tuition and fees	54,412
Deposits	800
Other	16,019
Industrial Commission Special Fund:	
Other	103
Non-Major Funds:	
Policyholders' advance premiums	3,532
Magazine subscriptions	2,205
Other	91
Internal Service Funds:	
Other	32
Total Current Deferred Revenue for Proprietary Funds	$ 137,922
Noncurrent Deferred Revenue for Proprietary Funds:	
Universities:	
IBM lease related to acquisition of research park	$ 5,370
Total Noncurrent Deferred Revenue for Proprietary Funds	$ 5,370

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2012 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 2,757,806	$ 143,543	$ (15,126)	$ 235	$ 2,886,458
Construction in progress	3,839,780	558,844	(654,950)	(208,014)	3,535,660
Development in progress	85,672	921	-	(1,007)	85,586
Infrastructure	11,604,566	606,662	(3,791)	-	12,207,437
Total Non-depreciable Capital Assets	18,287,824	1,309,970	(673,867)	(208,786)	18,715,141
Depreciable capital assets:					
Buildings	1,899,835	5,247	(6,447)	208,278	2,106,913
Improvements other than buildings	157,580	1,354	(315)	761	159,380
Equipment	757,691	68,527	(36,474)	5,403	795,147
Software and other intangibles	129,857	1,043	(3,296)	3,343	130,947
Infrastructure	21,953	-	-	181	22,134
Total Depreciable Capital Assets	2,966,916	76,171	(46,532)	217,966	3,214,521
Less accumulated depreciation for:					
Buildings	(670,109)	(55,921)	3,172	28	(722,830)
Improvements other than buildings	(84,941)	(4,658)	97	16	(89,486)
Equipment	(578,816)	(56,165)	34,223	1,589	(599,169)
Software and other intangibles	(100,318)	(16,475)	3,296	839	(112,658)
Infrastructure	(10,726)	(656)	-	-	(11,382)
Total Accumulated Depreciation	(1,444,910)	(133,875)	40,788	2,472	(1,535,525)
Total Depreciable Capital Assets, Net	1,522,006	(57,704)	(5,744)	220,438	1,678,996
Total Governmental Activities Capital Assets, Net	$ 19,809,830	$ 1,252,266	$ (679,611)	$ 11,652	$ 20,394,137

	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type Activities:					
Non-depreciable capital assets:					
Land	$ 186,143	$ 17,419	$ (650)	$ 1	$ 202,913
Construction in progress	404,843	273,623	(92,026)	(254,058)	332,382
Development in progress	-	3,949	-	-	3,949
Collections	18,657	540	(24)	-	19,173
Total Non-depreciable Capital Assets	609,643	295,531	(92,700)	(254,057)	558,417
Depreciable capital assets:					
Buildings	4,196,305	240,581	(7,325)	192,588	4,622,149
Improvements other than buildings	4,816	-	-	-	4,816
Equipment	1,460,701	95,461	(44,570)	16,230	1,527,822
Software and other intangibles	19,328	-	-	-	19,328
Infrastructure	399,431	4,382	-	45,256	449,069
Total Depreciable Capital Assets	6,080,581	340,424	(51,895)	254,074	6,623,184
Less accumulated depreciation for:					
Buildings	(1,681,521)	(129,101)	4,402	-	(1,806,220)
Improvements other than buildings	(3,068)	(187)	-	-	(3,255)
Equipment	(1,059,584)	(90,546)	39,876	3	(1,110,251)
Software and other intangibles	(10,244)	(1,705)	-	-	(11,949)
Infrastructure	(155,227)	(14,646)	-	-	(169,873)
Total Accumulated Depreciation	(2,909,644)	(236,185)	44,278	3	(3,101,548)
Total Depreciable Capital Assets, Net	3,170,937	104,239	(7,617)	254,077	3,521,636
Total Business-type Activities Capital Assets, Net	$ 3,780,580	$ 399,770	$ (100,317)	$ 20	$ 4,080,053

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

General government	$ 28,410
Health and welfare	14,043
Inspection and regulation	2,175
Education	1,992
Protection and safety	58,472
Transportation	15,199
Natural resources	13,584
Total Governmental Activities	$ 133,875

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

Lottery	$ 270
Industrial Commission Special Fund	1,371
Universities	232,827
Other	1,717
Total Business-type Activities	$236,185

NOTE 5. PENSION BENEFITS

The State participates in the ASRS, the PSPRS, the EORP, and the CORP. Benefits are established by State statutes and provide retirement, death, and survivor benefits to State employees, public school employees and employees of counties, municipalities, and other State political subdivisions.

A. PARTICIPATING EMPLOYERS

The number of participating government employer groups as of June 30, 2012 for each pension plan is shown below:

ASRS	PSPRS	EORP	CORP
593	237	38	40

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

For the ASRS, contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Pension benefit and refund payments are recognized when due and payable in accordance with the terms of the plan.

For the PSPRS, the EORP, and the CORP, member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension benefits are recognized when due and payable in accordance with the terms of the plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans

For the year ended June 30, 2012, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 10.50% and 9.87% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2012, 2011, and 2010 were $180.8 million, $160.5 million, and $155.3 million, respectively, for the primary government which were equal to the required contributions for these years.

In addition, active EORP members were required by statute to contribute 10% of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 31.20% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2012, 2011, and 2010 were $2.2 million, $2.1 million, and $2.6 million, respectively, which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 16.06 – 84.55%. Active CORP members were required by statute to contribute 8.41% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 7.88 – 8.39%.

D. ANNUAL PENSION COST

The State's annual pension costs, required contributions, and excess other post-employment benefit (OPEB) contributions applied to pensions (see Note 6.A. and B. for explanation) for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2012, is as follows (expressed in thousands):

		Pension Contributions Made	
	Annual Pension Costs	Required Contributions	Excess OPEB Contributions
PSPRS	$ 31,253	$ 31,253	$ 499
CORP	32,058	32,058	2,988

The State's annual pension costs, the percentage of annual pension cost contributed to the plan, and the net pension for the current and preceding year for each of the agent, multiple-employer defined benefit pension plans, is as follows (expressed in thousands):

	Fiscal Year Ended	Annual Pension Costs	Percentage of Annual Cost Contributed	Net Pension
PSPRS	6/30/2012	$ 31,253	102%	$ 2,627
	6/30/2011	29,418	101%	2,128
	6/30/2010	29,008	101%	1,691
CORP	6/30/2012	32,058	109%	12,854
	6/30/2011	29,466	110%	9,866
	6/30/2010	33,251	106%	6,952

E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuation, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2012	$ 522,980	$ 1,043,064	$ (520,084)	50.1%	$ 82,352	(631.5)%
CORP	6/30/2012	888,879	1,244,672	(355,793)	71.4%	370,041	(96.1)%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit pension plans for the most recent actuarial valuation as of 6/30/2012 and actuarial valuation as of 6/30/2010 that was used to determine the fiscal year 2012 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/2010	6/30/2010	6/30/2012	6/30/2012
Actuarial cost method	projected unit credit	projected unit credit	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.5%	8.5%	8.0%	8.0%
Projected salary increases	5.5 – 8.5%	5.5 – 8.5%	5.0 – 9.0%	5.0 – 8.25%
Payroll growth	5.5%	5.5%	5.0%	5.0%
Cost-of-living adjustments	None	None	None	None
Amortization method	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization period	26 years for unfunded, 20 years for overfunded	26 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professionals, service professionals, and administrative staff at the three universities (the ASU, the NAU, and the U of A) may select one of four retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The contract with VALIC was terminated by the Universities in September 2011. The ASRS is a defined benefit plan and the other three plans are defined contribution plans. The three defined contribution plans are administered by independent insurance and annuity companies approved by the ABOR. In addition, the U of A employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions made by employees vest immediately and the Universities' contributions vest no later than after five years of full-time employment. Employees and Universities' contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity company.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2012, plan members and the three Universities were each required by statute to contribute an amount equal to 7.00% of an employee's compensation, except for a 7.26% member contribution and a 7.86% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2012, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 30,639	$ 30,639	$ 61,278
VALIC	434	434	868
Fidelity	18,713	18,713	37,426
ASRS	14	13	27

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Cost-sharing plans

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

The EORP, by statute, is a cost-sharing, multiple employer plan. However, because of its statutory structure, in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, paragraphs 5 and 41, the EORP's OPEB is reported for such purposes as an agent, multiple-employer plan. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP's OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes or the RSI that follows.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each offer a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. The PSPRS and the CORP do not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent agreement. In addition, the PSPRS and the CORP are not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefits payments. Therefore, in accordance with GASB Statement No. 43, the health insurance subsidy benefit is reported as an agency fund. There are no accumulated assets or liabilities, only contributions and benefit distributions are presented in these funds. All assets of the PSPRS and the CORP are available to pay both pension benefits and the health insurance subsidy benefits. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

Cost-sharing plan

The ASRS recognition of contributions for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B. Benefit and refund payments are recognized when due and payable in accordance with the terms of the HBS plan and LTD plan.

Agent plans

The PSPRS and the CORP recognition of employer contributions and refunds for the health insurance subsidy benefit are the same as the pension benefit in Note 5.B. Contributions in excess of the health insurance subsidy payments are reported as excess pension contributions in the pension benefit plan. Health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the plan.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements are established and may be amended by the Arizona State Legislature.

Cost-sharing plan

For the year ended June 30, 2012, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.24% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.63% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2012, 2011, and 2010 were $4.4 million, $4.5 million, and $7.5 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2012, 2011, and 2010 were $11.5 million, $10.5 million, and $12.3 million, respectively, for the primary government which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2012, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.34 – 5.53% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 1.27 – 1.53% of covered payroll.

D. ANNUAL OPEB COST

The State's annual OPEB costs, OPEB contributions made, and increase in OPEB obligation for each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2012, is as follows (expressed in thousands):

	Annual OPEB Costs	OPEB Contributions Made	Increase in OPEB Obligation
PSPRS	$ 2,225	$ 1,726	$ 499
CORP	5,213	2,225	2,988

The State's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding year for each of the agent, multiple-employer defined benefit post-employment plans, is as follows (expressed in thousands):

	Fiscal Year Ended	Annual OPEB Costs (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
PSPRS	6/30/2012	$ 2,225	77.6%	$ 2,627
	6/30/2011	2,180	79.9%	2,128
	6/30/2010	2,074	79.9%	1,691
CORP	6/30/2012	5,213	42.7%	12,854
	6/30/2011	5,010	41.8%	9,866
	6/30/2010	3,996	45.9%	6,952

E. FUNDED STATUS AND FUNDING PROGESS

The State's funded status for each of the agent, multiple-employer defined benefit post-employment plans, as of the year ended June 30, 2012, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2012	-	$ 29,183	$ (29,183)	0.0%	$ 82,352	(35.4)%
CORP	6/30/2012	-	58,596	(58,596)	0.0%	370,041	(15.8)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the

notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit post-employment plans for the most recent actuarial valuation as of 6/30/2012 and actuarial valuation as of 6/30/2010 that was used to determine the fiscal year 2012 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/2010	6/30/2010	6/30/2012	6/30/2012
Actuarial cost method	projected unit credit	projected unit credit	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.5%	8.5%	8.0%	8.0%
Projected salary increases	5.5 – 8.5%	5.5 – 8.5%	5.0 – 9.0%	5.0 – 8.25%
Payroll growth	5.5%	5.5%	5.0%	5.0%
Cost-of-living adjustments	None	None	None	None
Amortization method	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization period	26 years for unfunded, 20 years for overfunded	26 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market

NOTE 7. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Department of Administration

The State has pledged portions of its revenues towards the payment of debt service on the State Lottery Revenue Bonds Series 2010A. These bonds provide additional working capital to the State to pay appropriated expenditures of the State's General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State's General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2012, pledged revenues totaled $96.2 million, of which 21.5% ($20.7 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029 is $638.0 million.

2. 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, state, and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $1.6 billion. During the year, Highway Revenue Bonds totaling $555.9 million were issued to (i) finance portions of the ADOT's Five-Year Transportation Facilities Construction Program, (ii) pay interest on any bonds issued for highway purposes, (iii) pay costs of issuing the bonds, and (iv) advance-refund the ADOT's outstanding Senior Series 2001 Bonds ($19.3 million), Senior Series 2002 Bonds ($38.2 million), Senior Refunding Series 2002A Bonds ($65.6 million), Senior Series 2002B Bonds ($88.2 million), Senior Series 2003 Bonds ($89.9 million), and advance-refund portions of the ADOT's Subordinated Series 2003A Bonds ($75.5 million) and Subordinated Refunding Series 2004B

Bonds ($92.3 million) to reduce the total debt service payments by $2.4 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $24.1 million. The payment to the refunded bond escrow agent totaled $511.9 million, representing principal of $468.9 million, interest of $20.6 million, and premium of $22.4 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 $1.6 billion in outstanding Highway Revenue Bonds issued since 2001. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2036. The total principal and interest remaining to be paid on the bonds is $2.4 billion. Principal and interest paid for the current year and total pledged revenues were $139.0 million and $369.8 million, respectively. The annual principal and interest payments on the bonds required 37.6% of the pledged revenues.

The Maricopa County Regional Area Road Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $877.8 million. During the year, Transportation Excise Tax Revenue Bonds totaling $159.5 million were issued to pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, AZ and the costs of issuing the bonds.

The ADOT has pledged future transportation excise taxes to repay $981.8 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, AZ. The bonds are payable solely from transportation excise taxes and are payable through 2026. The total principal and interest remaining to be paid on the bonds is $1.3 billion. Principal and interest paid for the current year and total pledged revenues were $103.6 million and $216.2 million, respectively. The annual principal and interest payments on the bonds required 47.9% of the pledged revenues.

In the current and prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2012 totaled $511.9 million.

3. School Facilities Board

In prior fiscal years, the School Facilities Board (SFB) refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the SFB at June 30, 2012 totaled $281.4 million.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, State school trust revenue bonds, and State school trust revenue refunding bonds outstanding at June 30, 2012. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund

prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of $72.263 million are not available to pay debt service on the State school trust revenue bonds and State school trust revenue refunding bonds per the debt documents. At June 30, 2012, pledged revenues totaled $581.6 million, of which 15.2% ($88.5 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2021 is $682.6 million.

Business-Type Activities

4. Universities

a. **University of Arizona**

The U of A's bonded debt consists of various issues of system revenue bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and 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. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the U of A's system revenue bonds.

On March 27, 2012, the U of A sold System Revenue Bonds Series 2012A (2012A Bonds) for $74.050 million and System Revenue Refunding Bonds Taxable Series 2012B (2012B Bonds) for $21.860 million dated April 25, 2012. The 2012A Bonds include $39.965 million of serial bonds with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2013 to 2032. The 2012A Bonds also include two term bonds consisting of $14.970 million with an interest rate of 5.00% due June 1, 2037 and $19.115 million with an interest rate of 5.00% due June 1, 2042. The 2012A Bonds with maturity on or after June 1, 2023, are subject to optional redemption without premium. The 2012A Bonds with maturity on June 1, 2037 and June 1, 2042 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2012A Bonds sold at a premium of $9.686 million. The U of A realized net proceeds of $83.211 million after payment of $525 thousand for issuance costs and underwriter discounts. The net proceeds were used to finance the North End Zone Project at Arizona Stadium and to refund in advance of maturity a portion of the System Revenue Bonds Series 2004A totaling $9.335 million. The redemption generated a net present value benefit of $757 thousand (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding reduced the U of A's debt service by $233 thousand in the first year, increased it by $3 thousand in the second year, and reduced debt services by an average of $38 thousand in years three through sixteen. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.204 million. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2029 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $10.204 million. The refunded debt is considered defeased and is not included in the accompanying financial statements.

The 2012B Bonds include $21.860 million of serial bonds with interest rates ranging from 0.62% to 3.29% and maturity dates ranging from 2013 to 2022. The 2012B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 25 basis points. The U of A realized net proceeds of $21.694 million after payment of $166 thousand for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the System Revenue Bonds Series 2003 totaling $20.250 million. The advance refunding generated a net present value benefit of $1.589 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding reduced the U of A's debt service by $494 thousand in the first year and an average of $110 thousand in years two through eleven. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.649 million. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2022 using the straight-line method. The refunded system revenue bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $21.203 million. The refunded debt is considered defeased and is not included in the accompanying financial statements.

The U of A's outstanding Series 2010 SPEED Revenue Bonds were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. The U of A is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds.

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, 2012. 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, 2012, pledged revenues totaled $924.6 million, of which 5.3% ($48.9 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2044 is $1.2 billion.

b. Northern Arizona University

The NAU's bonded debt consists of various issues that are generally callable at a prescribed date with interest payable semi-annually. All issues are at a fixed rate. Bond proceeds primarily pay for acquiring, constructing, or renovating capital facilities. System revenue bonds are repaid from pledged gross revenues that primarily consist of student tuition and fees and certain auxiliary revenues.

On January 25, 2012, the NAU sold $24.0 million of Tax-exempt 2012 System Revenue Bonds for the purpose of construction and equipping of an approximately 463,086 square foot, six-story parking garage accommodating up to approximately 1,400 cars, to be located on the NAU's main campus.

In prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2012, $34.9 million of such bonds outstanding are considered defeased.

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. The NAU is currently not aware of any such issues that may adversely affect the amount of payments to be received from the Federal government related to such designated Build America Bonds. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as nonoperating revenue.

For the 2010 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. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

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, 2012. 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 revenue has averaged $195.0 million for the prior five years. At June 30, 2012, pledged revenues totaled $246.1 million, of which 8.5% ($20.9 million) was required to cover current year debt service.

Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of June 1, 2041 is $650.5 million.

c. Arizona State University

At June 30, 2012, the ASU had issued a combination of fixed and variable rate bonds. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all defeased bonds outstanding at June 30, 2012 totaled $118.2 million.

The ASU has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2012. These related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The 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. For the year ended June 30, 2012, pledged revenues totaled $977.8 million, of which 6.5% ($63.8 million, net of federal direct payments) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for revenue bonds through final maturity of July 1, 2042 is $1.5 billion. In addition, the ASU has pledged the same revenues on a subordinated basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds and the Series 2010 A/B and 2011 SPEED revenue bonds. Research Park bonds outstanding at June 30, 2012 were $8.7 million with annual debt service payments of approximately $1.2 million through July 1, 2021. SPEED revenue bonds outstanding at June 30, 2012, were $64.7 million with annual debt service payments of approximately $2.6 million through June 30, 2016, $5.7 million through June 30, 2031, and $2.7 million through August 1, 2031, net of the Build America federal direct payments.

In April 2012, the ASU issued $213.4 million in system revenue and refunding bonds, Tax-Exempt Series 2012A and Taxable Series 2012B, with an average maturity of 13.2 years and an average interest rate of 3.64%. The bonds were issued to fund the construction of a third business school facility at the Tempe campus, new dining facilities and student fitness complexes at the West and Polytechnic campuses, various information technology infrastructure projects, and to refund outstanding bonds of the ASU and two of its component units, the ACFFC (Adelphi Commons I Student Housing) and Mesa Student Housing. The refunded debt is considered defeased and related liabilities are not included in the accompanying financial statements. The issuance of the refunding bonds, with an average maturity of 6.6 years and an average interest rate of 2.63%, resulted in a $9.0 million reduction in future debt service payments, with an economic gain of $8.7 million based upon the present value savings.

In June 2008, the Legislature approved the SPEED which provides the ASU capital improvement funds for critical construction and deferral maintenance projects. SPEED projects are debt financed with revenue bonds, 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 Taxable Series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the ARRA. As such, the ASU is eligible to receive Federal Direct Payments from the U.S. Treasury equal to 35% of the interest owing on such bonds 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. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

In November 2011, the ASU issued $30.9 million in SPEED subordinate lien revenue bonds, Tax-Exempt Series 2011, with an average maturity of 13.1 years and an average interest rate of 3.93%. The bonds were issued to fund classroom and laboratory renovations and infrastructure and campus site improvements.

The ASU has outstanding two series of variable rate demand system revenue refunding bonds, Series 2008A and Series 2008B, totaling $99.2 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2012 was 0.15% for the Series 2008A Bonds and 0.17% for the Series 2008B Bonds. To provide credit and liquidity support for the bonds, on March 1, 2012, the ASU entered into an Irrevocable Transferable Direct-Pay Letter of Credit (LOC) with JPMorgan Chase Bank, N.A. (JPMorgan), under which the ASU has agreed to a commitment fee for the LOC of 0.38% per annum. Should the Series

2008A/B bond rating change, the commitment fee could increase according to the fee agreement. Assuming all of the $49.6 million Series 2008A and $49.6 million Series 2008B bonds are not resold within 365 days, the ASU would be responsible to make quarterly installment principal payments, with the last payment on the fourth anniversary of JPMorgan acquiring the bonds, plus interest to be calculated as established in the LOC.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2012 totaled $44.6 million.

The ASU presently plans to issue up to $96.0 million in senior lien system revenue bonds during fiscal year 2013.

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 $103.0 million in notional amount 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 was 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, 2012 was 0.18%. At June 30, 2012, 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	(.18)
Net interest rate swap payments		3.73
Variable-rate bond coupon payments	Spread to SIFMA	.16
Synthetic fixed interest rate on bonds		3.89

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

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

As of June 30, 2012, 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 becomes positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Fitch, A by S&P and A3 by Moody's as of June 30, 2012. 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, 2012, the swap had a fair value of $(22.9) million, which represents the cost to the ASU to terminate the swap. The June 30, 2011 fair value was $(10.0) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, the fair value of the ASU's hedging derivative instrument is reported on the statement of net assets as an asset (deferred outflow-interest rate swap) and a liability (derivative instrument-interest rate swap).

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2012 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2012
Governmental Activities:				
Department of Transportation	2001-2012	2013-2036	2.00-5.50%	$2,601,810
School Facilities Board	2002-2008	2013-2021	.14-5.50%	566,190
Department of Administration	2010	2013-2029	3.00-5.00%	425,420
Business-type Activities:				
University Revenue Bonds	1992-2012	2013-2045	.16-6.64%	1,942,755

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2012 are as follows (expressed in thousands):

	Annual Debt Service						
	Governmental Activities			Business-type Activities			
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2013	$ 195,195	$ 173,340	$ 368,535	$ 59,710	$ 93,996	$ 3,612	$ 157,318
2014	215,135	164,411	379,546	63,545	90,923	3,518	157,986
2015	224,505	154,072	378,577	71,740	87,900	3,419	163,059
2016	241,470	143,482	384,952	77,195	84,926	3,315	165,436
2017	246,350	132,252	378,602	77,935	81,506	3,206	162,647
2018-2022	1,212,675	479,628	1,692,303	372,385	357,426	14,198	744,009
2023-2027	873,635	202,728	1,076,363	415,350	261,742	10,542	687,634
2028-2032	298,730	62,194	360,924	363,130	161,193	5,878	530,201
2033-2037	85,725	7,621	93,346	257,045	87,475	770	345,290
2038-2042	-	-	-	157,500	25,795	-	183,295
2043-2045	-	-	-	27,220	2,071	-	29,291
Total	$ 3,593,420	$ 1,519,728	$ 5,113,148	$ 1,942,755	$ 1,334,953	$ 48,458	$ 3,326,166

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 original amount of GANs issued in prior years and outstanding at the start of the fiscal year was $392.5 million. During the year, GANs totaling $43.8 million were issued to pay the costs of projects (as specified) and the costs of issuing the GANs. The ADOT advance-refunded a portion of the GANs Series 2003A ($18.3 million) and the Series 2004B ($25.7 million) to reduce the total debt service payments by $2.5 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2.5 million. The payment to the refunded bond escrow agent totaled $48.4 million, representing principal of $44.0 million and interest of $4.4 million.

The ADOT has pledged federal revenues to repay $335.2 million in outstanding GANs issued since 2004. Proceeds from the GANs pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The GANs are payable solely from federal revenues and are payable through 2026. The total principal and interest remaining to be paid on the GANs is $435.8 million. Principal and interest paid for the current year and total pledged revenues were $75.0 million and $815.8 million, respectively. The annual principal and interest payments on the GANs required 9.2% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2012
Governmental Activities:				
Department of Transportation	2004-2012	2013-2026	2.50-5.25%	$ 335,230

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

Annual Debt Service			
Governmental Activities			
Fiscal Year	Total Principal	Total Interest	Total Debt Service
2013	$ 38,990	$ 18,446	$ 57,436
2014	48,530	16,436	64,966
2015	53,040	11,854	64,894
2016	47,350	9,553	56,903
2017	11,770	7,393	19,163
2018-2022	67,935	27,886	95,821
2023-2026	67,615	9,043	76,658
Total	$ 335,230	$ 100,611	$ 435,841

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. 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 State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration 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 scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. 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.

2. School Facilities Board

The SFB Series 2010 COPs are not subject to mandatory sinking fund prepayment. However, as a means to provide a source of funds that will be available to pay the principal with respect to the Series 2010 COPs at maturity, the lease agreement with the trustee for the 2010 COPs will provide for mandatory sinking fund payments to be made as part of the base rent due under the lease. Beginning August 15, 2012, annual deposits to the sinking fund in the amount of $5.7 million are scheduled to be made on August 15 of each year through August 15, 2027, at which time, the accumulated balance (including investment earnings and losses) in the sinking fund will be sufficient to retire the Series 2010 COPs on their stated maturity date of September 1, 2027.

In prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased COPs are not reflected in the accompanying financial statements. Refunded COPs for the SFB at June 30, 2012 totaled $311.1 million.

Business-Type Activities

3. Universities

a. **University of Arizona**

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

On May 23, 2012, the U of A issued Refunding COPs Series 2012A-1, Taxable Series 2012A-2, Series 2012B, and Series 2012C (2012A-C COPs) dated June 20, 2012 for $157.875 million at a net premium of $21.021 million. Interest rates on the 2012A-C COPs range from 1.48% to 5.00% and maturity dates from 2013 to 2031. The 2012A-C COPs maturing on or after June 1, 2022 are subject to optional redemption prior to maturity without premium. There are also extraordinary redemption dates pursuant to the debt documents.

The U of A realized net proceeds from the 2012A-C COPs of $177.953 million after payment of $943 thousand for issuance costs and underwriter discounts. The net proceeds were used for the following:

- Current-refund the COP Series 2001B and 2002B with an outstanding principal balance of $25.765 million. The current refunding generated a combined net present value economic gain of $3.561 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The refunding decreases the U of A's debt service by $1.995 million in year one and $1.542 million in year two. In addition, annual debt service decreases by an average of $3 thousand in years three through eleven. The current refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of $588 thousand. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized to interest expense through the year 2023 using the straight-line method.

- Refund, in advance of maturity, a portion of the outstanding principal on the COP Series 2003A, 2003B, and 2004A totaling $144.485 million. The advance-refunding generated a combined net present value economic gain of $12.610 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance refunding decreases the U of A's debt service by $1.086 million in year one, $833 thousand in year two, $6.185 million in year three, $4.203 million in year four, and $244 thousand in year five. In addition, annual debt service decreases by an average of $5 thousand in years six through seventeen. The advance refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of $7.390 million. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized to interest expense through the year 2023 using the straight-line method. The refunded COPs Series 2003A, 2003B, and 2004A will be paid by investments held in an irrevocable trust with a combined fair value of $152.102 million. Accordingly, the trust account assets and liability for those defeased COPs are not included in the accompanying financial statements.

b. Arizona State University

At June 30, 2012, the ASU has issued fixed rate COPs. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain COPs of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased COPs are not included in the accompanying financial statements. The principal amount of all such COPs outstanding at June 30, 2012 was $65.4 million.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2012 totaled $7.0 million.

A summary of the COPs issued as of June 30, 2012 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
Health Lab/HRIS 2002A	2002	2023	$ 63,270	$ 24,295	4.50 – 5.50
1000 Bed Prison 2004B	2004	2019	31,965	18,640	5.25
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	238,990	211,025	3.50 – 5.00
General Fund Budget Reconciliation 2010A	2010	2030	709,090	709,090	2.00 – 5.25
General Fund Budget Reconciliation 2010B	2010	2030	289,705	289,705	2.00 – 5.00
School Facilities Board:					
New School Construction 2003A	2003	2014	372,730	78,285	4.25 – 5.00
New School Construction 2003B	2004	2015	194,610	43,595	4.00 – 5.25
New School Construction 2004A	2004	2019	47,160	26,545	3.25 – 5.00
New School Construction 2004B	2005	2017	190,040	68,540	4.25 – 5.25
New School Construction 2004C	2005	2020	47,585	31,505	4.75 – 5.00
Refunding Certificates of 2003A	2005	2018	201,125	196,375	3.25 – 5.00
Refunding Certificates of 2003B	2005	2019	80,055	75,565	3.25 – 5.00
Refunding Certificates of 2004B	2005	2020	53,045	51,975	3.25 – 5.00
New School Construction 2008	2009	2024	580,035	520,575	4.00 – 5.75
Refunding Certificates of 2003B	2011	2020	11,100	11,100	3.00 – 3.50
Refunding Certificates of 2004B	2011	2020	10,000	10,000	3.00 – 5.00
Refunding Certificates of 2008	2011	2020	37,685	37,685	3.00 – 5.00
Qualified School Construction 2010	2011	2028	91,325	91,325	6.00
Total Governmental Activities			$ 3,249,515	$ 2,495,825	

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Business-type Activities:					
Arizona State University:					
2002 Certificates of Participation	2002	2019	$ 103,800	$ 9,920	4.76
2004 Certificates of Participation	2005	2031	80,275	70,075	4.89
2005A Certificates of Participation	2005	2031	110,115	95,350	4.36
2006 Certificates of Participation	2006	2031	15,810	13,520	4.53
2006 Refunding Certificates of Participation	2007	2027	65,890	64,580	4.15
2011A Mercado Refunding Certificates of Participation	2011	2025	8,465	8,465	4.27
University of Arizona:					
Fixed Student Union	1999	2020	21,607	3,930	5.13 – 5.30
Student Housing/Health Bldg./UA North	2002	2022	76,965	3,365	5.00 – 5.50
Refund COPs 1997 & Portion of COPs 2001B	2003	2013	10,615	885	4.75
Med. Research. Bldg./Biomed Sci.&Biotech Bldg./Tech. Infra.	2004	2014	153,960	10,360	4.75 – 5.21
Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A	2004	2015	42,020	7,605	5.25
Refund COPs 1999A	2005	2024	12,660	12,660	4.00 – 5.00
Refund COPs 1999	2005	2024	14,825	14,825	5.00
Refund COPs 2001A	2005	2022	16,330	16,330	4.13 – 5.00
Refund COPs 1999, 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	29,460	21,580	4.00 – 5.00
Refund COPs 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	58,650	56,220	3.88 – 5.00
Biomed Research Collaborative Bldg. Project	2006	2031	18,240	15,785	4.00 – 5.00
Refund COPs 2001A, 2001B, 2002A, 2004B	2007	2031	105,080	104,110	4.00 – 4.50
Refund COPs 2001B	2012	2014	2,145	2,145	2.00 – 3.00
Refund COPs 2003A	2012	2022	10,190	10,190	1.48 – 3.42
Refund COPs 2002B	2012	2023	20,600	20,600	2.00 – 5.00
Refund COPs 2003B & 2004A	2012	2031	124,940	124,940	3.00 – 5.00
Northern Arizona University:					
2004 Certificates of Participation	2005	2031	37,585	32,680	4.85
2005 Certificates of Participation	2006	2031	40,255	34,815	4.65
2006 Certificates of Participation	2006	2018	12,445	2,045	4.35
Total Business-type Activities			$ 1,192,927	$ 756,980	

Principal and interest debt service requirements on COPs outstanding at June 30, 2012 are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-type Activities		
Fiscal Year	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2013	$ 156,705	$ 121,384	$ 278,089	$ 34,961	$ 34,919	$ 69,880
2014	164,250	113,626	277,876	36,888	33,668	70,556
2015	172,290	105,380	277,670	32,524	32,530	65,054
2016	180,845	96,597	277,442	40,376	28,483	68,859
2017	189,870	87,350	277,220	46,430	28,326	74,756
2018-2022	786,975	307,310	1,094,285	256,286	107,038	363,324
2023-2027	503,725	147,829	651,554	183,610	51,093	234,703
2028-2031	341,165	21,238	362,403	125,905	12,406	138,311
Total	$ 2,495,825	$ 1,000,714	$ 3,496,539	$ 756,980	$ 328,463	$ 1,085,443

D. LEASES

1. Leases

The State has entered into capital lease agreements for the acquisition of buildings and equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Assets. A lease is reported as a capital lease if one or more of the following criteria are met:

- Title to or ownership of the asset is transferred to the State at the end of the lease.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

The future minimum lease payments for long-term capital leases as of June 30, 2012 are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2013	$ 47,287	$ 13,101
2014	47,596	12,615
2015	47,932	12,574
2016	48,202	12,321
2017	46,279	12,036
2018-2022	232,085	53,205
2023-2027	200,131	61,172
2028-2032	11,590	62,803
2033-2037	1,388	35,567
2038-2039	-	2,036
Total minimum lease payments	682,490	277,430
Less: amount representing interest	(215,535)	(113,793)
Less: amount representing executory costs	(75,771)	-
Present Value of Net Minimum Lease Payments	$ 391,184	$ 163,637

2. Capital Assets Financed through Capital Leases

The following table summarizes the historical costs of assets acquired under capital leases (expressed in thousands):

	Governmental Activities	Business-type Activities
Land	$ 435	$ 1,945
Buildings	387,728	193,980
Equipment	12,478	2,127
	400,641	198,052
Less: accumulated depreciation	(52,617)	(34,458)
Carrying Value	$ 348,024	$ 163,594

E. 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 2012, the State paid for compensated absences as follows: 75.66% from the General Fund, 17.63% from other funds, and 6.71% from other major funds.

F. CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	$ 3,529,115	$ 715,360	$ (651,055)	$ 3,593,420	$ 195,195	$ 3,398,225
Grant anticipation notes	392,495	43,825	(101,090)	335,230	38,990	296,240
Certificates of participation	2,611,255	-	(115,430)	2,495,825	156,705	2,339,120
Capital leases	400,540	7,955	(17,311)	391,184	18,663	372,521
Installment purchase contracts	245	211	(279)	177	69	108
Notes payable	59,891	9,541	(13,766)	55,666	3,115	52,551
Premiums and discounts on debt	342,602	90,753	(36,890)	396,465	35,245	361,220
Deferred amounts on refundings	(1,221)	-	408	(813)	(408)	(405)
Total Long-term Debt	7,334,922	867,645	(935,413)	7,267,154	447,574	6,819,580
Other Long-term Liabilities:						
Compensated absences	276,145	227,999	(203,937)	300,207	160,126	140,081
Pollution remediation obligations	21,561	9,021	-	30,582	5,067	25,515
Total Other Long-term Liabilities	297,706	237,020	(203,937)	330,789	165,193	165,596
Total Long-term Obligations	$ 7,632,628	$ 1,104,665	$ (1,139,350)	$ 7,597,943	$ 612,767	$ 6,985,176
Business-type Activities:						
Long-term Debt:						
Revenue bonds	$ 1,742,125	$ 364,150	$ (163,520)	$ 1,942,755	$ 59,710	$ 1,883,045
Certificates of participation	812,706	158,100	(213,826)	756,980	34,961	722,019
Capital leases	167,841	551	(4,755)	163,637	4,930	158,707
Installment purchase contracts	10,511	492	(2,606)	8,397	2,252	6,145
Notes payable	292	12,420	(69)	12,643	72	12,571
Premiums and discounts on debt	41,393	56,660	(10,060)	87,993	3,289	84,704
Deferred amounts on refundings	(20,875)	(15,230)	2,714	(33,391)	(2,031)	(31,360)
Total Long-term Debt	2,753,993	577,143	(392,122)	2,939,014	103,183	2,835,831
Other Long-term Liabilities:						
Compensated absences	70,851	86,588	(85,067)	72,372	16,823	55,549
Total Other Long-term Liabilities	70,851	86,588	(85,067)	72,372	16,823	55,549
Total Long-term Obligations	$ 2,824,844	$ 663,731	$ (477,189)	$ 3,011,386	$ 120,006	$ 2,891,380

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 Assets because $149.171 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2012 are as follows (expressed in thousands):

	Due To							
Due From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ -	$ 325	$ 11,143	$ 200,000	$ 9	$ 2,217	$ 213,694
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	4,336	-	-	4,539	-	162	-	9,037
Land Endowments Fund	-	-	-	3,024	-	-	12	3,036
Non-Major Governmental Funds	24,235	3,829	-	1,498	-	-	510	30,072
Unemployment Compensation Fund	2	-	-	173	-	-	-	175
Industrial Commission Special Fund	-	-	-	1,711	-	-	-	1,711
Lottery Fund	13,793	-	-	4,107	10,299	-	-	28,199
Non-Major Enterprise Funds	-	-	-	-	-	-	1	1
Internal Service Funds	94	-	-	277	-	-	12	383
Total Due From	$ 42,460	$ 3,829	$ 325	$ 26,472	$ 210,299	$ 171	$ 2,752	$ 286,308

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, 2012 are as follows (expressed in thousands):

	Transferred To						
Transferred From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Non-Major Enterprise Funds	Total Transfers Out
General Fund	$ -	$ 1,536	$ 122,032	$ 714,593	$ -	$ -	$ 838,161
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	845	-	330,856	-	-	-	331,701
Land Endowments Fund	385	-	28,882	-	-	-	29,267
Non-Major Governmental Funds	104,622	224	13,787	-	6,000	16	124,649
Unemployment Compensation Fund	18	-	1,883	-	-	-	1,901
Lottery Fund	104,032	-	35,687	10,299	-	-	150,018
Non-Major Enterprise Funds	2,143	-	-	-	-	-	2,143
Internal Service Funds	74,062	-	78	-	-	-	74,140
Total Transfers In	$ 286,107	$ 1,760	$ 533,205	$ 724,892	$ 6,000	$ 16	$ 1,551,980

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.

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, 2012 are 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	$ 891	$ 8,235	$ -	$ -	$ 9,126
Permanent fund principal	-	-	3,463,770	-	3,463,770
Restricted for:					
General government	16,248	-	-	21,161	37,409
Health and welfare	139,206	-	-	8,908	148,114
Inspection and regulation	4,614	-	-	-	4,614
Education	13,469	-	-	492,045	505,514
Protection and safety	20,237	-	-	-	20,237
Natural resources	4,201	-	-	6,362	10,563
Debt service	-	-	-	55,059	55,059
Capital projects	-	650,424	-	430,787	1,081,211
School facilities improvements	49,002	-	-	-	49,002
Committed to:					
General government	-	-	-	118,681	118,681
Health and welfare	24,647	-	-	94,502	119,149
Inspection and regulation	-	-	-	78,605	78,605
Education	10,441	-	-	-	10,441
Protection and safety	11,011	-	-	61,792	72,803
Transportation	-	110,518	-	-	110,518
Natural resources	50,126	-	-	49,987	100,113
School facilities improvements	13,244	-	-	-	13,244
Unassigned:	(437,035)	-	(33,861)	-	(470,896)
Total Fund Balances	$ (79,698)	$ 769,177	$ 3,429,909	$ 1,417,889	$ 5,537,277

NOTE 10. FUND DEFICIT

A. RISK MANAGEMENT FUND

The Risk Management Fund (RMF), an internal service fund, had a deficit of $308.2 million primarily due to the RMF receiving annual funding only for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures), and not being funded for non-current accrued insurance losses. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

B. RETIREE SICK LEAVE FUND (RASL)

The RASL, an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The $144.3 million fund deficit is primarily due to the above funding mechanism.

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 Arcetri 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, INAF Astrophysical Observatory, Research Corporation, Ohio State University, and LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25% of the LBT's construction costs and annual operating costs. As of June 30, 2012, the U of A has made cash contributions of $18.2 million toward the project's construction costs, which were recorded as long-term investments on the Statement of Net Assets. The U of A's financial interest represents its 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; thus, depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, $801 thousand in calendar year 2011, as a reduction in its investment. At June 30, 2012, the investment totaled $14.4 million. According to the audited financial statements of the LBT for the year ended December 31, 2011, assets, liabilities, revenues, and expenses totaled $130.0 million, $3.0 million, $14.0 million, and $13.0 million, respectively.

The LBT's separate audited financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

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 eleven 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.

Although no contributions were made during the current fiscal year, the U of A has contributed $9.8 million to the GMTO as of June 30, 2012, and future contributions are expected. The U of A will also 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, 2012, the U of A has received payment on six contracts related to the project: $23.6 million from Observatories of the Carnegie Institution of Washington for mirror construction and process development; $7.8 million from the GMTO for mirror construction; $3.8 million from the GMTO for acquisition of glass and mold materials; $2.0 million from the GMTO for acquisition of glass; $2.5 million from the Observatories of the Carnegie Institution of Washington to develop mirror testing systems; and $371 thousand from the GMTO to develop mirror testing systems.

NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. INSURANCE LOSSES

The Department of Administration – Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Commission's Special Fund provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Division, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Special Fund encompass claims against uninsured or underinsured

employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State'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 incurred but not reported claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (internal service fund) and the Special Fund (enterprise 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. Investment earnings (including interest, dividends, and securities lending income) and assessments on gross premium revenues primarily fund the Special Fund. To provide funding for workers' compensation claims, the Special Fund may direct payment to the State Treasurer an amount not to exceed 1.50% of all premiums received by the State Compensation Fund, private carriers, and self-insured plans during the immediately preceding calendar year. Beginning in calendar year 2004, this 1.50% assessment was levied under ARS §23-1065(A) because of a deficit net assets balance.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2012. The total estimated loss reserve of $468.9 million increased by more than 13%, or $55.2 million, over the prior year estimated loss reserve of $413.7 million. There were no major shifts in any award categories. A confidence level of 80% was used in calculating medical and compensation related liabilities. A confidence level of 80% indicates a confidence that the estimated liability will be adequate to cover actual costs eight out of ten years. The reserves were discounted at an assumed rate of 1.69% for the compensation claims and zero percent for the medical claims. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund levied the following assessment taxes for calendar year 2012: 1.50% assessment under ARS §23-1065(A), .50% assessment under ARS §23-966(D) based on insolvent carrier losses, and .50% assessment under ARS §23-1065(F), based on the total apportionment liability. The Special Fund has filed pending proof of claim requests with ancillary receivers and liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits ("settlement income") as revenue at the time received rather than recording a receivable.

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

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

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2011 and June 30, 2012 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2011	$ 373,717	$ 49,366	$ 60,280	$ 362,803
2012	362,803	58,543	56,583	364,763
Industrial Commission Special Fund:				
2011	415,284	21,864	23,408	413,740
2012	413,740	78,366	23,173	468,933

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, 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 internal service funds and the Industrial Commission Special Fund.

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted 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 $147.5 million at June 30, 2012.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately $951.4 million (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at $38.5 million and mutual funds valued at $9.0 million. In accordance with ARS §44-313 and ARS §44-314, for fiscal year 2012, $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, $45.8 million was deposited in the General Fund, and $318 thousand 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, 2012, $260.9 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 $746.4 million at June 30, 2012.

	(in thousands) Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	$ 1,399,277	$ 136,565
Small urban roadways	420,496	29,430
Urban roadways	295,282	152,454
Large urban roadways	937,646	141,249
General roadways	216,739	236,354
Sub-total	3,269,440	696,052
Design contracts	852,772	5,789
Other commitments	63,624	44,566
Total	$ 4,185,836	$ 746,407

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for The Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody's, Duff & Phelps, or Weiss. The Lottery may incur future liabilities on these annuities. Aggregate future payments to prize winners on existing annuities totaled $57.2 million at June 30, 2012. Approximately $34.8 million of the total aggregate future payments at June 30, 2012 relate to annuities purchased from five separate insurance companies, of which approximately $13.6 million relates to a single insurance company.

NOTE 13. 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 $101.1 million and $97.0 million in the fund statements and the government-wide statements in fiscal year 2012, respectively. 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, 2012.

NOTE 14. 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. Each component unit has a June 30 year-end.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting. The State's component units follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989, except for the UAHN, which has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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:

- *Unrestricted net assets* include assets and contributions that are not restricted by donors or for which such restrictions have expired.

- *Temporarily restricted net assets* include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted even if the restrictions are satisfied in the same reporting period in which the contributions are received.

- *Permanently restricted net assets* include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the board-approved payout be made available for program operations in accordance with donor restrictions.

3. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value.

4. Investments

The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership 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 based on the net asset value. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increases or decreases in net assets in the Statement of Activities.

In addition, investments include Universities' endowment funds totaling $270.3 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' endowment pools.

5. 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 Collegiate Golf Foundation, the ACFFC, and the NACFFC 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 and NACFFC are 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. The Collegiate Golf Foundation is not a tax-exempt organization.

6. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

7. Net Assets Released from Restriction

The major Universities-affiliated component units' expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the net assets are reclassified to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

8. Use of Estimates

The preparation of the Universities-affiliated component units' 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. The investments of the UAHN are stated at fair value.

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. The WIFA and the UAHN do not have a formal policy regarding custodial credit risk for deposits.

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 WIFA and the UAHN do not have a formal policy regarding custodial credit risk for investments. The investments of the UAHN are uninsured and held by brokers in the UAHN’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 WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2012 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Guaranteed investment contracts	$ 80,104	$ -	$ 2,109	$ 38,477	$ 39,518
Money market mutual funds	8,286	8,286	-	-	-
U.S. agency securities	35,669	-	25,839	-	9,830
Total	$ 124,059	$ 8,286	$ 27,948	$ 38,477	$ 49,348

The UAHN's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years. The following table presents the estimated maturities of the UAHN's investments, utilizing the segmented time distribution method as of June 30, 2012 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Collateralized mortgage obligations (CMOs)	$ 4,512	$ -	$ 2	$ -	$ 4,510
Commercial paper	8,487	8,487	-	-	-
Corporate debt securities	6,330	257	3,965	2,108	-
Money market mutual funds	24,677	24,677	-	-	-
U.S. agency mortgage backed securities	12,901	-	3,996	2,016	6,889
U.S. Treasury securities	6,691	6,691	-	-	-
Other debt securities	2,510	-	-	-	2,510
Total	$ 66,108	$ 40,112	$ 7,963	$ 4,124	$ 13,909

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. The following table presents the WIFA's investments 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, 2012 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**	**Not Rated**
Guaranteed investment contracts	$ 80,104	$ 80,104	$ -	$ -
Money market mutual funds	8,286	-	-	8,286
U.S. agency securities	35,669	-	35,669	-
Total	$ 124,059	$ 80,104	$ 35,669	$ 8,286

The UAHN's investment in fixed income securities is limited to investment grade securities with a credit rating of BBB, or equivalent, or better. The following table presents the UAHN's investments 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, 2012 (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	Not Rated
CMOs	$ 4,512	$ 642	$ 3,294	$ 576	$ -	$ -	$ -
Commercial paper	8,487	-	-	4,200	-	4,287	-
Corporate debt securities	6,330	-	580	4,571	1,179	-	-
Money market mutual funds	24,677	-	-	-	-	-	24,677
U.S. agency mortgage backed securities	12,901	-	12,901	-	-	-	-
Other debt securities	2,510	2,492	-	-	18	-	-
Total	$ 59,417	$ 3,134	$ 16,775	$ 9,347	$ 1,197	$ 4,287	$ 24,677

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. Investments in any one issuer, as of June 30, 2012, that were more than 5% of the WIFA's total investments, are as follows: (i) Bayerische Landesbank (fair value of $40.6 million, or 13.5%), (ii) Royal Bank of Canada (fair value of $31.4 million, or 10.4%), and (iii) Federal Home Loan (fair value of $25.8 million, or 8.6%).

2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2012. Investments are stated at fair value (expressed in thousands):

	ASU Foundation	U of A Foundation	NAU Foundation
Money market funds and cash equivalents	$ 41,434	$ -	$ 574
Domestic/international equity securities and mutual funds	416,507	196,467	64,654
Fixed income	101,567	123,665	23,881
Absolute return limited partnerships and funds	-	160,124	-
Other investments	63,155	108,222	-
Total Investments	$ 622,663	$ 588,478	$ 89,109

C. PROGRAM LOANS

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 2012 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	$ 820,713	$ 40,089	$ (63,359)	$ 797,443
Drinking Water Fund	370,156	22,758	(60,142)	332,772
Total	$ 1,190,869	$ 62,847	$ (123,501)	$ 1,130,215

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 .30% to 4.00% annual administrative fee.

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.

D. 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 ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 2.40% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges. The Sun Angel Foundation's pledges receivable are recorded using a 5.14% discount rate for the year ended June 30, 2012.

Pledges receivable, as of June 30, 2012, include the following (expressed in thousands):

	ASU Foundation	Sun Angel Foundation
Gross pledges receivable	$ 155,134	$ 5,690
Present value discount	(11,198)	(348)
Allowance for uncollectible pledges	(40,949)	(589)
Net Pledges Receivable	$ 102,987	$ 4,753

E. DIRECT FINANCING LEASE AGREEMENTS

1. ASU Foundation

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2012 is $25.7 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on April 1, 2009 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of 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 2009A and 2009B 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 2009A and 2009B 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. ACFFC's net investment in the Nanotechnology facility direct financing lease is $32.7 million at June 30, 2012.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of 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 September 1, 2008 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2008 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 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 Bonds maturity schedule. ACFFC's net investment in the McAllister (HAV) direct financing lease is $12.2 million at June 30, 2012.

3. NACFFC

On May 19, 2005, the NAU entered into a lease purchase agreement with NACFFC. During the 28-year lease term, the NAU will make lease payments on two apartment style student housing complexes, Pine Ridge Village and McKay Village. The NACFFC recorded a sales-type lease receivable of $13.2 million in fiscal year 2005 for the Pine Ridge complex. The agreement also provided for the NAU's lease purchase of the McKay Village complex for $22.7 million in fiscal year 2007. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

On September 1, 2006, the NAU entered into a lease purchase agreement with NACFFC. During the 30-year lease term, the agreement provides for the NAU lease purchase of the convention center/parking garage complex for $12.4 million in fiscal year 2008. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

F. CAPITAL ASSETS

Capital asset activity for the UAHN for the fiscal year ended June 30, 2012 was as follows (expressed in thousands):

	University of Arizona Health Network				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 14,671	$ -	$ -	$ -	$ 14,671
Construction in progress	3,398	23,805	-	(5,344)	21,859
Total Non-depreciable Capital Assets	18,069	23,805	-	(5,344)	36,530
Depreciable capital assets:					
Buildings	432,345	7,211	-	4,120	443,676
Improvements other than buildings	1,277	-	-	8	1,285
Equipment	270,899	18,800	(1,874)	1,216	289,041
Total Depreciable Capital Assets	704,521	26,011	(1,874)	5,344	734,002
Less accumulated depreciation for:					
Buildings	(155,287)	(14,552)	-	-	(169,839)
Improvements other than buildings	(539)	(105)	-	-	(644)
Equipment	(191,642)	(23,971)	1,125	-	(214,488)
Total Accumulated Depreciation	(347,468)	(38,628)	1,125	-	(384,971)
Total Depreciable Capital Assets, Net	357,053	(12,617)	(749)	5,344	349,031
Total UAHN Capital Assets, Net	$ 375,122	$ 11,188	$ (749)	$ -	$ 385,561

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2012 include the following (expressed in thousands):

	ACFFC	Downtown Phoenix Student Housing
Buildings and improvements	$ 194,326	$ 114,042
Furniture, fixtures, and equipment	80,908	10,388
Other property and equipment	483	-
Total cost or donated value	275,717	124,430
Less: Accumulated Depreciation	(68,466)	(16,840)
Total Property and Equipment, Net	$ 207,251	$ 107,590

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Water Infrastructure Finance Authority

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 bonds are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

In March 2012, the WIFA issued $164.6 million of Water Quality Revenue Refunding Bonds Series 2012A and $47.6 million of Water Quality Revenue Refunding Bonds Series 2012B to do an advance refunding of a portion of the 2004 Water Quality

Revenue Bonds, 2004 Water Quality Refunding Bonds, and 2006 Water Quality Revenue Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount outstanding on those defeased bonds as of June 30, 2012 is $216.0 million. The advance refunding was done in order to reduce debt payments. The refunding issue decreased the WIFA's total debt service payments by approximately $14.4 million. The transaction resulted in an economic gain of approximately $13.7 million.

In current and prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2012 totaled $259.1 million.

The $33.5 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. Annual amortization is $1.7 million. Amortization has been offset against interest expense. Bond premiums are being amortized over the life of the bonds. Annual amortization is $6.4 million and is included in interest expense.

b. University of Arizona Health Network

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property. The UMC is the only member of the obligated group responsible for the public debt offerings by the UMC.

The UPH is also subject to certain financial and nonfinancial covenants under its bond agreements. The UPH did not meet certain of its financial covenants as of June 30, 2012, and has obtained the necessary waivers from the banking institutions.

The UAHN has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled $23.8 million at June 30, 2012, are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements.

The bonds or other obligations of the UAHN do not constitute general obligations of the ABOR, the U of A, the State, or any political subdivision thereof.

On August 9, 2011, the UAHN received proceeds of approximately $74.4 million from the issuance of the UMC Hospital Revenue Bonds Series 2011, with an average interest rate of approximately 4.95%. Approximately $38.0 million of the proceeds was used to reimburse the UAHN for costs of the acquisition, construction, expansion, improvement, and equipping of the UAHN's health care facilities. Approximately $3.4 million was used to fund a bond reserve fund escrow account and for the costs related to the issuance of the bonds. The remaining funds were used to redeem the UMC Hospital Revenue Bonds Series 1993. A loss on refunding of approximately $1.1 million, primarily related to unamortized financing costs and discounts on the Series 1993 Bonds, will be incurred. The loss is deferred and was amortized over the remaining term of the Series 1993 Bonds. The refunding resulted in a decrease in future debt service payments of approximately $274 thousand and an economic gain of approximately $257 thousand.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2012 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2012
Component Units:				
Water Infrastructure Finance Authority	2004-2012	2013-2031	.2-5.00%	$ 910,370
University of Arizona Health Network	1993-2012	2013-2040	2.74-6.48%	326,468
Arizona Power Authority	2001-2004	2013-2018	5.00-5.25%	32,945

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2012 are as follows (expressed in thousands):

	Annual Debt Service		
	Water Infrastructure Finance Authority		
Fiscal Year	Principal	Interest	Total
2013	$ 46,470	$ 41,249	$ 87,719
2014	45,150	38,814	83,964
2015	46,495	34,831	81,326
2016	49,990	34,696	84,686
2017	49,110	32,882	81,992
2018-2022	278,550	129,724	408,274
2023-2027	275,620	62,287	337,907
2028-2031	118,985	10,069	129,054
Total	$ 910,370	$ 384,552	$ 1,294,922

	Annual Debt Service		
	University of Arizona Health Network		
Fiscal Year	Principal	Interest	Total
2013	$ 11,400	$ 18,058	$ 29,458
2014	6,524	16,868	23,392
2015	6,404	16,568	22,972
2016	6,728	16,243	22,971
2017	7,083	15,897	22,980
2018-2022	41,800	73,603	115,403
2023-2027	53,895	62,517	116,412
2028-2032	67,270	47,530	114,800
2033-2037	80,845	27,743	108,588
2038-2040	44,519	4,218	48,737
Total	$ 326,468	$ 299,245	$ 625,713

	Annual Debt Service		
	Arizona Power Authority		
Fiscal Year	Principal	Interest	Total
2013	$ 4,810	$ 1,603	$ 6,413
2014	5,065	1,344	6,409
2015	5,330	1,071	6,401
2016	5,615	784	6,399
2017	5,905	482	6,387
2018	6,220	164	6,384
Total	$ 32,945	$ 5,448	$ 38,393

c. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year	Due Thereafter
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	$ 958,780	$ 212,210	$ (260,620)	$ 910,370	$ 46,470	$ 863,900
Revenue bond premium	67,999	39,700	(20,067)	87,632	-	87,632
Deferred amounts, net	(9,903)	(25,297)	1,662	(33,538)	-	(33,538)
Total Long-term Debt	1,016,876	226,613	(279,025)	964,464	46,470	917,994
Other Long-term Liabilities:						
Compensated absences	68	119	(99)	88	88	-
Total Other Long-term Liabilities	68	119	(99)	88	88	-
Total Long-term Obligations	$ 1,016,944	$ 226,732	$ (279,124)	$ 964,552	$ 46,558	$ 917,994
University of Arizona Health Network:						
Long-term Debt:						
Revenue bonds	$ 292,979	$ 72,603	$ (39,114)	$ 326,468	$ 11,400	$ 315,068
Revenue bond premium and discount	(2,744)	636	105	(2,003)	-	(2,003)
Notes payable	1,935	51	(1,282)	704	351	353
Capital leases	4,265	-	(1,755)	2,510	2,014	496
Line of credit	9,950	4,000	-	13,950	13,950	-
Total Long-term Debt	306,385	77,290	(42,046)	341,629	27,715	313,914
Other Long-term Liabilities:						
Compensated absences	16,069	28,979	(16,471)	28,577	19,433	9,144
Other	598	5,153	(3,296)	2,455	-	2,455
Total Other Long-term Liabilities	16,667	34,132	(19,767)	31,032	19,433	11,599
Total Long-term Obligations	$ 323,052	$ 111,422	$ (61,813)	$ 372,661	$ 47,148	$ 325,513
Arizona Power Authority:						
Long-term Debt:						
Revenue bonds	$ 37,530	$ -	$ (4,585)	$ 32,945	$ 4,810	$ 28,135
Revenue bond premium and discount	899	-	(236)	663	-	663
Deferred amounts, net	(613)	-	161	(452)	-	(452)
Total Long-term Debt	37,816	-	(4,660)	33,156	4,810	28,346
Total Long-term Obligations	$ 37,816	$ -	$ (4,660)	$ 33,156	$ 4,810	$ 28,346

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2012 include the following (expressed in thousands):

	Final Maturity	Amount
ASU Foundation:		
Series 2004A Variable Rate Revenue Bonds	2034	$ 22,420
Series 2004B Variable Rate Revenue Bonds	2022	8,740
Series 2003 Lease Revenue Bonds	2034	44,530
ACFFC:		
Series 2011 Tax-Exempt Revenue Refunding Bonds	2024	17,035
Series 2009 Revenue Bonds	2024	39,050
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	9,980
Series 2008 Revenue Bonds	2028	15,205
Series 2008 Revenue Refunding Bonds	2039	143,975
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	47,750
Series 2005 Tax-Exempt Refunding Bonds	2035	15,860
Series 2003 Tax-Exempt Revenue Bonds	2035	12,825
Deferred Cost of Refunding		(449)
Unamortized Bond Discount		(2,852)
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	119,040
Series 2007B Revenue Bonds	2012	185
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,141)
NACFFC:		
Series 2008 Refunding Bonds	2033	34,590
North Campus Lease Revenue Serial and Term Bonds	2036	11,420
Unamortized Bond Discount		(27)

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

Fiscal Year	ASU Foundation	ACFFC	Downtown Phoenix Student Housing	NACFFC
2013	$ 1,755	$ 7,780	$ 655	$ 985
2014	1,835	9,270	430	1,060
2015	1,940	9,875	610	1,135
2016	2,035	10,540	810	1,220
2017	2,140	11,285	1,025	1,310
Thereafter	65,985	272,584	137,254	40,300
Total	$ 75,690	$ 321,334	$ 140,784	$ 46,010

H. NET ASSETS TRANSFER

In April 2012, the ASU issued system revenue bonds with part of the proceeds used to defease the Series 2000 ACFFC Student Housing bonds and Series 2001 Mesa Student Housing bonds. The related ground leases between the ASU and ACFFC and the ASU and Mesa Student Housing, LLC were terminated and all assets and liabilities related to these projects were transferred to the ASU.

I. CONDUIT DEBT

The purpose of the GADA is to provide cost-effective capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA's 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 GADA from the GADA 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 GADA bonds.

In previous years, the State appropriated a total of $20.0 million to the GADA for the express purpose of securing bonds issued by the GADA. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-2259, the GADA's 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 assets of $10.5 million in the Pledged Collateral Reserve Fund. At June 30, 2012, the total outstanding face value of all bonds issued by the GADA was $452.3 million.

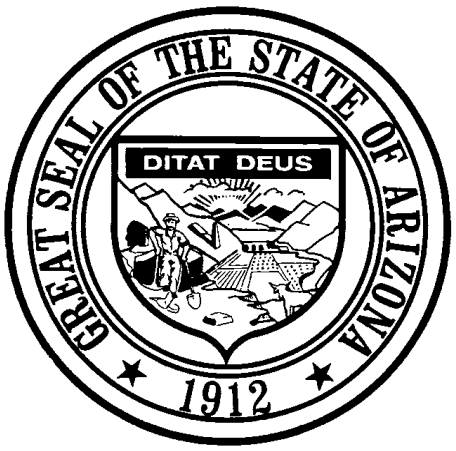
J. ACCOUNTING RESTATEMENT

Net assets have been restated as follows (expressed in thousands):

	Component Units
Net Assets, as previously reported	$ 842,314
Prior period adjustment	(33,802)
Net Assets, as restated	$ 808,512

Prior Period Adjustment

During the year ended June 30, 2012, Rio Nuevo determined that certain capital assets recorded on the books were not legally titled to them. As a result, construction in progress, buildings, equipment, land, and accumulated depreciation were overstated at June 30, 2011. Rio Nuevo also determined that certain construction in progress related to canceled jobs was not written off in a prior year. As a result, construction in progress was overstated in prior years. The effect of the restatement to beginning net assets as of July 1, 2011 was a change from a balance of $10.531 million to a deficit of ($23.271) million.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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	$ -	$ 56,337	$ 56,337
ADMINISTRATIVE ADJUSTMENTS	-	42	42
ADMINISTRATIVE ADJUSTMENTS	-	230,386	230,386
ADMINISTRATIVE ADJUSTMENTS	-	240	240
ADMINISTRATIVE ADJUSTMENTS	-	191,607	191,607
ANNUAL REV PERSONNEL DIV FUND ARS41-764C	-	541,390	541,390
ARCHIVE BUILDING OPERATIONS AND MAINTENANCE	613,326	613,326	501,709
BUILDING RENEWAL FY07-08	7,076	7,076	100
BUILDING RENEWAL FY08-09	4,680	4,680	4,680
BUILDING RENEWAL FY09-10	449,725	449,725	446,116
BUILDING RENEWAL FY10-11	1,561,778	1,561,778	1,061,056
BUILDING RENEWAL FY10-11	627,969	627,969	319,621
BUILDING RENEWAL FY11-12	6,500,000	6,500,000	1,023,094
CAPITOL MALL FIRE SYSTEM REPLACE FY08-09	138,170	138,170	122,439
CASH TRANSFER TO GENERAL FUND	6,500,000	6,500,000	6,500,000
CASH TRANSFER TO GENERAL FUND	18,700	18,700	18,700
CASH TRANSFER TO GENERAL FUND	97,600	97,600	97,600
CASH TRANSFER TO GENERAL FUND	477,600	477,600	477,600
CASH TRANSFER TO GENERAL FUND	78,600	78,600	78,600
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	35,354,900	35,354,900	35,354,900
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	13,695,800	13,695,800	13,695,800
CORRECTIONS BUILDING RENEWAL FY11-12	4,630,500	1,966,892	-
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY11-12	1,213,200	1,213,200	1,213,200
DJC HVAC AND ELECTRICAL RENOVATIONS	187,877	187,877	-
ENSCO	2,862,800	1,436,400	1,436,400
HB1464 PERSONNEL REFORM FY98-99	273,045	273,045	-
HRIS CERTIFICATE OF PARTICIPATION	5,550,600	5,550,600	5,550,600
OPERATING LUMP SUM APPROPRIATION	10,950,600	11,365,400	11,155,524
OPERATING LUMP SUM APPROPRIATION	2,310,800	2,379,100	1,908,828
OPERATING LUMP SUM APPROPRIATION	458,700	468,500	91,413
OPERATING LUMP SUM APPROPRIATION	9,998,300	10,029,000	9,318,954
OPERATING LUMP SUM APPROPRIATION	843,469	843,469	80,907
OPERATING LUMP SUM APPROPRIATION	9,225,400	9,327,400	9,209,528
OPERATING LUMP SUM APPROPRIATION	250,000	250,000	183,613
OPERATING LUMP SUM APPROPRIATION	1,137,600	1,138,600	1,086,610
OPERATING LUMP SUM APPROPRIATION - ST BD	224,400	221,000	219,263
PERSONNEL SYSTEM SUPPLEMENTAL	-	154,000	152,091
PRISON CELL LOCKS/DOOR REPLACEMENT GF	88,022	88,022	-
PUBLIC SAFETY COMMUNICATIONS	542,000	527,200	503,957
RELOCATION FY99-00	46,526	46,526	41,649
RELOCATION FY00-01	60,000	60,000	4,699
RELOCATION FY01-02	59,026	59,026	-
RELOCATION FY02-03	58,149	58,149	-
STATE SURPLUS PROPERTY SALES PROCEEDS	1,260,000	1,560,000	1,192,265
STATEWIDE INFO SECURITY AND PRIVACY OFC	861,500	861,500	835,247
UTILITIES	625,700	625,700	625,700
UTILITIES	649,404	649,404	9,595
UTILITIES	7,349,900	7,349,900	6,336,897
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	908,200	839,600	839,600
OPERATING LUMP SUM APPROPRIATION	14,500	14,500	14,500

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

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STATE OF ARIZONA
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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	18,421	18,421
AGRICULTURE CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	128,500
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
ANIMAL DAMAGE CONTROL	65,000	65,000	65,000
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	-	92,113	92,113
OPERATING LUMP SUM APPROPRIATION	8,412,300	7,803,200	7,801,822
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ADMINISTRATIVE ADJUSTMENTS	-	13,201,499	13,201,499
ADMINISTRATIVE ADJUSTMENTS	-	3,071,015	3,071,015
ADMINISTRATIVE ADJUSTMENTS	-	779,325	779,325
ADMINISTRATIVE ADJUSTMENTS	-	12,054,284	12,054,284
ALTCS SERVICES	172,812,200	172,812,200	172,812,200
ALTCS SERVICES	13,916,000	28,125,800	24,832,192
ALTCS SERVICES	436,700	436,700	132,926
ALTCS SERVICES	1,057,664,100	1,046,664,100	969,413,770
CHILDREN'S REHABILITATIVE SERVICES	73,670,800	81,356,891	81,356,891
CHILDREN'S REHABILITATIVE SERVICES	45,200	45,200	10,723
CHILDREN'S REHABILITATIVE SERVICES	36,410,600	40,166,807	40,166,806
CHIP - SERVICES	7,524,800	6,690,300	6,489,645
CHIP - SERVICES	28,543,000	25,235,000	24,582,139
DES ELIGIBILITY	25,754,700	27,970,100	24,715,276
DES ELIGIBILITY	28,782,800	28,737,200	25,196,183
DISPROPORTIONATE SHARE PAYMENTS	3,114,700	3,114,700	-
DISPROPORTIONATE SHARE PAYMENTS	10,372,400	10,372,400	4,202,300
HEALTH PLAN PAYMENT DEFERRAL	-	38,334	38,334
MENTAL HEALTH - ADULTS	45,368	45,368	-
NEW AND EXPANDED GRADUATE MED ED PRG FY06-07	958,535	958,535	-
NEW AND EXPANDED GRADUATE MED ED PRG FY06-07	4,494,824	4,494,824	-
OPERATING LUMP SUM APPROPRIATION	28,639,800	28,631,200	27,813,350
OPERATING LUMP SUM APPROPRIATION	114,500	238,600	213,671
OPERATING LUMP SUM APPROPRIATION	45,926,700	45,154,000	39,693,512
OPERATING LUMP SUM APPROPRIATION	1,646,500	2,579,400	1,955,338
PRESCRIPTION DRUG TSF TO HEALTH SERVICES	-	33,900,000	33,900,000
PROP 204 AHCCCS ADMINISTRATION	2,270,800	3,886,300	3,775,163
PROP 204 AHCCCS ADMINISTRATION	4,418,700	5,267,400	4,963,367
PROP 204 DES ELIGIBILITY	17,679,300	14,283,100	13,865,292
PROP 204 DES ELIGIBILITY	17,316,800	17,294,500	9,365,292
PROP 204 DES ELIGIBILITY	3,161,100	3,161,100	3,161,100
PROPOSITION 204 SERVICES	129,893,400	310,933,066	283,317,979
PROPOSITION 204 SERVICES	66,333,600	78,483,600	69,324,502
PROPOSITION 204 SERVICES	1,391,900	1,391,900	956,277
PROPOSITION 204 SERVICES	40,367,900	40,367,900	39,811,592
PROPOSITION 204 SERVICES	649,073,200	1,032,220,600	948,811,883
PROPOSITION 204 SERVICES	108,211,300	108,211,300	101,067,413
RURAL HOSPITAL REIMBURSEMENT	4,613,000	4,613,000	4,613,000
RURAL HOSPITAL REIMBURSEMENT	9,245,100	9,245,100	9,245,100
TRADITIONAL MEDICAID SERVICES	819,300,500	864,003,393	825,144,070
TRADITIONAL MEDICAID SERVICES	87,229,800	156,245,900	133,052,432
TRADITIONAL MEDICAID SERVICES	2,685,500	2,685,500	2,270,285
TRADITIONAL MEDICAID SERVICES	1,985,004,200	2,163,350,709	2,130,017,855
ARIZONA STATE UNIVERSITY			
BIOMEDICAL INFORMATICS	2,056,800	2,056,800	2,056,800

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

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STATE OF ARIZONA
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FOR THE YEAR ENDED JUNE 30, 2012
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DOWNTOWN PHOENIX CAMPUS	15,903,500	23,982,100	23,982,100
OPERATING LUMP SUM APPROPRIATION-MAIN	146,205,400	227,350,200	227,350,200
OPERATING LUMP SUM APPROPRIATION-EAST	12,722,400	19,500,300	19,500,300
OPERATING LUMP SUM APPROPRIATION-WEST	23,495,700	34,875,100	34,875,100
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	-	13,555,000	13,555,000
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT-POLY	-	917,000	917,000
ARTS, ARIZONA COMMISSION ON THE			
ADMINISTRATIVE ADJUSTMENTS	-	10,365	10,365
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMINISTRATIVE ADJUSTMENTS	-	232,446	232,446
CASH TRANSFER TO GENERAL FUND	220,600	220,600	220,600
CASH TRANSFER TO GENERAL FUND	384,100	384,100	384,100
LEGAL ARIZONA WORKERS ACT FY07-08	100,000	100,000	-
MILITARY INSTALLATION/PLANNING FY11-12	-	85,000	84,794
OPERATING LUMP SUM APPROPRIATION	5,474,200	5,677,000	5,671,964
OPERATING LUMP SUM APPROPRIATION	13,135,800	13,589,800	12,736,229
OPERATING LUMP SUM APPROPRIATION	17,274,700	17,148,200	17,126,610
STATE GRAND JURY	176,400	176,400	175,214
AUDITOR GENERAL			
OPERATING LUMP SUM APPROPRIATION	16,447,200	16,672,000	13,625,207
OPERATING LUMP SUM APPROPRIATION FY09-10	142,915	142,915	142,915
OPERATING LUMP SUM APPROPRIATION FY10-11	3,145,450	3,145,450	1,818,452
CAPITAL POSTCONVICTION PUBLIC DEFENDER OFFICE, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	642	642
OPERATING LUMP SUM APPROPRIATION	162,400	168,100	32,893
OPERATING LUMP SUM APPROPRIATION	682,000	709,300	697,829
OPERATING LUMP SUM APPROPRIATION FY10-11	393,829	393,829	393,829
OPERATING LUMP SUM APPROPRIATION FY11-12	3,000,000	3,700,000	3,700,000
CHARTER SCHOOLS, STATE BOARD FOR			
ADMINISTRATIVE ADJUSTMENTS	-	2,861	2,861
OPERATING LUMP SUM APPROPRIATION	813,500	772,800	739,071
COMMERCE, DEPARTMENT OF			
AGRICULTURE PRESERVATION DISTRICT	26,747	26,747	-
COMMERCE ECON DEVELOPMENT COMMISSION FY05-06	866,122	866,122	-
MILITARY INSTALLATION OPERATING FY05-06	6,172	6,172	-
MILITARY INSTALLATION OPERATING FY06-07	5,114	5,114	-
MILITARY INSTALLATION OPERATING FY07-08	6,820	6,820	-
MILITARY INSTALLATION OPERATING FY08-09	813	813	-
MILITARY INSTALLATION OPERATING FY09-10	71	71	-
CORPORATION COMMISSION			
CASH TRANSFER TO GENERAL FUND	1,500	1,500	1,500
OPERATING LUMP SUM APPROPRIATION	622,200	602,200	600,116
OPERATING LUMP SUM APPROPRIATION	51,200	51,800	51,544
RAILROAD WARNING SYSTEMS FY00-01	47,510	47,510	-
CORRECTIONS, STATE DEPARTMENT OF			
BUILDING RENEWAL FUND EXPENDITURES	-	2,663,608	750,622
CASH TRANSFER TO GENERAL FUND	754,400	754,400	754,400
LEAP YEAR COSTS	800,100	800,100	800,100
OPERATING LUMP SUM APPROPRIATION	851,469,400	867,808,000	857,180,395
OPERATING LUMP SUM APPROPRIATION	930,000	930,000	930,000
OPERATING LUMP SUM APPROPRIATION	508,400	526,400	499,356
PRIVATE PRISON PER DIEM	99,139,800	99,139,800	95,801,016
COURT OF APPEALS DIVISION I			
OPERATING LUMP SUM APPROPRIATION - DIVISION I	10,256,200	9,950,000	9,937,109

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
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM-DIVISION II	4,456,500	4,330,700	4,330,602
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMINISTRATION STATEWIDE	4,125,500	4,344,196	4,320,029
ADMINISTRATIVE ADJUSTMENTS	-	1,532,149	1,532,149
PHOENIX DAY SCHOOL FOR THE DEAF	2,102,600	2,691,687	2,209,853
PRESCHOOL AND OUTREACH PROGRAMS	1,067,200	1,536,724	1,369,276
REGIONAL COOPERATIVES	1,072,000	1,048,208	723,618
SCHOOL BUS REPLACEMENT	738,000	738,000	729,170
TUCSON CAMPUS	12,940,100	10,757,485	9,918,815
ECONOMIC SECURITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	13,269,405	13,269,405
ADMINISTRATIVE ADJUSTMENTS	-	28,233,900	28,233,900
ADMINISTRATIVE ADJUSTMENTS	-	5,507,430	5,507,430
ADMINISTRATIVE ADJUSTMENTS	-	73,182,034	73,182,034
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	125,640,000	134,714,000	133,408,187
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	2,397,500	2,421,700	1,521,731
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	11,992,000	12,210,500	12,210,368
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	46,308,000	46,612,700	36,019,591
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	39,533,700	43,138,400	35,948,052
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,000,000	1,000,000	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	79,536,200	68,430,400	57,334,806
ATTORNEY GENERAL LEGAL SERVICES	12,197,600	12,604,500	12,604,500
ATTORNEY GENERAL LEGAL SERVICES	9,643,400	9,746,100	7,786,101
ATTORNEY GENERAL LEGAL SERVICES	222,700	231,200	146,714
ATTORNEY GENERAL LEGAL SERVICES	17,400	18,100	5,548
CASE MANAGEMENT-TITLE XIX	11,076,900	11,482,700	11,482,700
CASE MANAGEMENT-TITLE XIX	38,094,100	42,714,300	37,210,019
CASH TRANSFER TO GENERAL FUND	30,000,000	30,000,000	30,000,000
CCA SLIDING FEE SCALES TANF FY00-99	2,423,734	2,423,734	2,423,734
CHILDREN SUPPORT SERVICES	24,654,400	7,504,400	5,556,111
CHILDREN SUPPORT SERVICES	45,254,100	56,054,100	52,300,953
CPS EMERGENCY AND RESIDENTIAL PLACEMENT	5,778,700	17,778,700	16,283,518
CPS EMERGENCY AND RESIDENTIAL PLACEMENT	16,423,000	16,423,000	13,353,459
DACS ADULT SERVICES	6,924,100	7,924,100	6,653,153
DACS COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	3,279,151
DACS COORDINATED HOMELESS PROGRAM	873,100	873,100	870,919
DACS COORDINATED HOMELESS PROGRAM	1,649,500	1,649,500	1,459,423
DACS COORDINATED HUNGER PROGRAM	1,254,600	1,254,600	1,142,867
DACS COORDINATED HUNGER PROGRAM	500,000	500,000	447,240
DACS DOMESTIC VIOLENCE PREVENTION	3,283,000	3,283,000	3,252,050
DACS DOMESTIC VIOLENCE PREVENTION	6,620,700	6,620,700	6,248,427
DAY CARE SUBSIDY	2,717,800	717,800	717,800
DAY CARE SUBSIDY	118,678,800	118,678,800	110,158,027
DBME TANF CASH BENEFITS	44,999,400	53,999,400	51,583,491
DBME TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,606,853
DCSE COUNTY PARTICIPATION	8,600,200	8,600,200	6,449,370
DCYF ADOPTION SERVICES FAMILY PRESERV FY05-06	1,000,000	1,000,000	-
DCYF ADOPTION SERVICES (DCFS)	37,942,200	53,942,200	45,251,384
DCYF ADOPTION SERVICES TANF	19,802,400	9,802,400	9,802,400
DCYF FOSTER CARE PLACEMENT-GF	14,239,500	10,739,500	7,161,652
DCYF FOSTER CARE PLACEMENT-TANF	1,898,700	1,898,700	1,898,700
DCYF FOSTER CARE PLACEMENT TANF-SSBG	5,074,400	5,074,400	1,683,126
DCYF INDEPENDENT LIVING MAINT	2,719,300	1,719,300	1,671,584

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

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STATE OF ARIZONA
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FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCYF PERMANENT GUARDIANSHIP SUBSIDY	1,743,000	4,343,000	4,343,000
DCYF PERMANENT GUARDIANSHIP SUBSIDY	7,072,300	7,072,300	7,019,387
DDD CASE MANAGEMENT-STATE ONLY	3,887,300	4,012,900	3,989,400
DDD HOME AND COMMUNITY BASED SERVICES STATE ONLY	3,990,300	3,990,300	-
DDD HOME AND COMMUNITY BASED SERVICES STATE ONLY	28,633,500	13,359,500	12,604,241
DDD STATE FUNDED LTC SERVICES	26,530,200	26,532,200	22,421,949
DERS JOBS	2,000,000	2,000,000	-
HOME AND COMMUNITY BASED SERVICES-TITLE XIX	227,111,200	214,225,300	214,225,300
HOME AND COMMUNITY BASED SVC-TITLE XIX	690,160,000	672,028,900	567,423,115
INSTITUTIONAL SERVICES-TITLE XIX	5,365,000	5,405,600	5,405,600
INSTITUTIONAL SERVICES-TITLE XIX	19,334,900	20,947,100	18,693,536
JOBS	-	100,000	100,000
JOBS	9,894,700	11,894,700	11,894,700
LTC ARIZONA TRAINING PROGRAM AT COOLIDGE	15,691,200	17,113,000	14,774,495
LTC AZ TRAINING PROGRAM COOLIDGE	4,754,200	4,907,000	4,907,000
LTC MEDICAL SERVICES	38,562,900	38,593,800	38,593,800
LTC MEDICAL SERVICES	138,953,600	136,484,500	119,885,697
LTC MEDICARE CLAWBACK PAYMENTS	2,496,900	2,496,900	2,496,900
NAVAJO MULTIPURPOSE FACILITY FY06-07	3,609	3,609	3,609
REHABILITATION SERVICES	3,760,400	2,460,400	2,460,400
SPECIAL SUPPLEMENTAL APPROPRIATION	35,000,000	35,000,000	35,000,000
SPECIAL SUPPLEMENTAL APPROPRIATION	20,000,000	20,000,000	20,000,000
STATEWIDE BUILDING RENEWAL FY10-11	27,000	27,000	27,000
WORKFORCE INVESTMENT ACT SERVICES	51,654,600	51,654,600	42,710,995
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	3,230,700	3,222,346	3,222,346
ADDITIONAL STATE AID TO SCHOOLS	351,525,000	351,525,000	305,775,390
BASIC STATE AID DEFERRED PAYMENT FY11-12	952,627,700	952,627,700	952,627,700
BASIC STATE AID ENTITLEMENT	2,095,288,200	2,062,573,400	2,046,724,419
BASIC STATE AID RETIREMENT RATE SHIFT	-	32,714,800	32,714,800
EDUCATION LEARN AND ACCOUNTABILITY-EXPEN	6,620,030	6,620,030	4,120,099
ENGLISH LANGUAGE ACQUISITION	4,069,700	8,006,906	8,006,906
ENGLISH LANGUAGE ACQUISITION FY06-07	272,321	272,321	269,494
ENGLISH LANGUAGE INSTRUCTION	8,791,400	4,791,400	4,791,400
ENGLISH LEARNER INSTRUCTION FY04-05	435,698	435,698	435,698
ENGLISH LEARNER TEACHER FY04-05	660,488	660,488	186,852
MATH AND SCIENCE INITIATIVES FY08-09	2,806	2,806	-
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	8,279,300	7,830,275	7,830,275
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	539,700	534,648	534,648
OTHER STATE AID TO DISTRICTS FY07	983,900	983,900	518,025
READING FIRST INITIATIVE FY07-08	97,003	97,003	-
SPECIAL EDUCATION FUND	33,242,100	33,242,100	33,242,100
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,492,700	11,574,225	11,492,700
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADMINISTRATION	1,594,700	1,623,600	1,611,218
COCONINO COUNTY CAMPBELL FLOOD FY11-12	-	200,000	5,717
COCONINO COUNTY TWISTER FY10-11	140,155	140,155	3,995
DECEMBER 2010 FLOODING FY10-11	78,731	78,731	12,328
EMERGENCY MANAGEMENT	745,700	740,200	740,200
EUZ701 SEARCH AND RESCUE	238	238	238
EUZ701 SEARCH AND RESCUE	-	315,000	203,167
FEBRUARY 2005 WINTER STORMS FY07-08	31	31	(102,983)
FEBRUARY 2005 WINTER STORMS FY10-11	172	172	172
FEBRUARY 2005 WINTER STORMS FY10-11	-	60,000	24,499

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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FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GLADIATOR FIRE EMERGENCY	-	10,000	2,823
HAZARD MATERIALS CONTINGENCY FY03-04	3,587	3,587	48
HAZARD MATERIALS CONTINGENCY FY07-08	48,405	48,405	47
HOPI TRIBE FLOODING FY10-11	70,035	70,035	20,068
HORSESHOE TWO FIRE AND MONUMENT FIRE EMERGENCY	99,409	99,409	98,426
JANUARY 2010 WINTER STORM	10,000	10,000	10,000
JANUARY 2010 WINTER STORM FY09-10	94,790	94,790	94,320
JANUARY 2010 WINTER STORM FY09-10	-	1,625,000	1,602,213
LA PAZ/MARICOPA COUNTIES STORM FY01-02	70,245	70,245	(5)
LA PAZ/MARICOPA COUNTIES STORM FY03-04	9,240	9,240	-
MILITARY AFFAIRS	1,481,200	1,354,600	1,347,773
MILITARY AFFAIRS COMMISSION FY10-11	42,529	42,529	2,880
MILITARY AFFAIRS COMMISSION FY10-11	-	90,000	66,782
MONSOON 2010 FLOODING FY10-11	96,200	96,200	96,200
MONSOON 2010 FLOODING FY10-11	-	115,000	71,979
NORTHERN ARIZONA WINTER STORM EMERGENCY	111	111	111
NORTHERN ARIZONA WINTER STORM FY10-11	142,437	142,437	(187,382)
NORTHERN GREENLEE COUNTY FLOODING	-	300,000	269,101
NUCLEAR EMERGENCY MANAGEMENT FUND-GF TSF	-	433,238	433,238
NUCLEAR EMERGENCY MANAGEMENT FUND-BUCKEYE GF TRF	-	69,909	69,909
NUCLEAR EMERGENCY MANAGEMENT FUND-MARICOPA-GF TF	-	501,208	501,208
OFF SITE NUCLEAR EMERGENCY FY91-92	1,708	1,708	-
OPERATION GOOD NEIGHBOR FY05-06	153,035	153,035	(784)
ROOSEVELT COOLING TOWER FY05-06	50,000	50,000	-
SCHULTZ FIRE POST-FIRE FLOOD FY10-11	557,531	557,531	(62,949)
SEDONA FLASH FLOOD FY09-10	33,525	33,525	218
SERVICE CONTRACTS FY10-11	1,215,000	1,215,000	383,239
SUMMER 2006 MONSOONS AND FLOODING FY07-08	91,841	91,841	8,715
SUMMER 2006 MONSOONS AND FLOODING FY07-08	-	225,000	58,954
TOMBSTONE WATERLINE FLOODING	-	50,000	38,048
WALLOW FIRE EMERGENCY	173,173	173,173	170,239
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
CASH TRANSFER TO GENERAL FUND	2,589,900	2,589,900	2,589,900
OPERATING LUMP SUM APPROPRIATION	13,200,000	13,171,000	3,249,150
EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF			
ADMINISTRATIVE ADJUSTMENTS	-	6	6
OPERATING LUMP SUM APPROPRIATION	196,900	193,300	191,193
EQUALIZATION, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	262	262
OPERATING LUMP SUM APPROPRIATION	667,900	644,900	535,416
EXECUTIVE CLEMENCY, BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,666	1,666
OPERATING LUMP SUM APPROPRIATION	886,200	815,600	810,606
FINANCIAL INSTITUTIONS, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	2,903,100	2,814,300	2,745,082
FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	2,507	2,507
OPERATING LUMP SUM APPROPRIATION	2,014,400	1,746,000	1,745,997
FORESTER, OFFICE OF THE STATE			
ADMINISTRATIVE ADJUSTMENTS	-	290,700	290,700
ENVIRONMENTAL COUNTY GRANTS	75,000	75,000	75,000
GENERAL FUND TRANSFER TO FIRE SUPPRESSION	-	3,000,000	3,000,000
INMATE FIRE CREWS	700,000	700,000	700,000
OPERATING LUMP SUM APPROPRIATION	2,196,100	2,375,200	2,189,091

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GENERAL ACCOUNTING OFFICE			
ADDITIONAL PAY PERIOD	79,000,000	-	-
BUDGET STABILIZATION FUND	-	250,000,000	250,000,000
DELAYED BENEFITS	8,632,600	-	-
EQUALIZATION AID - COCHISE	8,048,900	8,048,900	8,048,900
EQUALIZATION AID - GRAHAM	19,345,700	19,345,700	19,345,700
EQUALIZATION AID - NAVAJO	6,451,700	6,451,700	6,451,700
EQUALIZATION AID - YUMA LA PAZ	1,406,600	1,406,600	1,406,600
LEASE PURCHASE ADJUSTMENTS	16,751,500	115,400	-
NAMED CLAIMANTS BILL	-	198,343	198,343
OPERATING STATE AID - COCHISE	5,572,000	5,572,000	5,572,000
OPERATING STATE AID - COCONINO	1,836,000	1,836,000	1,836,000
OPERATING STATE AID - GILA	428,100	428,100	428,100
OPERATING STATE AID - GRAHAM	2,260,000	2,260,000	2,260,000
OPERATING STATE AID - MARICOPA	6,891,200	6,891,200	6,891,200
OPERATING STATE AID - MOHAVE	1,792,200	1,792,200	1,792,200
OPERATING STATE AID - NAVAJO	1,730,100	1,730,100	1,730,100
OPERATING STATE AID - PIMA	7,146,400	7,146,400	7,146,400
OPERATING STATE AID - PINAL	2,086,200	2,086,200	2,086,200
OPERATING STATE AID - YAVAPAI	899,200	899,200	899,200
OPERATING STATE AID - YUMA LA PAZ	2,683,000	2,683,000	2,683,000
RETIREMENT ADJUSTMENT	39,317,700	-	-
RISK MANAGEMENT ADJUSTMENTS	3,918,100	1,700	-
RURAL COUNTY REIMBURSEMENT SUBSIDY	848,800	848,800	848,800
UNCAPTURED PAY SAVING	3,549,500	-	-
WOOLSEY FLOOD DISTRICT	-	32,385	32,385
GEOLOGICAL SURVEY, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	59	59
OPERATING LUMP SUM APPROPRIATION	900,600	886,900	876,179
GOVERNMENT INFORMATION TECHNOLOGY AGENCY			
ADMINISTRATIVE ADJUSTMENTS	-	21,038	21,038
ADMINISTRATIVE ADJUSTMENTS	-	2,683	2,683
GOVERNOR, OFFICE OF THE			
OPERATING LUMP SUM APPROPRIATION-OSPB	1,936,400	1,939,700	1,789,669
OPERATING LUMP SUM APPROPRIATION-OSPB FY09-10	18,687	18,687	18,687
OPERATING LUMP SUM APPROPRIATION-OSPB FY10-11	110,589	110,589	(1,392,977)
OPERATING LUMP SUM APPROPRIATION	6,960,900	6,815,600	6,253,182
OPERATING LUMP SUM APPROPRIATION FY09-10	1,189,888	1,189,888	1,189,888
OPERATING LUMP SUM APPROPRIATION FY10-11	1,277,890	1,277,890	(1,276,160)
HEALTH SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	7,430,590	7,430,590
ADMINISTRATIVE ADJUSTMENTS	-	15,139	15,139
ADULT CYSTIC FIBROSIS	105,200	105,200	78,900
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	315,700	319,500	318,500
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	78,245,739	78,108,339	77,306,116
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	11,873,661	11,976,761	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	12,699,100	12,791,700	9,485,158
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	7,746,700	7,686,300	7,336,097
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	836,100	854,100	834,794
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	999,999
ALZHEIMER DISEASE RESEARCH	125,000	125,000	125,000
ASH CORRECTIVE ACTION PLAN SUPPLEMENTAL FY04-05	398,060	398,060	-
BREAST AND CERVICAL CANCER SCREENING	1,346,700	1,346,700	960,046
CASH TRANSFER TO GENERAL FUND	30,500	30,500	30,500

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
CASH TRANSFER TO GENERAL FUND	1,426,500	1,426,500	1,426,500
COMMUNITY PLACEMENT TREATMENT	1,130,700	1,130,700	-
COUNTY TUBERCULOSIS PROVIDER CARE AND CONTROL	590,700	590,700	486,278
CRISES SERVICES	14,141,100	14,141,100	14,110,392
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,654,555
MEDICAID BEHAVIORAL HEALTH - PROP 204	9,351,199	138,800,770	138,800,770
MEDICAID BEHAVIORAL HEALTH - PROP 204	18,932,201	280,917,313	-
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	320,486,455	191,036,884	191,036,884
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	719,237,145	457,252,033	-
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	14,763,333	14,763,333	-
MEDICAID SPECIAL EXEMPTION PAYMENTS BHS	7,292,067	7,292,067	7,292,067
MEDICARE CLAWBACK PAYMENTS	12,541,500	12,541,500	12,541,500
NON TITLE PRESCRIPTION MEDICATION	40,154,900	40,154,900	37,755,119
OPERATING ASH SUPPLEMENTAL	-	2,500,000	2,500,000
OPERATING LUMP SUM APPROPRIATION	1,587,500	1,245,500	1,244,787
OPERATING LUMP SUM APPROPRIATION	366	366	366
POISON CONTROL CENTER FUNDING	990,000	990,000	666,345
PROP 204 ADMINISTRATION TITLE XIX MATCH	2,131,440	2,131,440	2,131,440
PROP 204 ADMINISTRATION TITLE XIX MATCH	4,315,260	4,315,260	-
REG HA DISPENSERS-AUDIOL PATHOL FY03-04	62,243	62,243	-
RENAL AND NON-RENAL DISEASE MANAGEMENT	198,000	198,000	198,000
SUPPORTED HOUSING	5,324,800	5,324,800	5,215,513
TANF PERINATAL SERVICES FY99-00	47,270	47,270	-
TITLE XIX BASE SUPPLEMENTAL	-	12,300,000	12,300,000
TITLE XIX BASE SUPPLEMENTAL	-	93,535,400	-
TITLE XIX BASE SUPPLEMENTAL	-	33,900,000	33,900,000
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMINISTRATIVE ADJUSTMENTS	-	53,157	53,157
OPERATING LUMP SUM APPROPRIATION	683,000	671,900	618,363
HISTORICAL SOCIETY, ARIZONA			
CENTENNIAL MUSEUM	589,700	445,100	445,100
FIELD SERVICES AND GRANTS	65,000	65,000	65,000
OPERATING LUMP SUM APPROPRIATION	2,031,400	2,093,300	2,093,300
PAPAGO PARK MUSEUM	3,175,300	1,625,400	1,625,400
PAPAGO PARK MUSEUM	430,800	-	-
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION	12,864,900	13,382,700	12,283,959
OPERATING LUMP SUM APPROPRIATION FY07-08	1,387,035	1,387,035	1,387,035
OPERATING LUMP SUM APPROPRIATION FY08-09	2,293,911	293,911	293,911
OPERATING LUMP SUM APPROPRIATION FY09-10	1,097,362	1,097,362	(1,680,946)
OPERATING LUMP SUM APPROPRIATION FY10-11	1,353,546	1,353,546	(405)
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMINISTRATIVE ADJUSTMENTS	-	5	5
OPERATING LUMP SUM APPROPRIATION	63,500	55,700	55,350
INSURANCE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	2,492	2,492
OPERATING LUMP SUM APPROPRIATION	5,449,500	5,341,900	5,195,428
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION FY10-11	2,036,174	2,036,174	1,968,210
OPERATING LUMP SUM APPROPRIATION FY10-11	2,496,700	2,487,900	548
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,171,173	1,171,173
CASH TRANSFER TO GENERAL FUND	38,100	38,100	38,100
OPERATING LUMP SUM APPROPRIATION	49,792,500	48,022,400	45,987,460

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	2,266,900	2,321,400	1,475,205
LAND DEPARTMENT, STATE			
CAP USER FEES	481,200	481,200	481,140
DUE DILIGENCE FUND	500,000	500,000	-
NATURAL RESOURCE CONSERVATION DISTRICTS	390,000	390,000	390,000
OPERATING LUMP SUM APPROPRIATION	377,300	373,500	370,778
RISK MANAGEMENT	-	9,888,400	9,886,600
LAW ENFORCEMENT MERIT SYSTEM COUNCIL			
OPERATING LUMP SUM APPROPRIATION	71,100	72,800	66,166
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE FY07-08	3	3	-
OMBUDSMAN-CITIZENS AID OFFICE FY09-10	70,003	70,003	63,348
OMBUDSMAN-CITIZENS AID OFFICE FY10-11	104,305	104,305	9,196
OMBUDSMAN-CITIZENS AID OFFICE FY11-12	537,900	544,431	476,659
OPERATING LUMP SUM APPROPRIATION FY09-10	1	1	-
OPERATING LUMP SUM APPROPRIATION FY10-11	702,812	702,812	52,811
OPERATING LUMP SUM APPROPRIATION FY11-12	4,200,900	4,252,169	3,852,542
STATE ARCHIVES AND HISTORY BUILDING FY07-08	727,639	727,639	521,168
STATE ARCHIVES AND HISTORY BUILDING	406,856	406,856	-
LIBRARY, ARCHIVES, AND PUBLIC RECORDS, ARIZONA STATE			
GRANTS-IN-AID FY09-10	-	-	80,341
HISTORICAL ADVISORY COMMISSION FY06-07	16,262	16,262	16,262
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
CASH TRANSFER TO GENERAL FUND	286,600	286,600	286,600
IMPROVEMENT OF DATA PROCESSING SYSTEM FY06-07	101,703	101,703	-
OPERATING LUMP SUM APPROPRIATION	2,892,200	2,912,100	2,895,401
MEDICAL STUDENT LOANS, BOARD OF			
MEDICAL STUDENT FINANCIAL ASSISTANCE FY06-07	346,555	346,555	-
MEDICAL STUDENT FINANCIAL ASSISTANCE FY08-09	309,800	309,800	-
MEDICAL STUDENT FINANCIAL ASSISTANCE	67,000	67,000	41,085
MEDICAL STUDENT FINANCIAL ASSISTANCE	20,200	20,200	20,200
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	185,000	188,300	182,080
ADMINISTRATIVE ADJUSTMENTS	-	5,475	5,475
OPERATING LUMP SUM APPROPRIATION	959,500	1,025,700	1,008,218
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	25,040	25,040
OPERATING LUMP SUM APPROPRIATION	135,000	129,500	111,189
NORTHERN ARIZONA UNIVERSITY			
NAU - YUMA	2,999,600	2,984,517	2,984,517
OPERATING LUMP SUM APPROPRIATION	61,680,100	97,367,383	97,367,383
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	-	5,900,000	5,900,000
TEACHER TRAINING	2,000,000	2,000,000	2,000,000
OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD			
OPERATING LUMP SUM APPROPRIATION	15,000	15,000	-
PARKS BOARD, ARIZONA STATE			
ADMINISTRATIVE ADJUSTMENTS	-	12,334	12,334
CASH TRANSFER TO GENERAL FUND	2,090,000	2,090,000	2,090,000
KARTCHNER CAVERNS STATE PARK	1,973,900	1,973,900	1,869,340
OPERATING LUMP SUM APPROPRIATION	6,967,700	7,176,300	6,807,958
PERSONNEL BOARD			
CASH TRANSFER TO GENERAL FUND	2,600	2,600	2,600
OPERATING LUMP SUM APPROPRIATION	376,000	372,000	352,467

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
PIONEERS' HOME, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	1,584,700	1,645,500	1,635,147
POSTSECONDARY EDUCATION, COMMISSION FOR			
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,220,800	1,220,800	1,220,800
MATH AND SCIENCE TEACHER INITIATIVE	176,000	176,000	176,000
PUBLIC SAFETY, DEPARTMENT OF			
DPS HEADQUARTERS FIRE ALARM FY07-08	1,428	1,428	1,428
GIITEM	18,417,800	18,713,100	18,447,250
GIITEM GENERAL FUND-COUNTY ASSISTANCE	-	1,000,000	1,000,000
GIITEM IMPACT APPROPRIATION	2,603,400	2,603,400	2,412,967
GIITEM SUBACCOUNT	-	2,090,300	500,000
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY09-10	15	15	-
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY10-11	1,726,852	1,726,852	1,516,774
GIITEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY11-12	2,603,400	2,603,400	2,603,400
MICROWAVE COMMUNICATION FY06-07	573,476	573,476	(55,950)
MOTOR VEHICLE FUEL	3,704,200	3,704,200	3,680,863
OPERATING LUMP SUM APPROPRIATION	20,234,100	21,413,700	21,413,700
OPERATING LUMP SUM APPROPRIATION	1,457,800	1,504,800	1,498,500
RACING, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	3,855	3,855
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
OPERATING LUMP SUM APPROPRIATION	1,063,900	1,035,400	1,035,307
RADIATION REGULATORY AGENCY			
ADMINISTRATIVE ADJUSTMENTS	-	9,399	9,399
NUCLEAR EMERGENCY MANAGEMENT FUND	-	715,952	715,952
OPERATING LUMP SUM APPROPRIATION	500,000	513,700	501,202
OPERATING LUMP SUM APPROPRIATION	773,800	766,600	734,632
REAL ESTATE DEPARTMENT, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	31,189	31,189
OPERATING LUMP SUM APPROPRIATION	2,987,300	2,735,200	2,626,438
REGENTS, ARIZONA BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	44,000	44,000
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
ARIZONA TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
OPERATING LUMP SUM APPROPRIATION	2,383,500	2,420,700	2,420,700
STUDENT FINANCIAL ASSISTANCE	10,041,200	10,041,200	10,041,200
WESTERN INTERSTATE COMMISSION OFFICE	125,000	125,000	125,000
WICHE STUDENT SUBSIDIES	4,106,000	4,106,000	4,052,310
REVENUE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	65,349	65,349
BRITS OPERATIONAL SUPPORT	5,577,700	5,577,700	5,576,907
CASH TRANSFER TO GENERAL FUND	1,837,500	1,837,500	1,837,500
CASH TRANSFER TO GENERAL FUND	38,000	38,000	38,000
OPERATING LUMP SUM APPROPRIATION	35,217,000	36,925,800	36,618,379
OPERATING LUMP SUM APPROPRIATION	20,892,500	21,395,200	21,266,095
OPERATING LUMP SUM APPROPRIATION	390,600	396,200	344,957
TEMPORARY COLLECTORS	2,914,300	2,914,300	2,880,643
UNCLAIMED PROPERTY ADMINISTRATION/AUDIT	1,770,000	1,770,000	392,486
SCHOOL FACILITIES BOARD			
BUILDING RENEWAL GRANT	2,667,900	14,167,900	14,167,900
NEW SCHOOL FACILITIES DEBT SERVICE	160,105,700	160,105,700	160,105,700
OPERATING LUMP SUM APPROPRIATION	1,410,900	1,353,200	1,283,716
SECRETARY OF STATE			
ADMINISTRATIVE ADJUSTMENTS	-	38,118	38,118

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, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	13,900	13,900	13,900
ELECTION SERVICES	4,453,300	4,453,300	4,260,521
HELP AMERICA VOTE ACT	2,934,200	2,934,700	832,613
HELP AMERICA VOTE ACT FEDERAL FUNDS FY10-11	7,324,197	7,324,197	1,832,976
LIBRARY GRANTS-IN-AID	651,400	651,400	647,962
LITIGATION COSTS	85,000	85,000	1,003
OPERATING LUMP SUM APPROPRIATION	573,700	587,500	584,460
OPERATING LUMP SUM APPROPRIATION	8,100,100	8,283,300	8,113,694
SPECIAL ELECTION FY09-10	1,731,456	1,731,456	-
SPECIAL ELECTION US CONGRESS AZ DIST 8	-	1,900,000	-
STATEWIDE RADIO READING SERVICE FOR BLIND	97,000	97,000	97,000
SENATE			
BORDER SECURITY TRUST FUND	-	275,000	11,333
OPERATING LUMP SUM APPROPRIATION	8,097,600	8,244,100	7,323,692
OPERATING LUMP SUM APPROPRIATION FY10-11	1,134,077	1,134,077	1,134,077
SUPREME COURT			
ADMINISTRATIVE ADJUSTMENTS	-	56	56
ADOA BUILDING RENEWAL FUND FY09-10	1,321	1,321	-
ADULT INTENSIVE PROBATION	10,752,300	10,741,200	10,731,965
ADULT STANDARD PROBATION	13,543,300	13,526,700	13,508,346
AUTOMATION	4,456,500	3,332,600	3,055,196
CASE AND CASH MANAGEMENT SYSTEM	139,400	139,400	-
CASH TRANSFER TO GENERAL FUND	143,400	143,400	143,400
COMMISSION ON JUDICIAL CONDUCT	514,000	509,500	507,141
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT APPOINTED SPECIAL ADVOCATE	96,900	96,900	96,900
DOMESTIC RELATIONS	598,400	593,500	582,607
DRUG COURT	61,322	61,322	-
DRUG COURT	1,013,600	1,013,600	1,013,598
FOSTER CARE REVIEW BOARD	3,294,400	3,276,200	3,269,175
INTERSTATE COMPACT	641,800	641,800	623,098
JUDGES COMPENSATION	7,393,400	7,968,500	7,954,916
JUDICIAL NOMINATION AND PERFORMANCE REVIEW	408,500	404,000	400,394
JUVENILE DIVERSION CONSEQUENCES	9,024,900	9,024,900	9,024,900
JUVENILE FAMILY COUNSELING	660,400	660,400	659,916
JUVENILE INTENSIVE PROBATION	9,177,500	8,946,500	8,905,541
JUVENILE STANDARD PROBATION	4,606,000	4,600,500	4,592,948
JUVENILE TREATMENT SERVICES	22,322,700	22,314,900	22,195,926
MODEL COURT	425,300	425,300	425,300
OPERATING LUMP SUM APPROPRIATION	14,492,500	10,779,500	10,758,668
OPERATING LUMP SUM APPROPRIATION	663,300	688,000	507,526
SPECIAL WATER MASTER	20,000	20,000	19,999
TAX APPEALS, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	168	168
OPERATING LUMP SUM APPROPRIATION	256,500	262,100	256,645
TOURISM, OFFICE OF			
CITY OF YUMA - ARIZONA WELCOME CENTER	208,189	208,189	-
TRANSPORTATION, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	54,600	51,300	50,903
TREASURER, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	36,086	36,086
CASH TRANSFER TO GENERAL FUND	8,900	8,900	8,900
COMMUNITY COLLEGE REIMBURSEMENT ARS 15-1469.01	-	3,051,688	3,051,688
CORPORATE INCOME TAX TRANSFER	-	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, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
JUSTICE OF THE PEACE SALARIES	1,115,100	1,115,100	1,000,831
OPERATING LUMP SUM APPROPRIATION	2,504,300	2,584,100	2,557,645
OPERATING LUMP SUM APPROPRIATION	88,300	92,700	92,700
RETIREMENT STUDY PSPRS	-	50,000	-
UNIVERSITY OF ARIZONA			
AGRICULTURE	30,661,900	29,888,800	29,888,800
ARIZONA COOPERATIVE EXTENSION	11,223,100	11,023,100	11,023,100
CLINICAL RURAL ROTATION	373,300	364,800	364,800
CLINICAL TEACHING SUPPORT	8,587,000	8,587,000	8,587,000
LIVER RESEARCH INSTITUTE	477,300	466,400	466,400
OPERATING LUMP SUM APPROPRIATION - HSC	17,197,400	34,558,800	34,558,800
OPERATING LUMP SUM APPROPRIATION - MAIN	89,166,400	168,160,900	168,160,900
PHOENIX MEDICAL CAMPUS	10,590,800	10,533,400	10,533,400
RESEARCH INFRASTRUCTURE FACILITIES	-	14,253,000	14,253,000
SIERRA VISTA CAMPUS	3,151,100	3,062,100	3,062,100
TELEMEDICINE NETWORK	1,937,700	1,887,300	1,887,300
VETERANS' SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	2,985	2,985
ARIZONA STATE VETERANS' HOME	1,853,600	1,853,600	1,849,730
MILITARY FAMILY RELIEF FUND	15,291	15,291	-
OPERATING LUMP SUM APPROPRIATION	2,169,900	2,161,725	2,150,099
SOUTHERN ARIZONA CEMETERY	280,000	279,428	272,548
TUCSON VETERAN HOME FY09-10	1,416,612	1,416,612	1,221,068
VETERANS BENEFIT COUNSELING	2,942,600	2,929,847	2,886,065
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,245,600	1,219,051	1,192,289
ADMINISTRATIVE ADJUSTMENTS	-	33,569	33,569
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	1,548,900	1,515,929	1,504,686
AUTOMATED GROUNDWATER MONITORING	406,400	397,749	364,298
CONSERVATION AND DROUGHT PROGRAM	406,400	397,749	397,733
OPERATING LUMP SUM APPROPRIATION	1,486,200	1,227,096	1,214,333
RURAL WATER STUDIES	1,163,800	1,139,026	1,117,025
WEIGHTS AND MEASURES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,867	1,867
GENERAL SERVICES	1,207,500	1,195,400	1,180,523
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	14,866,405,045	16,489,906,026	14,890,038,403
Less:			
Department of Health Services' appropriations for Medicaid Behavioral Health, Medicaid Special Exemption, and Title XIX State Match and Base Supplemental that were duplicate expenditure authorizations	(769,121,600)	(862,760,100)	-
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	$ 14,097,283,445	$ 15,627,145,926	$ 14,890,038,403

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, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	$ -	$ 64,608	$ 64,608
ADMINISTRATIVE ADJUSTMENTS	-	321	321
ADMINISTRATIVE ADJUSTMENTS	-	2,108	2,108
AIRPORT PLANNING AND DEVELOPMENT FY07-08	8,665,445	8,665,445	-
AIRPORT PLANNING AND DEVELOPMENT FY08-09	16,067,335	16,067,335	-
AIRPORT PLANNING AND DEVELOPMENT FY09-10	17,671,756	17,671,756	-
AIRPORT PLANNING AND DEVELOPMENT FY10-11	10,765,318	10,765,318	-
AIRPORT PLANNING AND DEVELOPMENT FY11-12	22,300,400	22,300,400	9,037,765
ALT TRUCK ROUTE-DOUGLAS CHINO RD FY03-04	250,000	250,000	-
ASBESTOS AND LEAD INSPECTIONS FY01-02	94,798	94,798	-
ASBESTOS AND LEAD INSPECTIONS FY02-03	589,466	589,466	-
ASPHALT STORAGE TANKS FY06-07	112,816	112,816	-
ATTORNEY GENERAL LEGAL SERVICES	2,895,600	2,895,600	2,895,600
BUILDING RENEWAL FY04-05	8,317	8,317	-
BUILDING RENEWAL FY06-07	129,000	129,000	129,000
BUILDING RENEWAL FY08-09	1,449	1,449	1,449
BUILDING RENEWAL FY08-09	560	560	560
BUILDING RENEWAL FY09-10	3,000	3,000	3,000
BUILDING RENEWAL FY09-10	13,823	13,823	13,823
BUILDING RENEWAL FY10-11	13,416	13,416	13,416
BUILDING RENEWAL FY10-11	671,500	671,500	663,634
BUILDING RENEWAL FY11-12	50,000	50,000	48,305
BUILDING RENEWAL FY11-12	1,000,000	1,000,000	294,314
CASH TRANSFER TO GENERAL FUND	717,700	717,700	717,700
CASH TRANSFER TO GENERAL FUND	1,100	1,100	1,100
CASH TRANSFER TO WMA	320,500	320,500	317,500
DE-ICER BUILDINGS FY06-07	11,434	11,434	-
FRAUD INVESTIGATION	753,900	753,900	753,788
GRAND CANYON AIRPORT MODULAR HOUSING FY06-07	4,726	4,726	-
GRAND CANYON AIRPORT RESTROOM RENOVATION FY07-08	155,559	155,559	-
HIGHWAY MAINTENANCE FY10-11	19,082,988	19,082,988	5,653,796
HIGHWAY MAINTENANCE FY10-11	125,993,100	128,293,100	119,104,205
HIGHWAY MAINTENANCE FY10-11	6,146	6,146	-
HIGHWAY MAINTENANCE FY10-11	562,500	562,500	559,723
HURF TO DPS TRANSFER - DOUBLE LOAD	120,736,900	123,210,600	123,210,600
MOTOR CARRIER TOWING REGULATION FY04-05	11,108	11,108	-
MVD SECURITY ENHANCEMENT ISSUES FY02-03	715,687	715,687	-
NEW THIRD PARTY FUNDING	78,700	78,700	78,240
NEW THIRD PARTY FUNDING	198,800	198,800	198,271
NEW THIRD PARTY FUNDING	662,600	662,600	661,102
OPERATING LUMP SUM APPROPRIATION	1,592,700	1,628,600	1,612,735
OPERATING LUMP SUM APPROPRIATION	109,880,400	111,912,500	111,742,774
OPERATING LUMP SUM APPROPRIATION	1,303,700	1,336,900	1,335,844
OPERATING LUMP SUM APPROPRIATION	72,900	75,400	53,383
OPERATING LUMP SUM APPROPRIATION	1,370,500	1,415,400	1,400,979
OPERATING LUMP SUM APPROPRIATION	867,600	903,900	898,581
OPERATING LUMP SUM APPROPRIATION	148,100	153,100	146,900
OPERATING LUMP SUM APPROPRIATION	86,234,100	88,691,000	87,920,116
SEF TO DPS TRANSFER - DOUBLE LOAD	1,518,800	1,553,300	1,553,300
SPRINKLERS/FIRE ALARMS FY05-06	174,496	174,496	167,886

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

(continued)

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, 2012
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
STATEWIDE HIGHWAY CONSTRUCTION FY07-08	1,476	1,476	-
STATEWIDE HIGHWAY CONSTRUCTION FY08-09	20,031,322	20,031,322	-
STATEWIDE HIGHWAY CONSTRUCTION FY09-10	75,207,460	75,207,460	-
STATEWIDE HIGHWAY CONSTRUCTION FY10-11	510,131	510,131	-
STATEWIDE HIGHWAY CONSTRUCTION FY11-12	209,978,000	209,978,000	169,387,422
SURPRISE MOTOR VEHICLE DIVISION FY06-07	892,410	892,410	-
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	$ 861,101,542	$ 870,623,579	$ 640,643,848

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

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, 2011 that affect available appropriations during fiscal year 2012. The final budget represents any appropriation bills passed during fiscal year 2012 for fiscal year 2012 plus the original budget. Appropriation bills passed after the end of fiscal year 2012 for fiscal year 2012 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):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 14,890,038	$ 640,644
Differences – budget to GAAP:		
Increase (decrease) in unpaid incurred expenditures from fiscal year end 2011 to fiscal year end 2012.	(41,665)	453,441
(Decrease) in unpaid payroll expenditures from fiscal year end 2011 to fiscal year end 2012. For budgetary reporting, final June 2011 payroll expenditures were charged to fiscal year 2012 budget and final June 2012 payroll expenditures were charged to fiscal year 2013 budget.	(50,970)	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,012,834	-
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.	455,923	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	211	7,955
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2012.	4,671,111	1,534,663
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(838,161)	(331,701)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 20,099,321	$ 2,305,002

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, unless an extension is granted for up to an additional 30 days. 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. Encumbrances as of June 30 can be liquidated during an administrative period of up to four weeks known as the 13th month. 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 funding. Among the possible format 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 direct funds to its activities at its own discretion, 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 permitted to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review, though footnotes may place additional restrictions or notifications upon the agency prior to or associated with transfers between special line items or to or from the operating budget.

During the fiscal year, $1.6 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 $9.5 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2012

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. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the $457.3 million Department of Health Services' Medicaid Behavioral Health - Traditional on **page 142**. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on **page 146**.

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), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,751 center lane miles (21,440 travel lane miles) of roads and 4,754 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 2012 and beyond was adopted by the Transportation Board on June 17, 2011.

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 and 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 Arizona Department of Transportation's (ADOT) 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 ADOT 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 and 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). 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 2012, an overall rating of 3.69 was achieved, as shown in the following graph:

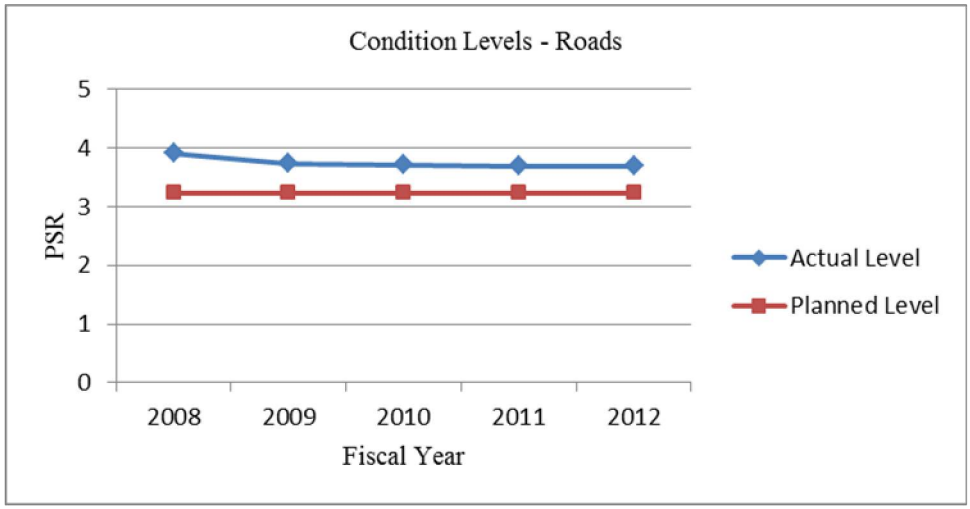


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT 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 2008 through 2012 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2008	$260.7	$247.9
2009	$264.4	$236.0
2010	$227.4	$220.9
2011	$265.7	$373.4
2012	$261.9	$373.6

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2012, the State owned and maintained 4,754 bridges with an approximate total deck area of 47,959,739 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 Arizona Bridge Information and Storage System (ABISS). 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, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges." The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of the ADOT'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. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2012, the CRI was computed at 93.1%.

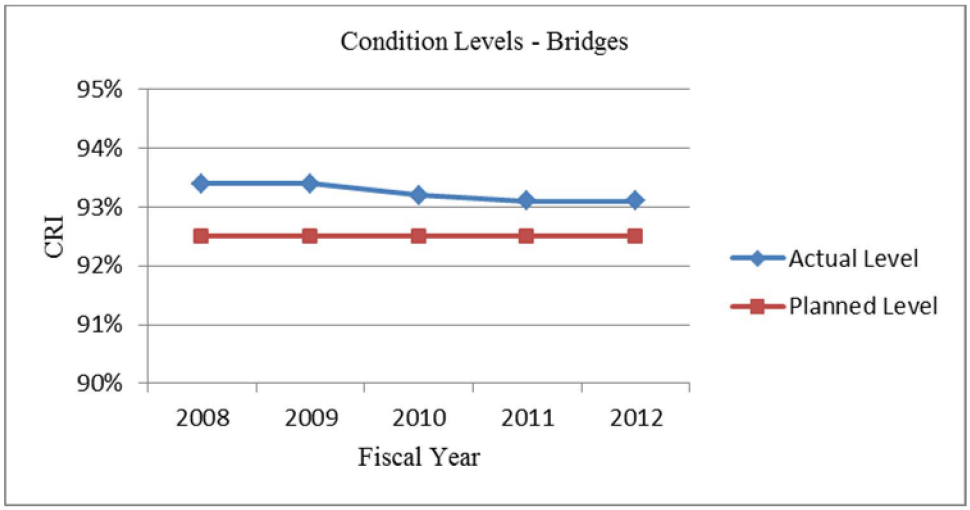


Figure 2

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 3 indicates that approximately 57% of the bridges in the State were constructed prior to the 1970s while only 13% have been constructed since 2000.

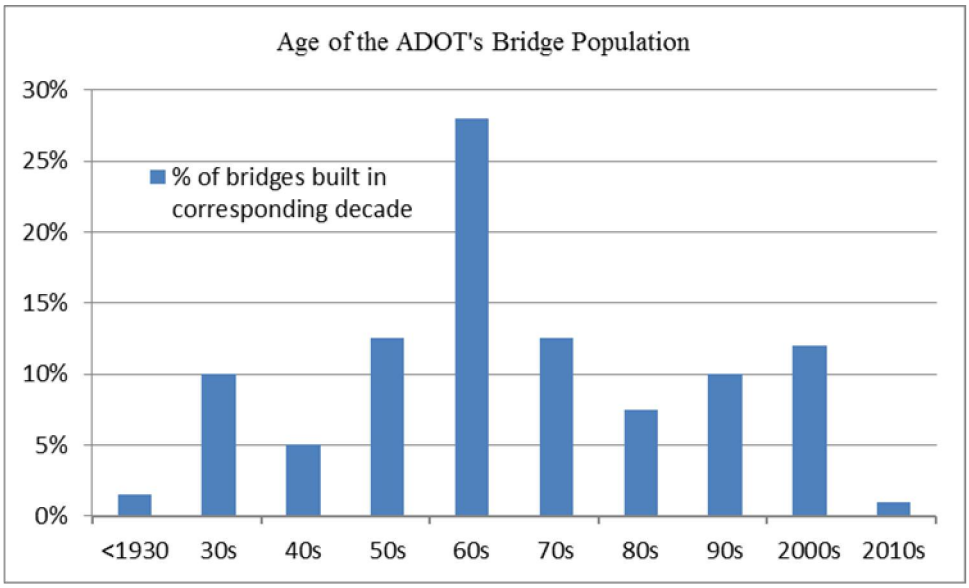


Figure 3

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 2008 through 2012 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2008	$13.4	$18.1
2009	$14.3	$17.3
2010	$16.1	$22.4
2011	$11.8	$26.0
2012	$12.5	$20.6

Actual expenditures on bridge preservation have exceeded estimated expenditures in each of the past five fiscal years. These higher-than-estimated expenditures have been the result of an ongoing effort to maintain the ability of an older inventory of bridges to serve a growing population. This trend explains why the higher expenditures have occurred simultaneously with a decline, during the same period, of the bridge network's CRI, as described above.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
AGENT BENEFIT PLANS' FUNDING PROGRESS
JUNE 30, 2012

Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2012	$ 522,980	$ 1,043,064	$ (520,084)	50.1%	$ 82,352	(631.5)%
	6/30/2011	545,586	965,288	(419,702)	56.5%	84,347	(497.6)%
	6/30/2010	554,211	891,215	(337,004)	62.2%	92,791	(363.2)%
CORP	6/30/2012	888,879	1,244,672	(355,793)	71.4%	370,041	(96.1)%
	6/30/2011	872,133	1,120,722	(248,589)	77.8%	361,900	(68.7)%
	6/30/2010	838,549	980,676	(142,127)	85.5%	363,999	(39.0)%

Analysis of the funding progress for each of the agent, multiple-employer defined benefit post-employment plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2012	-	$ 29,183	$ (29,183)	0.0%	$ 82,352	(35.4)%
	6/30/2011	-	29,200	(29,200)	0.0%	84,347	(34.6)%
	6/30/2010	-	26,846	(26,846)	0.0%	92,791	(28.9)%
CORP	6/30/2012	-	58,596	(58,596)	0.0%	370,041	(15.8)%
	6/30/2011	-	59,971	(59,971)	0.0%	361,900	(16.6)%
	6/30/2010	-	46,868	(46,868)	0.0%	363,999	(12.9)%

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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, 2012
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 937	$ -	$ -	$ 937
Cash and pooled investments with State Treasurer	611,506	1,064	-	612,570
Collateral investment pool	20,031	-	992	21,023
Receivables, net of allowances:				
Taxes	67,460	-	-	67,460
Interest	1	-	-	1
Other	25,392	-	-	25,392
Due from U.S. Government	14,335	-	-	14,335
Due from other Funds	22,454	3,750	268	26,472
Inventories, at cost	12	-	-	12
Restricted assets:				
Cash and pooled investments with State Treasurer	447,662	42,825	432,040	922,527
Cash held by trustee	-	7,708	2,348	10,056
Total Assets	$ 1,209,790	$ 55,347	$ 435,648	$ 1,700,785
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 62,421	$ 285	$ 30	$ 62,736
Accrued liabilities	43,585	3	10	43,598
Obligations under securities loan agreements	20,031	-	992	21,023
Due to local governments	104,373	-	-	104,373
Due to others	19,845	-	-	19,845
Due to other Funds	26,243	-	3,829	30,072
Unavailable deferred revenue	739	-	-	739
Unearned deferred revenue	510	-	-	510
Total Liabilities	277,747	288	4,861	282,896
Fund Balances:				
Restricted	528,476	55,059	430,787	1,014,322
Committed	403,567	-	-	403,567
Total Fund Balances	932,043	55,059	430,787	1,417,889
Total Liabilities and Fund Balances	$ 1,209,790	$ 55,347	$ 435,648	$ 1,700,785

STATE OF ARIZONA

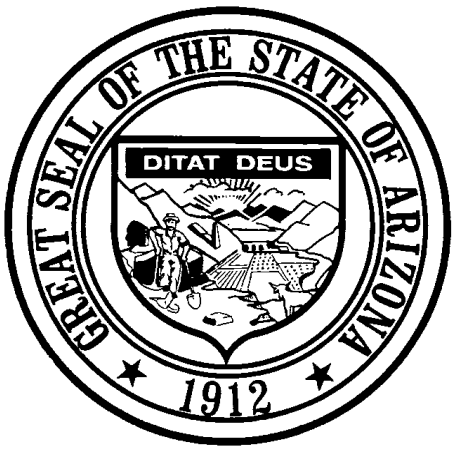
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 418,094	$ 65,810	$ -	$ 483,904
Income	75	-	-	75
Tobacco	253,531	-	-	253,531
Property	2,000	-	-	2,000
Motor vehicle and fuel	161,230	-	-	161,230
Other	96,751	-	-	96,751
Intergovernmental	75,446	-	-	75,446
Licenses, fees, and permits	294,656	-	-	294,656
Earnings on investments	49,189	1,484	4,050	54,723
Sales and charges for services	19,741	-	-	19,741
Fines, forfeitures, and penalties	137,384	-	-	137,384
Gaming	79,479	-	-	79,479
Other	21,645	411	-	22,056
Total Revenues	1,609,221	67,705	4,050	1,680,976
EXPENDITURES				
Current:				
General government	108,653	-	-	108,653
Health and welfare	249,887	-	-	249,887
Inspection and regulation	109,960	-	-	109,960
Education	625,995	-	-	625,995
Protection and safety	234,937	-	-	234,937
Transportation	-	-	21,050	21,050
Natural resources	112,976	-	-	112,976
Intergovernmental revenue sharing	10	-	-	10
Debt service:				
Principal	8,849	262,685	-	271,534
Interest and other fiscal charges	17,143	251,157	1,124	269,424
Capital outlay	10,677	-	150,228	160,905
Total Expenditures	1,479,087	513,842	172,402	2,165,331
Excess (Deficiency) of Revenues Over Expenditures	130,134	(446,137)	(168,352)	(484,355)
OTHER FINANCING SOURCES (USES)				
Transfers in	63,671	469,534	-	533,205
Transfers out	(118,708)	(280)	(5,661)	(124,649)
Bonds issued	-	-	259,460	259,460
Refunding bonds issued	-	455,900	-	455,900
Refunding GANs issued	-	43,825	-	43,825
Payment to refunded bond escrow agent	-	(560,228)	-	(560,228)
Premium on debt issued	-	62,314	28,439	90,753
Total Other Financing Sources (Uses)	(55,037)	471,065	282,238	698,266
Net Change in Fund Balances	75,097	24,928	113,886	213,911
Fund Balances - Beginning	856,946	30,131	316,901	1,203,978
Fund Balances - Ending	$ 932,043	$ 55,059	$ 430,787	$ 1,417,889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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, 2012
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	$ 886	$ -	$ -	$ -	$ -	$ 21
Cash and pooled investments with State Treasurer	78,382	60,988	54,336	19,964	84,322	86,611
Collateral investment pool	-	1,451	-	17,102	1,478	-
Receivables, net of allowances:						
Taxes	5,166	-	847	13,783	-	-
Interest	-	-	1	-	-	-
Other	13	1	7,658	-	6	3,140
Due from U.S. Government	-	-	14,313	22	-	-
Due from other Funds	4,148	9,458	1,543	337	1,374	1,988
Inventories, at cost	12	-	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	724	446,938	-	-
Total Assets	$ 88,607	$ 71,898	$ 79,422	$ 498,146	$ 87,180	$ 91,760
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 7,467	$ 3,083	$ 2,250	$ 725	$ 3,111	$ 1,740
Accrued liabilities	3,462	314	36,409	267	437	1,550
Obligations under securities loan agreements	-	1,451	-	17,102	1,478	-
Due to local governments	-	-	-	-	-	-
Due to others	17	-	-	19,599	-	200
Due to other Funds	1,327	52	552	14,304	86	9,665
Unavailable deferred revenue	-	-	739	-	-	-
Unearned deferred revenue	-	-	510	-	-	-
Total Liabilities	12,273	4,900	40,460	51,997	5,112	13,155
Fund Balances:						
Restricted	-	-	8,908	446,149	-	-
Committed	76,334	66,998	30,054	-	82,068	78,605
Total Fund Balances	76,334	66,998	38,962	446,149	82,068	78,605
Total Liabilities and Fund Balances	$ 88,607	$ 71,898	$ 79,422	$ 498,146	$ 87,180	$ 91,760

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 30	$ -	$ -	$ -	$ -	$ -	$ 937
31,848	7,679	25,129	129,199	13,840	19,208	611,506
-	-	-	-	-	-	20,031
-	-	-	47,664	-	-	67,460
-	-	-	-	-	-	1
2,072	-	7	12,495	-	-	25,392
-	-	-	-	-	-	14,335
200	382	-	3,024	-	-	22,454
-	-	-	-	-	-	12
-	-	-	-	-	-	447,662
$ 34,150	$ 8,061	$ 25,136	$ 192,382	$ 13,840	$ 19,208	$ 1,209,790
$ 1,498	$ 147	$ 17	$ 42,019	$ 364	$ -	$ 62,421
903	46	68	94	19	16	43,585
-	-	-	-	-	-	20,031
-	-	-	104,373	-	-	104,373
29	-	-	-	-	-	19,845
244	6	1	-	6	-	26,243
-	-	-	-	-	-	739
-	-	-	-	-	-	510
2,674	199	86	146,486	389	16	277,747
6,362	-	1,969	45,896	-	19,192	528,476
25,114	7,862	23,081	-	13,451	-	403,567
31,476	7,862	25,050	45,896	13,451	19,192	932,043
$ 34,150	$ 8,061	$ 25,136	$ 192,382	$ 13,840	$ 19,208	$ 1,209,790

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	$ 16,518	$ -	$ 4,779	$ -	$ -	$ -
Income	-	-	-	-	-	-
Tobacco	5,484	-	8,006	240,041	-	-
Property	-	-	2,000	-	-	-
Motor vehicle and fuel	127,312	26,676	-	-	-	318
Other	52,384	2,546	-	1	-	41,820
Intergovernmental	20,130	-	22,430	430	2,192	167
Licenses, fees, and permits	21,697	77,499	16,558	-	27,904	94,192
Earnings on investments	226	331	82	5,517	431	109
Sales and charges for services	10,893	-	3,002	-	466	865
Fines, forfeitures, and penalties	65,992	930	11,547	8	48,021	1,480
Gaming	-	-	21,215	-	-	9,774
Other	2,468	85	2,534	-	1,343	2,597
Total Revenues	323,104	108,067	92,153	245,997	80,357	151,322
EXPENDITURES						
Current:						
General government	24,170	1,100	2,819	667	57,959	1,772
Health and welfare	-	56,170	75,567	111,062	-	7,088
Inspection and regulation	-	1,379	-	-	18	108,563
Education	-	-	-	141,355	-	-
Protection and safety	234,937	-	-	-	-	-
Natural resources	25,027	433	-	-	-	-
Intergovernmental revenue sharing	-	-	-	-	-	10
Debt service:						
Principal	8,083	-	-	-	-	-
Interest and other fiscal charges	16,300	1	-	-	1	-
Capital outlay	8,113	47	144	-	370	505
Total Expenditures	316,630	59,130	78,530	253,084	58,348	117,938
Excess (Deficiency) of Revenues Over Expenditures	6,474	48,937	13,623	(7,087)	22,009	33,384
OTHER FINANCING SOURCES (USES)						
Transfers in	31,303	7,001	4,882	14	4,061	2,710
Transfers out	(37,030)	(25,932)	(6,731)	(959)	(7,717)	(22,426)
Total Other Financing Sources (Uses)	(5,727)	(18,931)	(1,849)	(945)	(3,656)	(19,716)
Net Change in Fund Balances	747	30,006	11,774	(8,032)	18,353	13,668
Fund Balances - Beginning	75,587	36,992	27,188	454,181	63,715	64,937
Fund Balances - Ending	$ 76,334	$ 66,998	$ 38,962	$ 446,149	$ 82,068	$ 78,605

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ 396,797	$ -	$ -	$ 418,094
-	-	-	75	-	-	75
-	-	-	-	-	-	253,531
-	-	-	-	-	-	2,000
888	5,796	-	240	-	-	161,230
-	-	-	-	-	-	96,751
26,453	-	2,517	1,127	-	-	75,446
34,147	3,956	4,163	2,502	12,038	-	294,656
267	51	246	41,812	117	-	49,189
2,811	-	138	1,556	10	-	19,741
171	-	-	-	-	9,235	137,384
6,061	-	-	42,429	-	-	79,479
986	145	2,893	254	1,889	6,451	21,645
71,784	9,948	9,957	486,792	14,054	15,686	1,609,221
-	-	16,813	-	-	3,353	108,653
-	-	-	-	-	-	249,887
-	-	-	-	-	-	109,960
-	-	-	484,640	-	-	625,995
-	-	-	-	-	-	234,937
67,619	7,942	-	-	11,955	-	112,976
-	-	-	-	-	-	10
766	-	-	-	-	-	8,849
841	-	-	-	-	-	17,143
668	283	4	320	223	-	10,677
69,894	8,225	16,817	484,960	12,178	3,353	1,479,087
1,890	1,723	(6,860)	1,832	1,876	12,333	130,134
10,004	1	-	3,395	300	-	63,671
(3,672)	(277)	(2,717)	(568)	(679)	(10,000)	(118,708)
6,332	(276)	(2,717)	2,827	(379)	(10,000)	(55,037)
8,222	1,447	(9,577)	4,659	1,497	2,333	75,097
23,254	6,415	34,627	41,237	11,954	16,859	856,946
$ 31,476	$ 7,862	$ 25,050	$ 45,896	$ 13,451	$ 19,192	$ 932,043

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	$ 1,595	$ 1,595
CASH TRANSFER TO GENERAL FUND	15,500	15,500
OPERATING LUMP SUM APPROPRIATION	1,930,700	1,647,105
ACUPUNCTURE BOARD OF EXAMINERS		
ADMINISTRATIVE ADJUSTMENTS	143	143
CASH TRANSFER TO GENERAL FUND	1,900	1,900
OPERATING LUMP SUM APPROPRIATION	130,300	95,079
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,196	1,196
ADMINISTRATIVE ADJUSTMENTS	56,473	56,473
CASH TRANSFER TO GENERAL FUND	136,000	136,000
OPERATING LUMP SUM APPROPRIATION	569,400	418,881
OPERATING LUMP SUM APPROPRIATION	714,100	621,848
YUMA PRISON WATER UPGRADE CF FY06-07	13,912	-
AGRICULTURE, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	738	738
ADMINISTRATIVE ADJUSTMENTS	67	67
ADMINISTRATIVE ADJUSTMENTS	176	176
ADMINISTRATIVE ADJUSTMENTS	20	20
ADMINISTRATIVE ADJUSTMENTS	5,888	5,888
ADMINISTRATIVE ADJUSTMENTS	369	369
CASH TRANSFER TO GENERAL FUND	5,800	5,800
CASH TRANSFER TO GENERAL FUND	7,700	7,700
CASH TRANSFER TO GENERAL FUND	1,100	1,100
CASH TRANSFER TO GENERAL FUND	8,100	8,100
OPERATING LUMP SUM APPROPRIATION	302,600	267,228
OPERATING LUMP SUM APPROPRIATION	923,800	804,261
OPERATING LUMP SUM APPROPRIATION	503,000	463,523
OPERATING LUMP SUM APPROPRIATION	126,000	125,981
OPERATING LUMP SUM APPROPRIATION	53,500	52,596
OPERATING LUMP SUM APPROPRIATION	120,000	118,328
OPERATING LUMP SUM APPROPRIATION	306,000	282,566
OPERATING LUMP SUM APPROPRIATION	493,100	311,519
OPERATING LUMP SUM APPROPRIATION	9,200	8,746
OPERATING LUMP SUM APPROPRIATION	92,200	91,135
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
PROPOSITION 204 SERVICES	19,222,900	18,957,899
TRADITIONAL MEDICAID SERVICES	38,295,800	38,295,800
APPRAISAL, STATE BOARD OF		
CASH TRANSFER TO GENERAL FUND	5,300	5,300
OPERATING LUMP SUM APPROPRIATION	774,400	708,366
ATHLETIC TRAINING, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	308	308
OPERATING LUMP SUM APPROPRIATION	104,900	104,890
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMINISTRATIVE ADJUSTMENTS	380	380
ADMINISTRATIVE ADJUSTMENTS	85	85
ADMINISTRATIVE ADJUSTMENTS	10,631	10,631
ADMINISTRATIVE ADJUSTMENTS	693	693
CASH TRANSFER TO GENERAL FUND	517,400	517,400
CASH TRANSFER TO GENERAL FUND	3,900	3,900
CASH TRANSFER TO GENERAL FUND	334,500	334,500
CASH TRANSFER TO GENERAL FUND	40,000	40,000

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	44,400	44,400
OPERATING LUMP SUM APPROPRIATION	3,558,800	2,324,044
OPERATING LUMP SUM APPROPRIATION	249,900	141,880
OPERATING LUMP SUM APPROPRIATION	5,418,500	4,500,407
VICTIMS RIGHTS	3,255,600	3,225,013
AUTOMOBILE THEFT AUTHORITY		
AUTOMOBILE THEFT AUTHORITY GRANTS	3,607,700	3,607,232
CASH TRANSFER TO GENERAL FUND	887,600	887,600
OPERATING LUMP SUM APPROPRIATION	636,300	535,714
REIMBURSABLE PROGRAMS	50,000	-
BARBERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	600	600
CASH TRANSFER TO GENERAL FUND	3,900	3,900
OPERATING LUMP SUM APPROPRIATION	333,300	298,846
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	3,113	3,113
CASH TRANSFER TO GENERAL FUND	14,900	14,900
OPERATING LUMP SUM APPROPRIATION	1,503,400	1,469,450
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	180	180
CASH TRANSFER TO GENERAL FUND	6,400	6,400
OPERATING LUMP SUM APPROPRIATION	466,400	424,803
CONTRACTORS, REGISTRAR OF		
OFFICE OF ADMINISTRATIVE HEARING	1,017,600	471,917
OPERATING LUMP SUM APPROPRIATION	11,351,300	7,576,530
CORPORATION COMMISSION		
ADMINISTRATIVE ADJUSTMENTS	13,665	13,665
ADMINISTRATIVE ADJUSTMENTS	41,298	41,298
ADMINISTRATIVE ADJUSTMENTS	58,345	58,345
ANNUAL REV PUBLIC ACCESS FUND ARS 10-122	1,794,073	1,794,073
ANNUAL REVERSION PER ARS 44-3298	894,255	894,255
CASH TRANSFER TO GENERAL FUND	1,551,700	1,551,700
CASH TRANSFER TO GENERAL FUND	135,500	135,500
CASH TRANSFER TO GENERAL FUND	148,700	148,700
CASH TRANSFER TO GENERAL FUND	248,200	248,200
CORPORATION FILINGS, SAME DAY SERVICE	400,400	-
INVESTIGATE AND PROSECUTE SECURITY FRAUD FY00-01	165,599	-
OPERATING LUMP SUM APPROPRIATION	12,765,200	12,734,245
OPERATING LUMP SUM APPROPRIATION	4,389,500	4,372,220
OPERATING LUMP SUM APPROPRIATION	5,626,500	5,593,576
OPERATING LUMP SUM APPROPRIATION	710,600	710,451
UTILITIES, AUDITS, STUDIES, INVEST, HEAR	380,000	4,554
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY05-06	1	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY06-07	378,269	378,269
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY07-08	379,661	288,014
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY09-10	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY10-11	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY10-11	380,000	-
CORRECTIONS, STATE DEPARTMENT OF		
NARROWBAND RADIO CONVERSION	1,750,000	1,573,285
OPERATING LUMP SUM APPROPRIATION	554,400	425,205
OPERATING LUMP SUM APPROPRIATION	2,555,000	2,458,987
OPERATING LUMP SUM APPROPRIATION	11,499,400	11,499,400
PRIVATE PRISON PER DIEM	27,517,600	26,699,228

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NON-MAJOR SPECIAL REVENUE FUNDS
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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COSMETOLOGY, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	6,389	6,389
CASH TRANSFER TO GENERAL FUND	17,100	17,100
OPERATING LUMP SUM APPROPRIATION	1,793,200	1,657,900
CRIMINAL JUSTICE COMMISSION, ARIZONA		
CASH TRANSFER TO GENERAL FUND	659,800	659,800
CASH TRANSFER TO GENERAL FUND	307,500	307,500
CASH TRANSFER TO GENERAL FUND	267,200	267,200
CASH TRANSFER TO GENERAL FUND	115,688	115,688
OPERATING LUMP SUM APPROPRIATION	652,800	633,398
OPERATING LUMP SUM APPROPRIATION	237,500	219,720
STATE AID TO COUNTY ATTORNEYS	973,600	973,600
STATE AID TO INDIGENT DEFENSE	700,300	-
VICTIM COMPENSATION AND ASSISTANCE	3,792,500	3,087,188
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
CASH TRANSFER TO GENERAL FUND	1,587,300	1,587,300
INTERPRETER FOR CERTIFICATION AND LICENSURE FY04-05	305,935	50,622
OPERATING LUMP SUM APPROPRIATION	3,790,300	3,228,285
DENTAL EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	617	617
CASH TRANSFER TO GENERAL FUND	10,300	10,300
OPERATING LUMP SUM APPROPRIATION	1,218,600	1,114,923
ECONOMIC SECURITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,126,134	1,126,134
ADMINISTRATIVE ADJUSTMENTS	1,000,000	1,000,000
ADMINISTRATIVE ADJUSTMENTS	10,770	10,770
ADMINISTRATIVE ADJUSTMENTS	93	93
ADMINISTRATIVE ADJUSTMENTS	248,839	248,839
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	19,000	8,125
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	213,000	59,608
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	347,400	52,366
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	556,100	399,070
ATTORNEY GENERAL LEGAL SERVICES	95,900	984
CASH TRANSFER TO GENERAL FUND	439,100	439,100
CASH TRANSFER TO GENERAL FUND	118,300	118,300
CASH TRANSFER TO GENERAL FUND	2,500	2,500
CASH TRANSFER TO GENERAL FUND	92,200	92,200
CASH TRANSFER TO GENERAL FUND	452,400	452,400
CHILDREN SUPPORT SERVICES	1,459,100	-
DACS DOMESTIC VIOLENCE PREVENTION	2,220,000	2,220,000
JOBS	1,110,900	244,100
REHABILITATION SERVICES	1,328,100	1,202,946
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY-SCHOOL SAFETY - PROP301 FY10-11	719,304	719,304
ACCOUNTABILITY-SCHOOL SAFETY - PROP301 FY11-12	7,800,000	7,438,603
ACHIEVEMENT TESTING - PROP 301 FY09-10	1,185,941	1,185,941
ACHIEVEMENT TESTING - PROP 301 FY10-11	7,000,000	3,281,921
ACHIEVEMENT TESTING - PROP 301 FY10-11	7,000,000	19,001
ADDITIONAL SCHOOL DAYS-PROP301 FY11-12	86,280,500	86,280,500
CHARACTER EDUCATION - PROP 301 FY10-11	171,097	73,809
CHARACTER EDUCATION - PROP 301 FY11-12	200,000	96,387
FAILING SCHOOL TUTORING-PROP 301 FY08-09	138	138
FAILING SCHOOL TUTORING-PROP 301 FY10-11	1,348,068	1,348,068
FAILING SCHOOL TUTORING-PROP 301 FY11-12	1,500,000	608,508
OPERATING LUMP SUM APPROPRIATION - ADMIN	135,093	135,093

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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION-ST BD	379,597	326,613
SCHOOL ACCOUNTABILITY FUND - PROP 301	283,101	-
SCHOOL ACCOUNTABILITY-PROP 301 FY08-09	1,101,123	665,046
SCHOOL ACCOUNTABILITY-PROP 301 FY09-10	388,898	-
TEACHER CERTIFICATION	1,849,810	1,662,080
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	132,700	97,446
EMERGENCY MANAGEMENT	132,700	-
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	269,537	269,537
ADMINISTRATIVE ADJUSTMENTS	98,415	98,415
ADMINISTRATIVE ADJUSTMENTS	15,491	15,491
ADMINISTRATIVE ADJUSTMENTS	102,872	102,872
ADMINISTRATIVE ADJUSTMENTS	5,262	5,262
ADMINISTRATIVE ADJUSTMENTS	6,944	6,944
AIR QUALITY FEE FUND STATE TRANSFERS	400,000	400,000
AIR QUALITY PROGRAM - CONTINUING FY01-02	186,035	-
AIR QUALITY PROGRAM - CONTINUING FY02-03	182,451	-
CASH TRANSFER BETWEEN FUNDS	3,145,700	3,145,700
CASH TRANSFER TO GENERAL FUND	8,023,900	8,023,900
CASH TRANSFER TO GENERAL FUND	62,300	62,300
CASH TRANSFER TO GENERAL FUND	619,500	619,500
CASH TRANSFER TO GENERAL FUND	1,517,900	1,517,900
CASH TRANSFER TO GENERAL FUND	894,500	894,500
CASH TRANSFER TO GENERAL FUND	369,500	369,500
CASH TRANSFER TO GENERAL FUND	783,600	783,600
EMISSIONS CAP AND TRADING PROGRAM FY01-02	70,576	-
EMISSIONS CAP AND TRADING PROGRAM FY02-03	266,582	-
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	21,519,500	21,519,500
OPERATING LUMP SUM APPROPRIATION	4,145,900	3,425,319
OPERATING LUMP SUM APPROPRIATION	1,749,300	993,823
OPERATING LUMP SUM APPROPRIATION	5,411,100	2,904,743
OPERATING LUMP SUM APPROPRIATION	11,000	-
OPERATING LUMP SUM APPROPRIATION	11,000	-
OPERATING LUMP SUM APPROPRIATION	7,202,600	4,005,554
OPERATING LUMP SUM APPROPRIATION	1,972,500	697,514
OPERATING LUMP SUM APPROPRIATION	138,900	132,877
OPERATING LUMP SUM APPROPRIATION	10,602,700	5,442,262
POLITICAL SUBDIVISION ASSISTANCE FY01-02	18,500	-
ROADSIDE DIESEL EMISSIONS TEST FY01-02	200,000	-
UNDERGROUND STORAGE TANK APPEALS FY00-01	7,500	-
VISIBILITY INDEX DEVELOPMENT FY01-02	80,589	-
FINANCIAL INSTITUTIONS, DEPARTMENT OF		
CASH TRANSFER TO GENERAL FUND	1,018,500	1,018,500
OPERATING LUMP SUM APPROPRIATION	753,400	541,222
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
CASH TRANSFER TO GENERAL FUND	4,200	4,200
OPERATING LUMP SUM APPROPRIATION	352,200	291,708
GAME AND FISH DEPARTMENT, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	35	35
BECKER LAKE FACILITY IMPROVEMENT FY07-08	22,972	-
BECKER LAKE WILDLIFE AREA BRIDGE FY07-08	18,322	-
BELLEMONT SHOOTING RANGE FY04-05	191	-
BEN AVERY IMPROVEMENTS FY09-10	1	-
BEN AVERY IMPROVEMENTS FY10-11	110,474	16,265

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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
BLACK CANYON DAM MODIFICATIONS FY05-06	197,462	50,820
BLACK CANYON DAM MODIFICATIONS FY06-07	220,319	57,057
BOAT REGISTRATION KIOSKS FY07-08	240,000	-
BOAT REGISTRATION KIOSKS FY08-09	240,000	-
BOAT SHADE CANOPIES FY07-08	46,342	37,395
BOAT SHADE CANOPIES FY08-09	120,000	-
BUILDING RENEWAL FY08-09	1,473	1,472
BUILDING RENEWAL FY09-10	54,117	4,356
BUILDING RENEWAL FY10-11	464,120	272,258
BUILDING RENEWAL FY11-12	522,100	11,558
CASH TRANSFER TO GENERAL FUND	549,200	549,200
DAM MAINTENANCE	500,000	65,706
FLAGSTAFF OFFICE REMODEL/EXPANSION FY07-08	25,505	25,504
FLAGSTAFF SHOOTING RANGE DEVELOPMENT FY00-01	2,545	211
FLAGSTAFF SHOOTING RANGE PLANNING FY01-02	51,694	51,694
FLAGSTAFF SHOOTING RANGE PLANNING FY02-03	457,727	399,980
FLOOD WARNING SYSTEM FY06-07	12,122	-
HEADQUARTERS SECURITY SYSTEM FY03-04	1	-
LAKE HAVASU SHOOTING RANGE FY03-04	269,755	71,818
LOWER COLORADO MULTI-SPECIES CONSERVATION	350,000	350,000
MIGRATORY WATERFOWL DEVELOPMENT FY01-02	5,501	5,350
MIGRATORY WATERFOWL DEVELOPMENT FY02-03	53,119	38,418
MIGRATORY WATERFOWL DEVELOPMENT FY03-04	61,715	-
MIGRATORY WATERFOWL HABITAT FY06-07	69,912	69,895
MIGRATORY WATERFOWL HABITAT FY10-11	100,000	23,000
OPERATING LUMP SUM APPROPRIATION	28,872,400	23,877,594
OPERATING LUMP SUM APPROPRIATION	2,886,700	2,377,784
OPERATING LUMP SUM APPROPRIATION	343,400	205,532
OPERATING LUMP SUM APPROPRIATION	1,000,000	999,986
OPERATING LUMP SUM APPROPRIATION	43,400	14,412
OPERATING LUMP SUM APPROPRIATION	16,000	-
PERFORMANCE INCENTIVE PAY FY11-12	300,000	300,000
PERFORMANCE INCENTIVE PAY FY11-12	46,800	46,800
PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT	3,808,000	2,000,000
PROPERTY MAINTENANCE	500,000	368,739
RADIO TOWER FY09-10	250,000	-
RADIO TOWER FY10-11	250,000	-
REGIONAL (MESA) OFFICE REMODEL FY08-09	88,660	88,660
REGIONAL (YUMA) OFFICE REMODEL FY08-09	912,432	5,793
REGIONAL KINGMAN OFFICE REMODEL FY09-10	887,736	2,000
REGIONAL YUMA OFFICE PAVING FY10-11	57,620	200
ROBBINS BUTTE LEVEE FY07-08	74,273	74,273
SHOOTING RANGE ACCESS IMPROVEMENTS FY08-09	139	-
SHOOTING RANGE ACCESS IMPROVEMENTS FY09-10	1,641	1,640
SHOOTING RANGE ACCESS IMPROVEMENTS FY10-11	16,791	16,790
SILVER CREEK HATCHERY REMODEL FY09-10	1,699,108	48,175
SILVER CREEK HATCHERY REMODEL FY10-11	1,000,000	-
STATEWIDE PREVENTATIVE MAINTENANCE FY08-09	4	-
STATEWIDE PREVENTATIVE MAINTENANCE FY09-10	2,799	2,799
STATEWIDE PREVENTATIVE MAINTENANCE FY10-11	1,277	1,277
STATEWIDE PREVENTATIVE MAINTENANCE FY11-12	30,000	29,999
TONTO CREEK HATCHERY IMPROVEMENT FY05-06	39	-
TRI-STATE SHOOTING RANGE DEVELOPMENT FY04-05	299,649	-
WATERCRAFT GRANT PROGRAM	1,175,000	966,000
WATERCRAFT SAFETY EDUCATION PROGRAM	250,000	236,351

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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
YUMA OFFICE SECURITY SYSTEM FY06-07	15,350	-
GAMING, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	819	819
CASINO OPERATION CERTIFICATION	2,067,800	2,033,297
OPERATING LUMP SUM APPROPRIATION	8,209,800	7,914,042
PROBLEM GAMBLING	300,000	300,000
PROBLEM GAMBLING	1,596,500	1,594,892
GOVERNOR, OFFICE OF THE		
OPERATING LUMP SUM APPROPRIATION	192,300	-
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,071	1,071
ADMINISTRATIVE ADJUSTMENTS	440,023	440,023
ADMINISTRATIVE ADJUSTMENTS	72,125	72,125
ADMINISTRATIVE ADJUSTMENTS	361,203	361,203
ADMINISTRATIVE ADJUSTMENTS	13,803	13,803
ADMINISTRATIVE ADJUSTMENTS	2,362	2,362
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	8,578,100	8,041,232
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	4,703,100	3,991,735
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	431,900	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	38,000	-
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	930,100	753,441
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	97,200	95,454
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	3,732,100	2,031,766
ALZHEIMER DISEASE RESEARCH	1,000,000	1,000,000
CASH TRANSFER TO GENERAL FUND	304,000	304,000
CASH TRANSFER TO GENERAL FUND	1,086,500	1,086,500
CASH TRANSFER TO GENERAL FUND	72,300	72,300
CASH TRANSFER TO GENERAL FUND	800,000	800,000
CASH TRANSFER TO GENERAL FUND	60,200	60,200
CASH TRANSFER TO GENERAL FUND	3,700	3,700
CASH TRANSFER TO GENERAL FUND	7,300	7,300
CRISES SERVICES	1,350,000	1,350,000
CRISES SERVICES	900,000	900,000
FOLIC ACID	400,000	362,228
HIGH RISK PERINATAL SERVICES	450,000	211,501
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	34,767,000	34,767,000
NEWBORN SCREENING PROGRAM	6,330,800	4,962,882
NONPROFIT MEDICAL RESEARCH FOUNDATION	500,000	-
NURSING CARE INST QUALITY IMPROVEMENT	400,000	144,395
RELIEF BILL CASH TRANSFER FY12	5,000	5,000
HIGHWAY SAFETY, GOVERNOR'S OFFICE OF		
CASH TRANSFER TO GENERAL FUND	31,900	31,900
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
CASH TRANSFER TO GENERAL FUND	1,100	1,100
OPERATING LUMP SUM APPROPRIATION	109,600	107,604
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	955,600	912,064
INDUSTRIAL COMMISSION OF ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	51,184	51,184
CASH TRANSFER TO GENERAL FUND	426,700	426,700
OPERATING LUMP SUM APPROPRIATION	20,194,000	17,364,665
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	4,398	4,398
CASH TRANSFER TO GENERAL FUND	152,000	152,000
OPERATING LUMP SUM APPROPRIATION	549,500	520,848

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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	260,000	173,044
MEDICAL EXAMINERS BOARD		
ADMINISTRATIVE ADJUSTMENTS	21,945	21,945
CASH TRANSFER TO GENERAL FUND	122,100	122,100
OPERATING LUMP SUM APPROPRIATION	5,983,300	5,221,806
PERFORMANCE BASED INCENTIVE PROGRAM	150,000	108,651
MINE INSPECTOR, STATE		
ADMINISTRATIVE ADJUSTMENTS	283	283
AGGREGATE MINED LAND RECLAMATION	112,900	12,084
CASH TRANSFER TO GENERAL FUND	1,200	1,200
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
CASH TRANSFER TO GENERAL FUND	1,530	1,530
CASH TRANSFER TO GENERAL FUND	3,570	3,570
OPERATING LUMP SUM APPROPRIATION	182,070	182,055
OPERATING LUMP SUM APPROPRIATION	424,830	424,783
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
ADMINISTRATIVE ADJUSTMENTS	354	354
CASH TRANSFER TO GENERAL FUND	4,300	4,300
OPERATING LUMP SUM APPROPRIATION	375,800	339,141
NURSING, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	9,301	9,301
CASH TRANSFER TO GENERAL FUND	104,000	104,000
OPERATING LUMP SUM APPROPRIATION	4,169,500	4,158,890
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	476	476
CASH TRANSFER TO GENERAL FUND	3,500	3,500
OPERATING LUMP SUM APPROPRIATION	168,400	168,400
OPTICIANS, STATE BOARD OF DISPENSING		
ADMINISTRATIVE ADJUSTMENTS	186	186
CASH TRANSFER TO GENERAL FUND	1,200	1,200
OPERATING LUMP SUM APPROPRIATION	135,100	133,391
OPTOMETRY, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	363	363
CASH TRANSFER TO GENERAL FUND	2,800	2,800
OPERATING LUMP SUM APPROPRIATION	204,700	199,047
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,515	2,515
CASH TRANSFER TO GENERAL FUND	8,400	8,400
OPERATING LUMP SUM APPROPRIATION	721,500	611,502
PARKS BOARD, ARIZONA STATE		
ADMINISTRATIVE ADJUSTMENTS	52,497	52,497
ADMINISTRATIVE ADJUSTMENTS	3,952	3,952
CASH TRANSFER TO GENERAL FUND	102,400	102,400
KARTCHNER CAVERNS STATE PARK	214,200	166,533
OFF HIGHWAY VEHICLE PARKS OPERATIONS	692,100	682,596
OPERATING LUMP SUM APPROPRIATION	375,800	316,411
OPERATING LUMP SUM APPROPRIATION	2,632,900	2,442,737
PEST MANAGEMENT, OFFICE OF		
ADMINISTRATIVE ADJUSTMENTS	4,151	4,151
CASH TRANSFER TO GENERAL FUND	62,600	62,600
OPERATING LUMP SUM APPROPRIATION	2,793,100	1,431,013
PHARMACY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	53	53

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	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO GENERAL FUND	22,500	22,500
CONTROLLED SUBSTANCE PRESCRIPTION MONITORING PROGRAM	200,000	200,000
OPERATING LUMP SUM APPROPRIATION	1,992,400	1,897,039
PHYSICAL THERAPY EXAMINERS, BOARD OF		
CASH TRANSFER TO GENERAL FUND	4,100	4,100
OPERATING LUMP SUM APPROPRIATION	375,000	348,706
PODIATRY EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	51	51
CASH TRANSFER TO GENERAL FUND	1,500	1,500
OPERATING LUMP SUM APPROPRIATION	147,100	128,285
POSTSECONDARY EDUCATION, COMMISSION FOR		
ADMINISTRATIVE ADJUSTMENTS	21,750	21,750
ARIZONA COLLEGE AND CAREER GUIDE	21,200	20,637
AZ MINORITY ED POLICY ANALYSIS CENTER	100,000	25,762
CASH TRANSFER TO GENERAL FUND	9,800	9,800
FAMILY COLLEGE SAVINGS PROGRAM	149,500	49,644
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	3,043,700	1,098,720
OPERATING LUMP SUM APPROPRIATION	418,500	144,677
TWELVE PLUS PARTNERSHIP	130,500	130,500
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
ADMINISTRATIVE ADJUSTMENTS	397	397
CASH TRANSFER TO GENERAL FUND	4,800	4,800
OPERATING LUMP SUM APPROPRIATION	339,200	336,333
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	200	200
CASH TRANSFER TO GENERAL FUND	4,100	4,100
OPERATING LUMP SUM APPROPRIATION	327,796	321,820
OPERATING LUMP SUM APPROPRIATION	29,104	14,106
PUBLIC SAFETY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	73,782	73,782
CASH TRANSFER TO GENERAL FUND	1,897,000	1,897,000
CASH TRANSFER TO GENERAL FUND	200,000	200,000
CASH TRANSFER TO GENERAL FUND	11,000	11,000
CASH TRANSFER TO GENERAL FUND	2,589,100	2,589,100
CASH TRANSFER TO GENERAL FUND	3,554,700	3,554,700
CASH TRANSFER TO GENERAL FUND	600,000	600,000
CASH TRANSFER TO GENERAL FUND	450,000	450,000
DNA TESTING	980,000	896,868
DNA TESTING FY02-03	1,258,331	-
DNA TESTING FY03-04	678,704	-
DNA TESTING FY07-08	938,531	-
DNA TESTING FY08-09	230,451	-
MOTOR VEHICLE FUEL	231,300	231,300
OPERATING LUMP SUM APPROPRIATION	18,833,800	18,356,986
OPERATING LUMP SUM APPROPRIATION	1,553,300	1,553,300
OPERATING LUMP SUM APPROPRIATION	884,200	883,874
OPERATING LUMP SUM APPROPRIATION	3,018,800	2,917,819
OPERATING LUMP SUM APPROPRIATION	3,104,800	3,104,800
OPERATING LUMP SUM APPROPRIATION	11,380,600	10,514,300
OPERATING LUMP SUM APPROPRIATION	205,000	205,000
OPERATING LUMP SUM APPROPRIATION	1,878,600	1,878,600
OPERATING LUMP SUM APPROPRIATION	123,210,600	123,210,600
OPERATING LUMP SUM APPROPRIATION	2,952,200	2,786,500
PHOTO ENFORCEMENT-GENERAL FUND REVERSION	1,403,933	1,403,933
PUBLIC SAFETY EQUIPMENT FY08-09	2,500,000	-

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PUBLIC SAFETY EQUIPMENT FY09-10	2,728,719	-
PUBLIC SAFETY EQUIPMENT FY11-12	1,200,000	998,326
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,390,000	1,244,385
RACING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	1,473,500	889,613
RADIATION REGULATORY AGENCY		
ADMINISTRATIVE ADJUSTMENTS	92	92
CASH TRANSFER TO GENERAL FUND	24,400	24,400
OPERATING LUMP SUM APPROPRIATION	271,900	267,780
RESIDENTIAL UTILITY CONSUMER OFFICE		
CASH TRANSFER TO GENERAL FUND	14,900	14,900
OPERATING LUMP SUM APPROPRIATION	1,192,600	1,041,970
PROFESSIONAL WITNESSES	139,317	-
PROFESSIONAL WITNESSES	145,000	19,129
PROFESSIONAL WITNESSES FY07-08	13,554	13,554
PROFESSIONAL WITNESSES FY08-09	96,628	96,394
PROFESSIONAL WITNESSES FY09-10	85,659	42,333
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,714	2,714
CASH TRANSFER TO GENERAL FUND	4,200	4,200
OPERATING LUMP SUM APPROPRIATION	317,400	308,377
REVENUE, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	683,100	680,780
SUPREME COURT		
ADMINISTRATIVE ADJUSTMENTS	92,652	92,652
AUTOMATION	7,795,300	7,326,171
CASE AND CASH MANAGEMENT SYSTEM	3,187,100	2,874,857
CASH TRANSFER TO GENERAL FUND	170,600	170,600
CASH TRANSFER TO GENERAL FUND	210,100	210,100
CASH TRANSFER TO GENERAL FUND	21,100	21,100
CASH TRANSFER TO GENERAL FUND	11,000	11,000
COMMUNITY PUNISHMENT	1,816,300	970,952
COMMUNITY PUNISHMENT	500,000	487,255
COURT APPOINTED SPECIAL ADVOCATE	2,943,600	2,322,595
JUVENILE CRIME REDUCTION	5,138,700	3,281,084
OPERATING LUMP SUM APPROPRIATION	2,868,100	2,158,138
OPERATING LUMP SUM APPROPRIATION	494,800	404,816
PHOTO ENFORCEMENT TO GF TRANSFER	20,397	20,397
PROBATION SURCHARGE	5,031,500	4,789,293
STATE AID	2,976,700	2,011,392
STATE AID	2,945,800	2,728,847
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	60,837	60,837
CASH TRANSFER TO GENERAL FUND	20,400	20,400
OPERATING LUMP SUM APPROPRIATION	1,890,800	1,715,601
VETERANS' SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	469	469
OPERATING LUMP SUM APPROPRIATION	903,400	697,435
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMINISTRATIVE ADJUSTMENTS	1,956	1,956
CASH TRANSFER TO GENERAL FUND	5,600	5,600
OPERATING LUMP SUM APPROPRIATION	472,300	428,732
WATER RESOURCES, DEPARTMENT OF		
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	274,200	270,379
CASH TRANSFER TO GENERAL FUND	12,300	12,300

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	6,443,500	5,122,639
WEIGHTS AND MEASURES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	36,486	36,486
CASH TRANSFER TO GENERAL FUND	121,200	121,200
GENERAL SERVICES	327,800	326,401
OXYGENATED FUEL	796,830	728,929
VAPOR RECOVERY	649,070	646,002
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES	$ 813,827,938	$ 716,677,719

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
LAND ENDOWMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ARCHIVES AND HISTORY BUILDING 05 LEG	$ 93,151	$ 93,151
CORRECTIONS, STATE DEPARTMENT OF		
NARROWBAND RADIO CONVERSION	1,000,000	749,181
NARROWBAND RADIO CONVERSION	3,000,000	1,580,154
OPERATING LUMP SUM APPROPRIATION	360,000	341,017
PRIVATE PRISON PER DIEM	979,200	979,200
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
ADMINISTRATIVE ADJUSTMENTS	84,874	84,874
CASH TRANSFER TO GENERAL FUND	220,600	220,600
PHOENIX DAY SCHOOL FOR THE DEAF	5,977,073	5,977,073
PRESCHOOL/OUTREACH PROGRAMS	2,953,200	2,865,154
TUCSON CAMPUS	4,325,527	4,325,438
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	46,475,500	46,475,500
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	85	85
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,150,000	1,081,842
JUVENILE CORRECTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	1,113,500	1,113,500
LAND DEPARTMENT, STATE		
OPERATING LUMP SUM APPROPRIATION	3,791,700	1,756,424
PIONEERS' HOME, ARIZONA		
OPERATING LUMP SUM APPROPRIATION	2,687,500	2,686,847
OPERATING LUMP SUM APPROPRIATION	1,780,800	1,512,055
PRESCRIPTION DRUGS	240,000	134,046
TOTAL LAND ENDOWMENTS FUND BUDGETARY EXPENDITURES	$ 76,232,710	$ 71,976,141

NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

The Lottery Fund administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Maricopa Regional Area Road Fund (RARF) administers the payment of principal and interest on the Arizona Transportation Excise Tax Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Certificates of Participation 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 previously issued certificates of participation.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on grant anticipation notes issued by the Arizona Department of Transportation Board and the retirement of previously issued grant anticipation notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2012
(Expressed in Thousands)

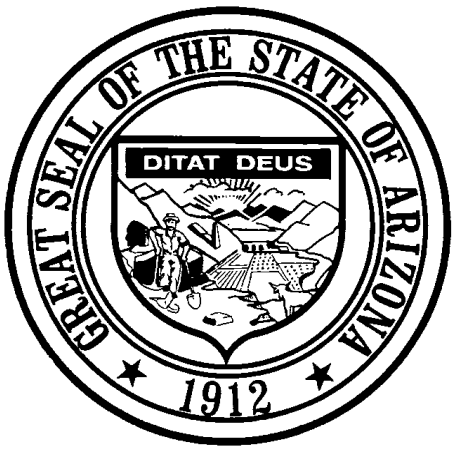
	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
ASSETS				
Cash and pooled investments with State Treasurer	$ -	$ -	$ -	$ 1,064
Due from other Funds	3,750	-	-	-
Restricted assets:				
Cash and pooled investments with State Treasurer	-	14,991	129	-
Cash held by trustee	-	-	-	7,708
Total Assets	$ 3,750	$ 14,991	$ 129	$ 8,772
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ -	$ -	$ -	$ 203
Accrued liabilities	-	-	-	-
Total Liabilities	-	-	-	203
Fund Balances:				
Restricted	$ 3,750	$ 14,991	$ 129	$ 8,569
Total Liabilities and Fund Balances	$ 3,750	$ 14,991	$ 129	$ 8,772

SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
$ -	$ -	$ 1,064
-	-	3,750
27,439	266	42,825
-	-	7,708
$ 27,439	$ 266	$ 55,347
$ 4	$ 78	$ 285
-	3	3
4	81	288
$ 27,435	$ 185	$ 55,059
$ 27,439	$ 266	$ 55,347

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION
REVENUES				
Sales taxes	$ -	$ -	$ -	$ -
Earnings on investments	-	71	310	-
Other	-	-	-	411
Total Revenues	-	71	310	411
EXPENDITURES				
Debt service:				
Principal	-	67,885	55,460	23,445
Interest and other fiscal charges	20,710	72,639	48,153	61,791
Total Expenditures	20,710	140,524	103,613	85,236
(Deficiency) of Revenues Over Expenditures	(20,710)	(140,453)	(103,303)	(84,825)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,389	152,687	103,223	90,435
Transfers out	-	-	-	-
Refunding bonds issued	-	455,900	-	-
Refunding GANs issued	-	-	-	-
Payment to refunded bond escrow agent	-	(511,869)	-	-
Premium on debt issued	-	57,453	-	-
Total Other Financing Sources (Uses)	22,389	154,171	103,223	90,435
Net Change in Fund Balances	1,679	13,718	(80)	5,610
Fund Balances - Beginning	2,071	1,273	209	2,959
Fund Balances - Ending	$ 3,750	$ 14,991	$ 129	$ 8,569

SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES	TOTAL
$ 65,810	$ -	$ 65,810
1,100	3	1,484
-	-	411
66,910	3	67,705
58,805	57,090	262,685
29,673	18,191	251,157
88,478	75,281	513,842
(21,568)	(75,278)	(446,137)
25,854	74,946	469,534
(280)	-	(280)
-	-	455,900
-	43,825	43,825
-	(48,359)	(560,228)
-	4,861	62,314
25,574	75,273	471,065
4,006	(5)	24,928
23,429	190	30,131
$ 27,435	$ 185	$ 55,059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DITAT DEUS
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NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds issued by the Arizona Department of Transportation Board. These monies are expended for the construction of federal, state, and local highways.

The Grant Anticipation Notes Financed Fund administers proceeds from Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

The Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the development of the Human Resource Information System.

The Maricopa Regional Area Road Debt Financed Fund (MRARF) administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bonds. These monies are spent on the construction of State highways within Maricopa County.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
ASSETS				
Collateral investment pool	$ -	$ -	$ -	$ 992
Due from other Funds	-	-	-	268
Restricted assets:				
Cash and pooled investments with State Treasurer	100,725	103,141	1,108	227,066
Cash held by trustee	-	-	2,348	-
Total Assets	$ 100,725	$ 103,141	$ 3,456	$ 228,326
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ -	$ -	$ 30	$ -
Accrued liabilities	10	-	-	-
Obligations under securities loan agreements	-	-	-	992
Due to other Funds	3,768	-	-	61
Total Liabilities	3,778	-	30	1,053
Fund Balances:				
Restricted	96,947	103,141	3,426	227,273
Total Fund Balances	96,947	103,141	3,426	227,273
Total Liabilities and Fund Balances	$ 100,725	$ 103,141	$ 3,456	$ 228,326

	TOTAL
$	992
	268
	432,040
	2,348
$	435,648

$	30
	10
	992
	3,829
	4,861
	430,787
	430,787
$	435,648

STATE OF ARIZONA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

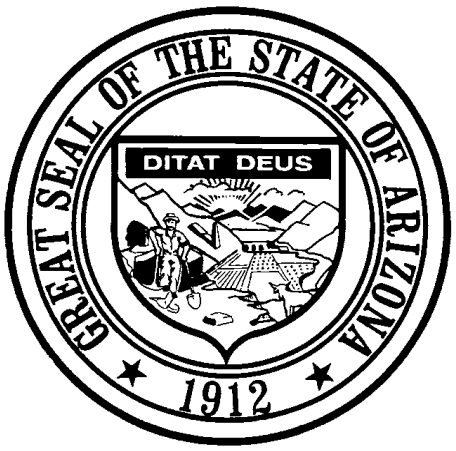
NON-MAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
REVENUES				
Earnings on investments	$ 757	$ 1,330	$ 102	$ 1,861
Total Revenues	757	1,330	102	1,861
EXPENDITURES				
Current:				
Transportation	15,494	5,190	-	366
Debt service:				
Interest and other fiscal charges	349	-	-	775
Capital outlay	15,355	50,024	8,483	76,366
Total Expenditures	31,198	55,214	8,483	77,507
(Deficiency) of Revenues Over Expenditures	(30,441)	(53,884)	(8,381)	(75,646)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(5,661)	-
Bonds issued	100,000	-	-	159,460
Premium on debt issued	7,704	-	-	20,735
Total Other Financing Sources (Uses)	107,704	-	(5,661)	180,195
Net Change in Fund Balances	77,263	(53,884)	(14,042)	104,549
Fund Balances - Beginning	19,684	157,025	17,468	122,724
Fund Balances - Ending	$ 96,947	$ 103,141	$ 3,426	$ 227,273

TOTAL
$ 4,050
4,050
21,050
1,124
150,228
172,402
(168,352)
(5,661)
259,460
28,439
282,238
113,886
316,901
$ 430,787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NON-MAJOR 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 Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

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) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund and the Tonto Natural Bridge Publications and Souvenirs Revolving Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash	$ 2,637	$ 207	$ -	$ 21	$ -
Cash and pooled investments with State Treasurer	53	4,833	2,263	2,277	-
Restricted cash and pooled investments with State Treasurer	-	-	-	-	76,350
Receivables, net of allowances:					
Interest	1	-	-	-	2
Loans and notes	-	-	-	-	530
Other	1,955	4,891	212	42	-
Due from U.S. Government	138	-	-	-	-
Due from other Funds	9	-	27	-	-
Inventories, at cost	2,907	3,101	380	-	-
Other current assets	58	192	347	64	-
Total Current Assets	7,758	13,224	3,229	2,404	76,882
Noncurrent Assets:					
Capital assets:					
Land and other non-depreciable	182	692	8	179	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	2,496	2,401	35	9,766	-
Total Noncurrent Assets	2,678	3,093	43	9,945	-
Total Assets	10,436	16,317	3,272	12,349	76,882
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	382	1,025	22	-	-
Accrued liabilities	213	376	32	52	-
Due to other Funds	-	-	-	-	-
Unearned deferred revenue	-	18	2,205	73	-
Current portion of long-term debt	-	19	-	-	-
Current portion of other long-term liabilities	172	466	147	148	-
Total Current Liabilities	767	1,904	2,406	273	-
Noncurrent Liabilities:					
Contracts payable	-	-	-	-	-
Other long-term liabilities	78	-	-	-	-
Total Noncurrent Liabilities	78	-	-	-	-
Total Liabilities	845	1,904	2,406	273	-
NET ASSETS					
Invested in capital assets, net of related debt	2,678	3,074	43	9,945	-
Restricted for:					
Loans and other financial assistance:					
Expendable	-	-	-	-	76,882
Unrestricted	6,913	11,339	823	2,131	-
Total Net Assets	$ 9,591	$ 14,413	$ 866	$ 12,076	$ 76,882

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ -	$ 2,865
8,865	3,236	21,527
-	-	76,350
-	-	3
-	-	530
-	2,155	9,255
-	-	138
-	135	171
-	-	6,388
-	-	661
8,865	5,526	117,888
-	980	2,041
1	7,387	22,086
1	8,367	24,127
8,866	13,893	142,015
29	277	1,735
2,219	271	3,163
-	1	1
3,532	-	5,828
-	-	19
50	-	983
5,830	549	11,729
879	-	879
-	-	78
879	-	957
6,709	549	12,686
1	8,367	24,108
-	-	76,882
2,156	4,977	28,339
$ 2,157	$ 13,344	$ 129,329

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

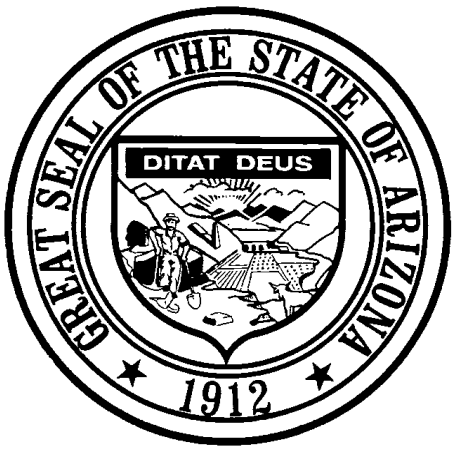
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	$ 18,979	$ 38,452	$ 4,889	$ 10,323	$ -
Intergovernmental	65	-	-	-	-
Earnings on investments	-	-	-	-	2
Other	31	-	692	1,020	-
Total Operating Revenues	19,075	38,452	5,581	11,343	2
OPERATING EXPENSES					
Cost of sales and benefits	10,016	30,685	2,510	1,735	-
Personal services	5,618	3,263	1,571	3,928	17
Contractual services	2,005	35	607	3,747	13
Depreciation and amortization	154	518	14	681	-
Insurance	-	-	-	219	-
Other	1,271	776	260	1,045	-
Total Operating Expenses	19,064	35,277	4,962	11,355	30
Operating Income (Loss)	11	3,175	619	(12)	(28)
NON-OPERATING REVENUES (EXPENSES)					
(Loss) on sale of capital assets	-	(1)	(2)	-	-
Investment income	13	20	20	7	764
Other non-operating revenue	-	-	-	-	-
Interest expense	-	(9)	-	-	-
Other non-operating expense	-	-	(1)	-	(46)
Total Non-Operating Revenues (Expenses)	13	10	17	7	718
Income (Loss) Before Contributions, and Transfers	24	3,185	636	(5)	690
Capital grants and contributions	-	-	-	3,468	-
Transfers in	16	-	-	-	-
Transfers out	(58)	(1,408)	(13)	(133)	-
Change in Net Assets	(18)	1,777	623	3,330	690
Total Net Assets - Beginning	9,609	12,636	243	8,746	76,192
Total Net Assets - Ending	$ 9,591	$ 14,413	$ 866	$ 12,076	$ 76,882

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 31,078	$ 16,468	$ 120,189
-	-	65
-	-	2
-	593	2,336
31,078	17,061	122,592
24,382	318	69,646
1,000	11,274	26,671
133	1,938	8,478
2	348	1,717
-	291	510
202	2,715	6,269
25,719	16,884	113,291
5,359	177	9,301
-	-	(3)
63	21	908
186	-	186
-	-	(9)
-	-	(47)
249	21	1,035
5,608	198	10,336
-	-	3,468
-	-	16
(462)	(69)	(2,143)
5,146	129	11,677
(2,989)	13,215	117,652
$ 2,157	$ 13,344	$ 129,329

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 18,386	$ 38,206	$ 4,789	$ 10,320	$ 110
Receipts from repayment of loans to local governments	-	-	-	-	3,894
Payments to suppliers or insurance companies	(10,112)	(15,035)	(3,249)	(6,768)	(13)
Payments to employees	(5,811)	(20,138)	(1,615)	(3,973)	(23)
Other receipts	53	-	691	1,020	-
Other payments	(3,274)	-	-	-	(30)
Net Cash Provided (Used) by Operating Activities	(758)	3,033	616	599	3,938
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from settlement income	-	-	-	-	-
Transfers from other Funds	16	-	-	-	-
Transfers to other Funds	(58)	(1,408)	(13)	(133)	(1)
Net Cash (Used) by Non-capital Financing Activities	(42)	(1,408)	(13)	(133)	(1)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,689)	(407)	(6)	(64)	-
Interest paid on capital debt, installment purchase contracts, and capital leases	-	(6)	-	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	(111)	-	-	-
Net Cash (Used) by Capital and Related Financing Activities	(1,689)	(524)	(6)	(64)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends from investments	13	20	19	7	719
Change in cash collateral received from securities lending transactions	-	-	-	-	(912)
Net Cash Provided (Used) by Investing Activities	13	20	19	7	(193)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,476)	1,121	616	409	3,744
Cash and Cash Equivalents - Beginning	5,166	3,919	1,647	1,889	72,606
Cash and Cash Equivalents - Ending	$ 2,690	$ 5,040	$ 2,263	$ 2,298	$ 76,350
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 11	$ 3,175	$ 619	$ (12)	$ (28)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	154	518	14	681	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(570)	(463)	48	(3)	4,002
(Increase) in due from U.S. Government	(65)	-	-	-	-
(Increase) decrease in due from other Funds	1	-	-	-	-
(Increase) decrease in inventories, at cost	(58)	(117)	94	-	-
(Increase) decrease in other assets	3	(66)	44	(37)	-
Increase (decrease) in accounts payable	(123)	193	(11)	15	-
(Decrease) in accrued liabilities	(95)	(244)	(58)	(40)	(2)
(Decrease) in due to local governments	-	-	-	-	(30)
Increase (decrease) in deferred revenue	-	4	(149)	-	-
Increase (decrease) in other liabilities	(16)	33	15	(5)	(4)
Net Cash Provided (Used) by Operating Activities	$ (758)	$ 3,033	$ 616	$ 599	$ 3,938
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other Funds	$ -	$ -	$ -	$ 3,468	$ -
(Loss) on disposal of capital assets, net	-	(4)	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ (4)	$ -	$ 3,468	$ -

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 30,227	$ 16,448	$ 118,486
-	-	3,894
(29,062)	(5,176)	(69,415)
(1,027)	(11,551)	(44,138)
-	593	2,357
-	-	(3,304)
138	314	7,880
185	-	185
-	-	16
(462)	(69)	(2,144)
(277)	(69)	(1,943)
-	(18)	(2,184)
-	-	(6)
-	-	(111)
-	(18)	(2,301)
63	21	862
-	-	(912)
63	21	(50)
(76)	248	3,586
8,941	2,988	97,156
$ 8,865	$ 3,236	$ 100,742
$ 5,359	$ 177	$ 9,301
2	348	1,717
-	40	3,054
-	-	(65)
-	(60)	(59)
-	-	(81)
-	-	(56)
(73)	86	87
(4,271)	(277)	(4,987)
-	-	(30)
(851)	-	(996)
(28)	-	(5)
$ 138	$ 314	$ 7,880
$ -	$ -	$ 3,468
-	-	(4)
$ -	$ -	$ 3,464


GREAT SEAL OF THE STATE OF ARIZONA
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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 Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits 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 Technology Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree 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.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION	TECHNOLOGY
ASSETS					
Current Assets:					
Cash and pooled investments with State Treasurer	$ 55,407	$ 635	$ 328,500	$ 904	$ 9,624
Receivables, net of allowances:					
Other	40	5	6,143	162	1,009
Due from U.S. Government	-	-	7,157	-	-
Due from other Funds	3	-	56	-	1,691
Inventories, at cost	-	3,498	-	-	-
Other current assets	4,112	-	19	-	1,673
Total Current Assets	59,562	4,138	341,875	1,066	13,997
Noncurrent Assets:					
Capital assets:					
Land and other non-depreciable	-	-	-	-	109
Buildings, equipment, and other depreciable, net of accumulated depreciation	145	47,794	23	1,523	3,278
Total Noncurrent Assets	145	47,794	23	1,523	3,387
Total Assets	59,707	51,932	341,898	2,589	17,384
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	2,362	15	95,787	3	1,163
Accrued liabilities	212	223	51	19	150
Due to other Funds	321	-	59	-	3
Unearned deferred revenue	-	-	-	-	32
Current portion of accrued insurance losses	53,287	-	-	-	-
Current portion of other long-term liabilities	259	571	195	79	478
Total Current Liabilities	56,441	809	96,092	101	1,826
Noncurrent Liabilities:					
Accrued insurance losses	311,476	-	-	-	-
Other long-term liabilities	-	63	-	-	-
Total Noncurrent Liabilities	311,476	63	-	-	-
Total Liabilities	367,917	872	96,092	101	1,826
NET ASSETS					
Invested in capital assets, net of related debt	145	47,794	23	1,523	3,387
Unrestricted (deficit)	(308,355)	3,266	245,783	965	12,171
Total Net Assets	$ (308,210)	$ 51,060	$ 245,806	$ 2,488	$ 15,558

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 3,158	$ 271	$ 398,499
-	631	7,990
-	-	7,157
-	1,002	2,752
-	50	3,548
-	14	5,818
3,158	1,968	425,764
-	-	109
-	9,889	62,652
-	9,889	62,761
3,158	11,857	488,525
-	849	100,179
-	13	668
-	-	383
-	-	32
-	-	53,287
10,156	41	11,779
10,156	903	166,328
-	-	311,476
137,329	-	137,392
137,329	-	448,868
147,485	903	615,196
-	9,889	62,761
(144,327)	1,065	(189,432)
$ (144,327)	$ 10,954	$ (126,671)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

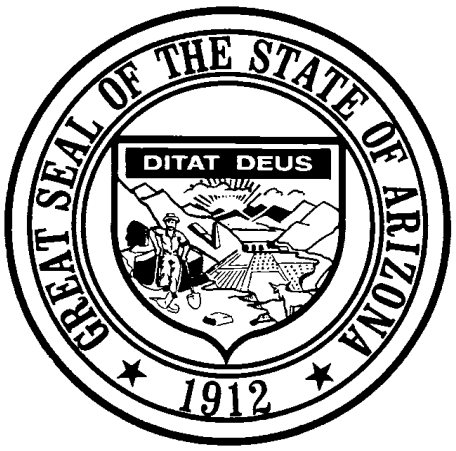
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION	TECHNOLOGY
OPERATING REVENUES					
Sales and charges for services	$ 105,697	$ 28,028	$ 829,534	$ 1,932	$ 22,907
Other	-	72	-	-	2
Total Operating Revenues	105,697	28,100	829,534	1,932	22,909
OPERATING EXPENSES					
Cost of sales and benefits	-	14,223	687,287	39	5,723
Personal services	11,061	11,489	2,497	917	7,707
Contractual services	20,195	37	1,175	493	1,467
Depreciation and amortization	34	7,490	7	1,281	1,633
Insurance	45,181	-	414	16	241
Other	7,238	943	426	376	1,227
Total Operating Expenses	83,709	34,182	691,806	3,122	17,998
Operating Income (Loss)	21,988	(6,082)	137,728	(1,190)	4,911
NON-OPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of capital assets	-	83	-	3	19
Investment income	-	23	-	-	-
Other non-operating revenue	272	472	-	-	-
Interest expense	-	(2)	-	-	-
Other non-operating expense	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	272	576	-	3	19
Income (Loss) Before Contributions and Transfers	22,260	(5,506)	137,728	(1,187)	4,930
Capital grants and contributions	-	13,380	-	-	-
Transfers out	(29,646)	(2,667)	(40,609)	(55)	(1,130)
Change in Net Assets	(7,386)	5,207	97,119	(1,242)	3,800
Total Net Assets - Beginning	(300,824)	45,853	148,687	3,730	11,758
Total Net Assets - Ending	$ (308,210)	$ 51,060	$ 245,806	$ 2,488	$ 15,558

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 12,540	$ 9,175	$ 1,009,813
-	-	74
12,540	9,175	1,009,887
32,619	5,615	745,506
69	635	34,375
3	79	23,449
-	1,888	12,333
2	614	46,468
-	657	10,867
32,693	9,488	872,998
(20,153)	(313)	136,889
-	(21)	84
-	-	23
-	-	744
-	-	(2)
-	(158)	(158)
-	(179)	691
(20,153)	(492)	137,580
-	555	13,935
-	(33)	(74,140)
(20,153)	30	77,375
(124,174)	10,924	(204,046)
$ (144,327)	$ 10,954	$ (126,671)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 105,715	$ 27,892	$ 827,111	$ 2,113
Payments to suppliers or insurance companies	(70,904)	(15,478)	(678,992)	(928)
Payments to employees	(11,082)	(11,915)	(2,565)	(920)
Payments to retirees	-	-	-	-
Other receipts	272	72	-	-
Net Cash Provided by Operating Activities	24,001	571	145,554	265
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other Funds	(29,646)	(2,667)	(40,609)	(55)
Net Cash (Used) by Non-capital Financing Activities	(29,646)	(2,667)	(40,609)	(55)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	685	-	4
Receipts from insurance recoveries	-	472	-	-
Acquisition and construction of capital assets	(126)	(73)	(25)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(126)	1,084	(25)	4
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	21	-	-
Net Cash Provided by Investing Activities	-	21	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(5,771)	(991)	104,920	214
Cash and Cash Equivalents - Beginning	61,178	1,626	223,580	690
Cash and Cash Equivalents - Ending	$ 55,407	$ 635	$ 328,500	$ 904
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 21,988	$ (6,082)	$ 137,728	$ (1,190)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	34	7,490	7	1,281
Miscellaneous income	272	-	-	-
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	20	(5)	1,833	181
(Increase) in due from U.S. Government	-	-	(4,180)	-
(Increase) in due from other Funds	(2)	-	(56)	-
(Increase) in inventories, at cost	-	(220)	-	-
(Increase) decrease in other assets	(526)	-	(19)	-
Increase (decrease) in accounts payable	211	(104)	11,356	(4)
(Decrease) in accrued liabilities	(23)	(379)	(89)	(29)
Increase (decrease) in due to other Funds	65	(132)	(1,027)	-
Increase (decrease) in deferred revenues	-	-	(20)	-
Increase in accrued insurance losses	1,960	-	-	-
Increase (decrease) in other liabilities	2	3	21	26
Net Cash Provided by Operating Activities	$ 24,001	$ 571	$ 145,554	$ 265
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets to other Funds	$ -	$ -	$ -	$ -
Contribution of capital assets from other Funds	-	13,380	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ 13,380	$ -	$ -

TECHNOLOGY	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 22,718	$ 12,540	$ 8,614	$ 1,006,703
(7,907)	(5)	(6,702)	(780,916)
(7,994)	(69)	(650)	(35,195)
-	(12,160)	-	(12,160)
-	-	-	344
6,817	306	1,262	178,776
(1,130)	-	(33)	(74,140)
(1,130)	-	(33)	(74,140)
-	-	200	889
-	-	-	472
(614)	-	(2,349)	(3,187)
(614)	-	(2,149)	(1,826)
-	-	-	21
-	-	-	21
5,073	306	(920)	102,831
4,551	2,852	1,191	295,668
$ 9,624	$ 3,158	$ 271	$ 398,499
$ 4,911	$ (20,153)	$ (313)	$ 136,889
1,633	-	1,888	12,333
-	-	-	272
4	-	(70)	1,963
-	-	-	(4,180)
(227)	-	(491)	(776)
-	-	(11)	(231)
376	-	(5)	(174)
374	-	279	12,112
(272)	-	(24)	(816)
1	-	-	(1,093)
32	-	-	12
-	-	-	1,960
(15)	20,459	9	20,505
$ 6,817	$ 306	$ 1,262	$ 178,776
$ -	$ -	$ (158)	$ (158)
-	-	555	13,935
$ -	$ -	$ 397	$ 13,777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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 and Department of Juvenile Corrections.

Other Employee Benefit Trust Funds account for health insurance premium subsidies and long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The 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 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.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2012
(Expressed in Thousands)

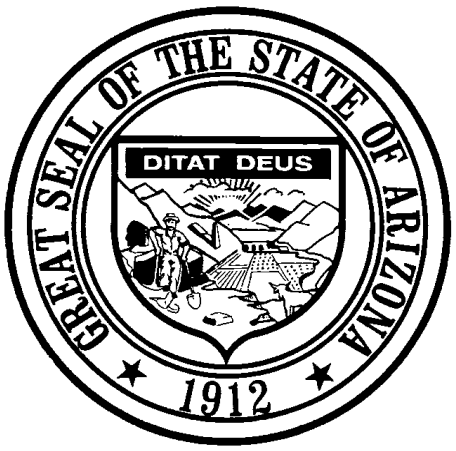
	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ASSETS				
Cash	$ 25,000	$ 102,676	$ 5,899	$ 26,714
Receivables, net of allowances:				
Accrued interest and dividends	64,685	4,668	272	1,188
Securities sold	421,021	40,987	2,391	10,430
Forward contracts receivable	270,531	-	-	-
Contributions	34,305	13,038	544	1,595
Court fees	-	-	730	-
Due from other Funds	-	-	-	-
Other	6,002	2,517	988	9
Total receivables	796,544	61,210	4,925	13,222
Investments, at fair value:				
Temporary investments	1,415,279	-	-	-
Fixed income securities	5,084,640	681,837	39,774	173,505
Corporate stocks	16,432,595	1,680,411	98,024	427,608
Global tactical asset allocation	-	476,061	27,770	121,142
Real estate	1,365,978	643,119	37,561	163,243
Private equity	1,275,974	514,147	29,992	130,833
Opportunistic investments	625,572	434,273	25,333	110,508
Collateral investment pool	47,958	102,112	5,957	25,984
Other investments	-	489,458	28,550	124,551
Total investments	26,247,996	5,021,418	292,961	1,277,374
Prepaid benefits	184,805	-	-	-
Property and equipment, net of accumulated depreciation	-	3,751	278	654
Total Assets	27,254,345	5,189,055	304,063	1,317,964
LIABILITIES				
Accounts payable and other current liabilitites	31,853	545	468	2,021
Payable for securities purchased	508,281	11,710	683	2,980
Obligation under securities loan agreements	47,958	102,112	5,957	25,984
Forward contracts payable	238,976	-	-	-
Due to other Funds	25,183	-	-	-
Total Liabilities	852,251	114,367	7,108	30,985
NET ASSETS				
Held in Trust for:				
Pension benefits	26,402,094	5,074,688	296,955	1,286,979
Other post-employment benefits	-	-	-	-
Total Net Assets	$ 26,402,094	$ 5,074,688	$ 296,955	$ 1,286,979

OTHER EMPLOYEE BENEFIT TRUST FUNDS		
HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
$ 748	$ -	$ 161,037
2,849	-	73,662
18,542	-	493,371
11,914	-	282,445
1,066	808	51,356
-	-	730
22,572	2,781	25,353
15,599	3,583	28,698
72,542	7,172	955,615
83,299	1,776	1,500,354
226,271	64,877	6,270,904
720,889	183,941	19,543,468
-	-	624,973
59,963	-	2,269,864
57,401	-	2,008,347
27,971	-	1,223,657
2,112	-	184,123
-	-	642,559
1,177,906	250,594	34,268,249
5,927	-	190,732
-	-	4,683
1,257,123	257,766	35,580,316
19,282	273	54,442
22,385	-	546,039
2,112	-	184,123
10,525	-	249,501
-	170	25,353
54,304	443	1,059,458
-	-	33,060,716
1,202,819	257,323	1,460,142
$ 1,202,819	$ 257,323	$ 34,520,858

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ADDITIONS:				
Member contributions	$ 905,968	$ 112,645	$ 6,859	$ 51,968
Employer contributions	852,167	297,316	11,945	56,202
Federal Government reimbursement	-	-	-	-
Retrospective rate adjustment reinbursement	-	-	-	-
Member purchase of service credit	51,423	13,736	661	851
Court fees	-	-	8,880	-
Investment income:				
Net increase (decrease) in fair value of investments	(402,858)	(87,847)	(5,392)	(21,977)
Interest income	192,117	11,061	660	2,759
Dividends	282,677	38,836	2,298	9,803
Other investment income	378,541	18,926	1,132	4,791
Securities lending income	4,872	1,342	80	338
Total investment income (loss)	455,349	(17,682)	(1,222)	(4,286)
Less investment expenses:				
Investment activity expenses	131,853	23,780	1,407	6,004
Securities lending expenses	626	200	12	50
Net investment income (loss)	322,870	(41,662)	(2,641)	(10,340)
Other additions	2,236	540	149	368
Total Additions	2,134,664	382,575	25,853	99,049
DEDUCTIONS:				
Retirement, disability, and survivor benefits	2,327,678	507,182	43,537	87,978
Refunds to withdrawing members, including interest	207,289	12,377	90	25,744
Administrative expense	31,052	4,890	288	1,183
Other deductions	5,774	81	-	963
Total Deductions	2,571,793	524,530	43,915	115,868
Change in net assets held in trust for:				
Pension benefits	(437,129)	(141,955)	(18,062)	(16,819)
Other post-employment benefits	-	-	-	-
Net Assets - Beginning	26,839,223	5,216,643	315,017	1,303,798
Net Assets - Ending	$ 26,402,094	$ 5,074,688	$ 296,955	$ 1,286,979

OTHER EMPLOYEE BENEFIT TRUST FUNDS		
HEALTH BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
$ -	$ 20,998	$ 1,098,438
54,463	20,998	1,293,091
19,978	-	19,978
15,495	-	15,495
-	-	66,671
-	-	8,880
(18,771)	2,619	(534,226)
8,534	1	215,132
12,509	-	346,123
16,827	4	420,221
215	-	6,847
19,314	2,624	454,097
5,847	205	169,096
28	-	916
13,439	2,419	284,085
-	-	3,293
103,375	44,415	2,789,931
93,915	65,190	3,125,480
-	-	245,500
1,370	2,740	41,523
-	17	6,835
95,285	67,947	3,419,338
-	-	(613,965)
8,090	(23,532)	(15,442)
1,194,729	280,855	35,150,265
$ 1,202,819	$ 257,323	$ 34,520,858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INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt, money market mutual funds, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – Medium-Term is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

Local Government Investment Pool – FF&C is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

Local Government Investment Pool – Medium-Term FF&C is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

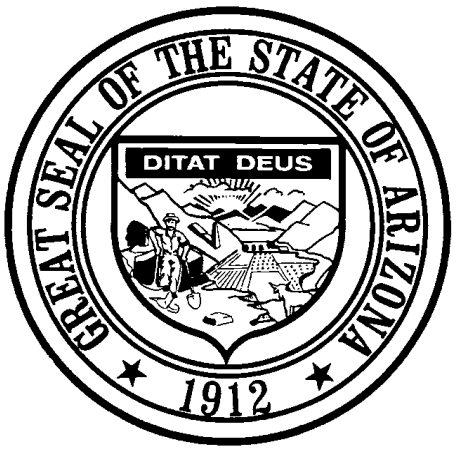
Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL-FF&C	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
ASSETS							
Receivables, net of allowances:							
Accrued interest and dividends	$ 1,494	$ 92	$ 788	$ 111	$ 297	$ -	$ 2,782
Total receivables	1,494	92	788	111	297	-	2,782
Investments, at fair value:							
Fixed income securities	285,167	1,126,414	186,967	1,503,338	115,029	6,883	3,223,798
Collateral investment pool	16,663	471	12,226	1,471	76	-	30,907
Total investments	301,830	1,126,885	199,193	1,504,809	115,105	6,883	3,254,705
Total Assets	303,324	1,126,977	199,981	1,504,920	115,402	6,883	3,257,487
LIABILITIES							
Payable for securities purchased	-	-	4,191	-	-	-	4,191
Management fee payable	14	62	9	84	6	-	175
Obligations under securities loan agreements	16,663	471	12,226	1,471	76	-	30,907
Total Liabilities	16,677	533	16,426	1,555	82	-	35,273
NET ASSETS							
Held in trust for pool participants	$ 286,647	$ 1,126,444	$ 183,555	$ 1,503,365	$ 115,320	$ 6,883	$ 3,222,214
Net assets consist of:							
Participant shares outstanding	280,247	1,126,444	176,242	1,503,365	113,531	30,572	3,230,401
Participants' net asset value (net assets/shares outstanding)	$ 1.02	$ 1.00	$ 1.04	$ 1.00	$ 1.02	$ 0.23	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL-FF&C	LOCAL GOVERNMENT INVESTMENT POOL-MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
ADDITIONS:							
Investment income:							
Net increase (decrease) in fair value of investments	$ 1,687	$ 11	$ 549	$ (167)	$ 286	$ 462	$ 2,828
Interest income	6,637	3,407	3,148	2,081	1,376	-	16,649
Securities lending income	40	7	24	197	11	-	279
Total investment income	8,364	3,425	3,721	2,111	1,673	462	19,756
Less: Investment activity expenses							
Investment activity expenses	166	838	96	958	59	-	2,117
Securities lending expenses	23	5	15	141	5	-	189
Net investment income	8,175	2,582	3,610	1,012	1,609	462	17,450
Capital share and individual account transactions:							
Shares sold	49,826	2,307,481	58,653	1,989,429	34,915	-	4,440,304
Reinvested interest income	6,236	2,572	2,788	1,171	1,158	-	13,925
Shares redeemed	(44,698)	(2,603,365)	(18,073)	(2,255,370)	-	-	(4,921,506)
Transfers in (out)	-	1,962	-	-	-	(1,962)	-
Net capital share and individual account transactions	11,364	(291,350)	43,368	(264,770)	36,073	(1,962)	(467,277)
Total Additions	19,539	(288,768)	46,978	(263,758)	37,682	(1,500)	(449,827)
DEDUCTIONS:							
Dividends to investors	8,175	2,582	3,610	1,012	1,609	-	16,988
Total Deductions	8,175	2,582	3,610	1,012	1,609	-	16,988
Change in net assets held in trust for pool participants	11,364	(291,350)	43,368	(264,770)	36,073	(1,500)	(466,815)
Net Assets - Beginning	275,283	1,417,794	140,187	1,768,135	79,247	8,383	3,689,029
Net Assets - Ending	$ 286,647	$ 1,126,444	$ 183,555	$ 1,503,365	$ 115,320	$ 6,883	$ 3,222,214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AGENCY FUNDS

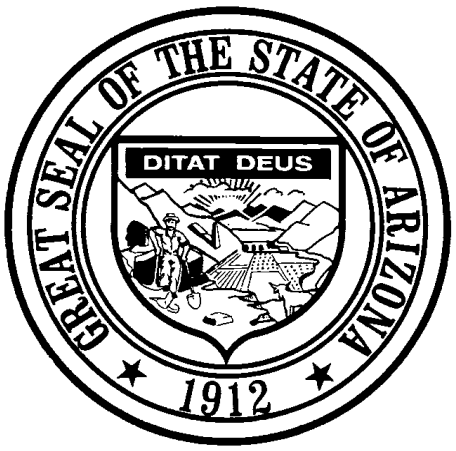
Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Health Insurance Subsidy Fund accounts for other post-employment benefit payments of the health insurance subsidy by the PSPRS, the EORP, and the CORP for eligible retired and disabled members.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.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STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 62,002	$ 62,002
Cash and pooled investments with State Treasurer	-	18,324	308,331	326,655
Collateral investment pool	-	-	5,458	5,458
Short-term investments	-	-	3,210	3,210
Receivables, net of allowances:				
Accrued interest	-	-	1	1
' Other	-	-	1	1
Due from others	-	-	82,907	82,907
Custodial securities in safekeeping	3,594,022	-	29,658	3,623,680
Other assets	-	-	2,228	2,228
Total Assets	$ 3,594,022	$ 18,324	$ 493,796	$ 4,106,142
LIABILITIES				
Obligation under securities loan agreements	$ -	$ -	$ 5,458	$ 5,458
Due to U.S. Government	-	-	13,809	13,809
Due to local governments	-	47	141,399	141,446
Due to others	3,594,022	18,277	333,130	3,945,429
Total Liabilities	$ 3,594,022	$ 18,324	$ 493,796	$ 4,106,142

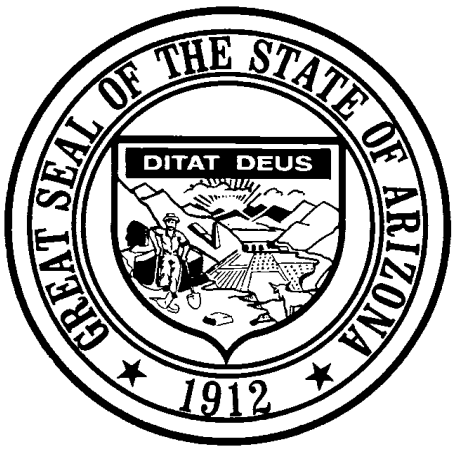
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	BALANCE JULY 1, 2011	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2012
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 3,578,443	$ 6,585,737	$ 6,570,158	$ 3,594,022
Total Assets	$ 3,578,443	$ 6,585,737	$ 6,570,158	$ 3,594,022
Liabilities:				
Due to others	$ 3,578,443	$ 6,585,737	$ 6,570,158	$ 3,594,022
Total Liabilities	$ 3,578,443	$ 6,585,737	$ 6,570,158	$ 3,594,022
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 13,945	$ 146,706	$ 142,327	$ 18,324
Total Assets	$ 13,945	$ 146,706	$ 142,327	$ 18,324
Liabilities:				
Due to local governments	$ 47	$ 85,615	$ 85,615	$ 47
Due to others	13,898	54,139	49,760	18,277
Total Liabilities	$ 13,945	$ 139,754	$ 135,375	$ 18,324
HEALTH INSURANCE SUBSIDY FUND				
Assets:				
Cash	$ -	$ 17,318	$ 17,318	$ -
Total Assets	$ -	$ 17,318	$ 17,318	$ -
Liabilities:				
Benefits payable	$ -	$ 17,318	$ 17,318	$ -
Total Liabilities	$ -	$ 17,318	$ 17,318	$ -

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	BALANCE JULY 1, 2011	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2012
OTHER FUNDS				
Assets:				
Cash	$ 22,649	$ 788,519	$ 749,166	$ 62,002
Cash and pooled investments with State Treasurer	188,673	5,080,978	4,961,320	308,331
Collateral investment pool	-	5,458	-	5,458
Short-term investments	3,136	3,210	3,136	3,210
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Other	-	14	13	1
Due from others	81,018	82,907	81,018	82,907
Custodial securities in safekeeping	68,669	29,658	68,669	29,658
Other assets	3,803	2,228	3,803	2,228
Total Assets	$ 367,949	$ 5,992,972	$ 5,867,125	$ 493,796
Liabilities:				
Obligation under securities loan agreements	$ -	$ 5,458	$ -	$ 5,458
Due to U.S. Government	-	13,809	-	13,809
Due to local governments	136,500	6,563,520	6,558,621	141,399
Due to others	231,449	1,300,147	1,198,466	333,130
Total Liabilities	$ 367,949	$ 7,882,934	$ 7,757,087	$ 493,796
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 22,649	$ 805,837	$ 766,484	$ 62,002
Cash and pooled investments with State Treasurer	202,618	5,227,684	5,103,647	326,655
Collateral investment pool	-	5,458	-	5,458
Short-term investments	3,136	3,210	3,136	3,210
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Other	-	14	13	1
Due from others	81,018	82,907	81,018	82,907
Custodial securities in safekeeping	3,647,112	6,615,395	6,638,827	3,623,680
Other assets	3,803	2,228	3,803	2,228
Total Assets	$ 3,960,337	$ 12,742,733	$ 12,596,928	$ 4,106,142
Liabilities:				
Benefits payable	$ -	$ 17,318	$ 17,318	$ -
Obligation under securities loan agreements	-	5,458	-	5,458
Due to U.S. Government	-	13,809	-	13,809
Due to local governments	136,547	6,649,135	6,644,236	141,446
Due to others	3,823,790	7,940,023	7,818,384	3,945,429
Total Liabilities	$ 3,960,337	$ 14,625,743	$ 14,479,938	$ 4,106,142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NON-MAJOR
COMPONENT UNITS

Component units are legally separate entities for which the State is considered to be financially accountable. GASB Statement 14 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 Greater Arizona Development Authority provides cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects.

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.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
ASSETS					
Current Assets:					
Cash	$ -	$ 14,820	$ 97	$ 9,687	$ 24,604
Cash and pooled investments with State Treasurer	6,252	-	2,271	69,061	77,584
Collateral investment pool	-	-	-	2,716	2,716
Restricted investments held by trustee	4,383	-	-	-	4,383
Receivables, net of allowances:					
Taxes	-	5,524	-	-	5,524
Loans and notes	-	-	-	272	272
Other	3,902	-	-	191	4,093
Due from primary government	-	-	-	2,716	2,716
Other current assets	1,120	56	-	-	1,176
Total Current Assets	15,657	20,400	2,368	84,643	123,068
Noncurrent Assets:					
Restricted cash and pooled investments with State Treasurer	-	-	10,465	-	10,465
Cash held by trustee	-	21,300	-	-	21,300
Investments held by trustee	6,551	-	-	-	6,551
Loans and notes receivable, net of allowances	-	2,900	-	63	2,963
Other noncurrent assets	20,323	1,559	-	7	21,889
Capital assets:					
Land and other non-depreciable	-	7,768	-	-	7,768
Buildings, equipment, and other depreciable	1,329	34,669	-	1,164	37,162
Less: accumulated depreciation	(1,209)	(7,747)	-	(184)	(9,140)
Total Noncurrent Assets	26,994	60,449	10,465	1,050	98,958
Total Assets	42,651	80,849	12,833	85,693	222,026
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	3,320	11,663	-	2,290	17,273
Accrued liabilities	432	100	-	-	532
Obligations under securities loan agreements	-	-	-	2,716	2,716
Current portion of long-term debt	4,810	7,771	-	-	12,581
Total Current Liabilities	8,562	19,534	-	5,006	33,102
Noncurrent Liabilities:					
Long-term debt	28,346	81,911	-	-	110,257
Total Noncurrent Liabilities	28,346	81,911	-	-	110,257
Total Liabilities	36,908	101,445	-	5,006	143,359
NET ASSETS					
Invested in capital assets, net of related debt	120	29,054	-	980	30,154
Restricted for:					
Debt service	-	11,483	10,465	-	21,948
Loans and other financial assistance	-	-	-	22,656	22,656
Other	-	-	-	21,219	21,219
Unrestricted	5,623	(61,133)	2,368	35,832	(17,310)
Total Net Assets	$ 5,743	$ (20,596)	$ 12,833	$ 80,687	$ 78,667

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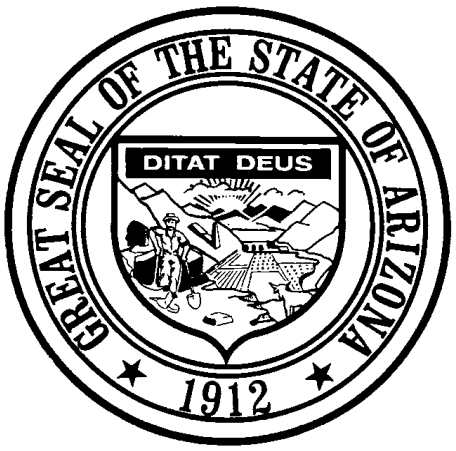
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Arizona Power Authority	$ 33,537	$ 34,862	$ -
Rio Nuevo	13,340	3,823	-
Greater Arizona Development Authority	57	-	-
Arizona Commerce Authority	21,774	103	7,280
Total	$ 68,708	$ 38,788	$ 7,280

General Revenues:
Taxes:
Sales
Other
Unrestricted investment earnings
Unrestricted grants and contributions
Payments from State of Arizona
Miscellaneous
Change in Net Assets
Net Assets - Beginning, as restated
Net Assets - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
$ 1,325	$ -	$ -	$ -	$ 1,325
-	(9,517)	-	-	(9,517)
-	-	(57)	-	(57)
-	-	-	(14,391)	(14,391)
-	12,171	-	-	12,171
-	-	-	15,991	15,991
11	21	311	463	806
-	-	-	239	239
-	-	-	78,385	78,385
1	-	-	-	1
1,337	2,675	254	80,687	84,953
4,406	(23,271)	12,579	-	(6,286)
$ 5,743	$ (20,596)	$ 12,833	$ 80,687	$ 78,667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NON-MAJOR
UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate Boards of Directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc. (UPSI), and University of Arizona Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The UPSI is included because it is a legally separate, tax-exempt organization that the State believes would be misleading to exclude due to its close affiliation with the State. The CRC is included because the U of A approves the budget; thus fiscal dependency exists.

The Northern Arizona University Foundation 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 Northern Arizona Capital Facilities Finance Corporation was established for the purpose of acquiring, developing, constructing, maintaining and operating student housing and other capital facilities and equipment for the use and benefit of the NAU's students.

Mesa Student Housing, LLC provides facilities for use by students of the ASU.

Sun Angel Foundation receives funds primarily through donations, and contributes funds to the ASU for support of various athletic programs.

Sun Angel Endowment receives funds primarily through donations, with the annual earnings being used for support of various athletic programs at the ASU.

The Collegiate Golf Foundation operates an ASU-owned golf course.

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 and contributes funds to the ASU for support of various programs.

Downtown Phoenix Student Housing, LLC provides facilities for use by students of the ASU.

University Public Schools, Inc. operates four public schools designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

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 Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2012
(Expressed in Thousands)

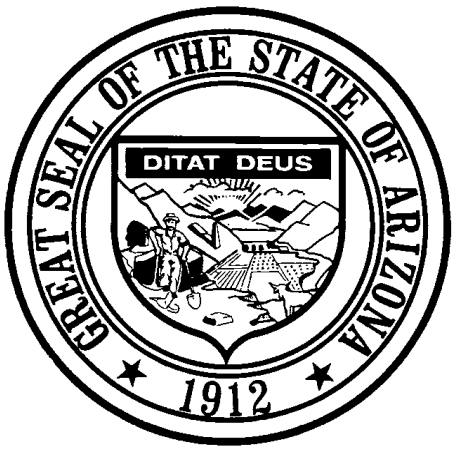
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
ASSETS						
Cash and cash equivalent investments	$ 2,318	$ 12	$ -	$ 1,338	$ 409	$ 90
Receivables:						
Pledges receivable	6,170	-	-	4,753	-	-
Other receivables	126	179	-	204	-	68
Total receivables	6,296	179	-	4,957	-	68
Investments:						
Investments in securities	89,109	-	-	-	8,068	-
Other investments	3,063	-	-	-	934	-
Total investments	92,172	-	-	-	9,002	-
Net direct financing leases	2,893	46,010	-	-	-	-
Property and equipment, net of accumulated depreciation	5,377	-	-	19	-	-
Licenses	3,500	-	-	-	-	-
Other assets	5,574	1,316	-	211	30	165
Total Assets	118,130	47,517	-	6,525	9,441	323
LIABILITIES						
Accounts payable and accrued liabilities	2,353	176	-	177	20	460
Liability under endowment trust agreements	20,083	-	-	-	-	-
Long-term debt	-	45,983	-	-	-	-
Deferred revenue	5,452	23	-	32	-	91
Other liabilities	1,348	-	-	66	4,000	-
Total Liabilities	29,236	46,182	-	275	4,020	551
NET ASSETS						
Permanently restricted	41,068	-	-	-	1,842	-
Temporarily restricted	18,356	-	-	6,002	477	-
Unrestricted (deficit)	29,470	1,335	-	248	3,102	(228)
Total Net Assets	$ 88,894	$ 1,335	$ -	$ 6,250	$ 5,421	$ (228)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
$ 1,587	$ 181	$ 795	$ 1,702	$ 1,626	$ 6,418	$ 1,649	$ 18,125
-	135	-	100	673	-	79	11,910
12,008	74	205	146	-	1,190	1,274	15,474
12,008	209	205	246	673	1,190	1,353	27,384
980	13,559	13,311	-	7,416	-	5,627	138,070
-	-	-	-	167	-	-	4,164
980	13,559	13,311	-	7,583	-	5,627	142,234
-	-	-	-	-	-	-	48,903
5,631	-	107,590	399	-	16,840	15	135,871
-	-	-	-	-	-	-	3,500
2,010	46	6,164	33	7	6,779	102	22,437
22,216	13,995	128,065	2,380	9,889	31,227	8,746	398,454
27	94	11,689	668	169	1,456	140	17,429
-	-	-	-	476	-	-	20,559
8,660	-	140,784	20	-	9,330	14	204,791
12,752	31	21	1,456	-	3,356	2,931	26,145
1,551	4	1,247	158	-	1,306	-	9,680
22,990	129	153,741	2,302	645	15,448	3,085	278,604
-	-	-	-	4,415	-	-	47,325
-	342	-	116	4,186	-	-	29,479
(774)	13,524	(25,676)	(38)	643	15,779	5,661	43,046
$ (774)	$ 13,866	$ (25,676)	$ 78	$ 9,244	$ 15,779	$ 5,661	$ 119,850

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
REVENUES						
Contributions	$ 7,906	$ -	$ -	$ 8,786	$ -	$ -
Rental revenue	-	35	4,937	-	-	-
Sales and services	-	-	-	94	-	3,827
Net investment income (loss)	(787)	2,143	74	21	(116)	-
Licensing revenue	1,281	-	-	-	-	-
Other revenues	1,544	-	193	921	1	-
Total Revenues	9,944	2,178	5,204	9,822	(115)	3,827
EXPENSES						
Program services:						
Payments to Universities	-	-	-	10,663	-	-
Leasing related expenses	-	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-	-
Other program services	6,489	-	-	-	-	-
Management and general expenses	634	34	4,459	1,186	130	3,858
Fundraising expenses	2,611	-	-	-	-	-
Interest	-	2,147	551	-	215	-
Depreciation and amortization	1,630	60	624	-	-	13
Other expenses	-	-	328	888	-	-
Total Expenses	11,364	2,241	5,962	12,737	345	3,871
Increase (decrease) in Net Assets, before extraordinary items	(1,420)	(63)	(758)	(2,915)	(460)	(44)
Extraordinary items (Primarily equity transfers)	-	-	1,913	(58)	-	(48)
Increase (decrease) in Net Assets, after extraordinary items	(1,420)	(63)	1,155	(2,973)	(460)	(92)
Net Assets - Beginning	90,314	1,398	(1,155)	9,223	5,881	(136)
Net Assets - Ending	$ 88,894	$ 1,335	$ -	$ 6,250	$ 5,421	$ (228)

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTAL
$ -	$ 2,500	$ -	$ 2,393	$ 965	$ -	$ 209	$ 22,759
5,584	-	8,666	-	-	12,032	-	31,254
-	2,586	-	598	-	-	849	7,954
7	(376)	19	1	(63)	6	109	1,038
-	-	-	-	-	-	-	1,281
71	75	414	8,873	73	2,025	2,674	16,864
5,662	4,785	9,099	11,865	975	14,063	3,841	81,150
5,060	-	-	-	-	-	-	15,723
-	-	-	-	-	10,445	-	10,445
-	-	-	-	1,735	-	2,679	4,414
-	-	-	-	-	-	-	6,489
1,111	5,341	2,697	12,167	65	1,060	630	33,372
-	-	-	-	32	-	206	2,849
389	-	7,238	-	-	-	-	10,540
436	-	5,157	-	-	-	-	7,920
158	89	638	-	21,267	-	-	23,368
7,154	5,430	15,730	12,167	23,099	11,505	3,515	115,120
(1,492)	(645)	(6,631)	(302)	(22,124)	2,558	326	(33,970)
-	-	-	-	-	-	-	1,807
(1,492)	(645)	(6,631)	(302)	(22,124)	2,558	326	(32,163)
718	14,511	(19,045)	380	31,368	13,221	5,335	152,013
$ (774)	$ 13,866	$ (25,676)	$ 78	$ 9,244	$ 15,779	$ 5,661	$ 119,850


GREAT SEAL OF THE STATE OF ARIZONA
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STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual 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 thru 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 thru 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 thru 22* 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 23 and 24* 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 25 thru 27* 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 ASSETS BY COMPONENT (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:					
Invested in capital assets, net of related debt	$ 16,940,512	$ 16,326,569	$ 15,738,121	$ 15,094,719	$ 14,530,867
Restricted	5,349,966	5,125,527	4,648,280	3,990,594	4,987,365
Unrestricted	(3,351,315)	(4,243,824)	(4,155,346)	(2,984,628)	(1,105,246)
Total Governmental Activities Net Assets	$ 18,939,163	$ 17,208,272	$ 16,231,055	$ 16,100,685	$ 18,412,986
BUSINESS-TYPE ACTIVITIES:					
Invested in capital assets, net of related debt	$ 1,483,416	$ 1,397,683	$ 1,352,658	$ 1,328,658	$ 1,387,655
Restricted	496,444	501,437	550,102	1,085,399	1,581,212
Unrestricted	809,475	695,862	576,426	376,908	188,354
Total Business-type Activities Net Assets	$ 2,789,335	$ 2,594,982	$ 2,479,186	$ 2,790,965	$ 3,157,221
PRIMARY GOVERNMENT:					
Invested in capital assets, net of related debt	$ 18,423,928	$ 17,724,252	$ 17,090,779	$ 16,423,377	$ 15,918,522
Restricted	5,846,410	5,626,964	5,198,382	5,075,993	6,568,577
Unrestricted	(2,541,840)	(3,547,962)	(3,578,920)	(2,607,720)	(916,892)
Total Primary Government Net Assets	$ 21,728,498	$ 19,803,254	$ 18,710,241	$ 18,891,650	$ 21,570,207

(1) This schedule reports using the accrual basis of accounting.

Fiscal Year				
2007, as restated	2006, as restated	2005, as restated	2004, as restated	2003, as restated
$ 13,500,218	$ 12,878,151	$ 11,825,961	$ 11,226,325	$ 10,690,782
4,734,039	3,560,868	2,938,288	2,100,575	2,071,313
614,606	733,455	(463,515)	(684,492)	(799,587)
$ 18,848,863	$ 17,172,474	$ 14,300,734	$ 12,642,408	$ 11,962,508
$ 1,186,177	$ 1,146,618	$ 1,172,613	$ 1,169,198	$ 1,153,428
1,575,991	1,400,455	1,232,016	1,190,250	1,291,003
295,377	179,524	84,248	115,986	251,415
$ 3,057,545	$ 2,726,597	$ 2,488,877	$ 2,475,434	$ 2,695,846
$ 14,686,395	$ 14,024,769	$ 12,998,574	$ 12,395,523	$ 11,844,210
6,310,030	4,961,323	4,170,304	3,290,825	3,362,316
909,983	912,979	(379,267)	(568,506)	(548,172)
$ 21,906,408	$ 19,899,071	$ 16,789,611	$ 15,117,842	$ 14,658,354

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
EXPENSES					
Governmental Activities:					
General government	$ 840,189	$ 929,107	$ 941,813	$ 928,485	$ 982,382
Health and welfare	11,992,408	12,558,119	13,090,357	12,055,439	10,884,297
Inspection and regulation	151,937	149,649	157,786	176,354	185,996
Education	5,331,848	5,467,543	5,706,667	6,084,342	6,242,173
Protection and safety	1,380,999	1,299,205	1,451,571	1,514,282	1,510,615
Transportation (2)	808,967	857,194	511,397	695,070	670,173
Natural resources	213,339	196,210	183,535	228,430	250,258
Intergovernmental revenue sharing	2,473,881	2,462,178	2,585,683	2,755,710	3,023,836
Interest on long-term debt	350,483	341,801	261,518	222,851	179,795
Total Governmental Activities Expenses	23,544,051	24,261,006	24,890,327	24,660,963	23,929,525
Business-type Activities:					
Universities	3,629,568	3,533,977	3,343,377	3,290,033	3,227,481
Unemployment Compensation	1,069,531	1,655,364	2,103,028	1,086,330	356,333
Industrial Commission Special Fund (3)	83,290	27,196	67,750	30,055	14,824
Lottery	496,830	439,069	432,150	395,950	372,740
Other	113,347	115,442	126,029	142,229	162,300
Total Business-type Activities Expenses	5,392,566	5,771,048	6,072,334	4,944,597	4,133,678
Total Primary Government Expenses	$ 28,936,617	$ 30,032,054	$ 30,962,661	$ 29,605,560	$ 28,063,203
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	$ 189,175	$ 191,738	$ 208,316	$ 199,011	$ 190,374
Inspection and regulation	150,557	149,890	143,329	153,642	159,857
Transportation (4)	108,877	114,453	123,372	138,520	149,560
Other activities	398,893	381,633	402,496	315,660	318,776
Operating grants and contributions (5)	11,357,470	12,580,013	13,735,263	10,620,642	9,190,910
Capital grants and contributions	778,572	745,559	576,027	553,198	523,898
Total Governmental Activities Program Revenues	12,983,544	14,163,286	15,188,803	11,980,673	10,533,375
Business-type Activities:					
Charges for services:					
Universities	1,752,509	1,601,077	1,432,055	1,272,694	1,167,696
Lottery	646,675	583,537	551,492	484,486	472,937
Other activities (6)	584,240	560,502	509,254	439,010	485,242
Operating grants and contributions	1,705,773	2,212,673	2,260,071	1,243,697	898,441
Capital grants and contributions	53,571	14,799	12,563	14,710	38,029
Total Business-type Activities Program Revenues	4,742,768	4,972,588	4,765,435	3,454,597	3,062,345
Total Primary Government Program Revenues	$ 17,726,312	$ 19,135,874	$ 19,954,238	$ 15,435,270	$ 13,595,720
NET (EXPENSE) REVENUE					
Governmental activities	$ (10,560,507)	$ (10,097,720)	$ (9,701,524)	$ (12,680,290)	$ (13,396,150)
Business-type activities	(649,798)	(798,460)	(1,306,899)	(1,490,000)	(1,071,333)
Total Primary Government Net (Expense)	$ (11,210,305)	$ (10,896,180)	$ (11,008,423)	$ (14,170,290)	$ (14,467,483)

Fiscal Year				
2007, as restated	2006, as restated	2005	2004, as restated	2003, as restated
$ 802,659	$ 781,542	$ 646,452	$ 726,525	$ 694,173
9,789,699	9,057,733	8,494,206	7,717,148	6,848,087
175,609	159,766	149,238	138,281	141,673
5,984,196	5,304,555	4,853,458	4,703,685	4,795,566
1,401,513	1,279,129	1,171,340	1,059,047	982,839
583,304	386,777	589,966	731,522	598,375
193,862	187,947	184,538	162,366	175,312
2,864,543	2,658,636	2,335,828	2,144,438	2,159,691
191,674	172,439	182,852	176,035	135,775
21,987,059	19,988,524	18,607,878	17,559,047	16,531,491
2,960,790	2,762,557	2,540,193	2,355,418	2,181,311
248,111	226,171	292,127	397,657	455,685
23,669	(18,300)	106,295	167,331	73,586
363,508	377,104	317,226	303,996	263,321
176,486	136,894	120,629	109,944	107,740
3,772,564	3,484,426	3,376,470	3,334,346	3,081,643
$ 25,759,623	$ 23,472,950	$ 21,984,348	$ 20,893,393	$ 19,613,134
$ 200,495	$ 161,664	$ 139,486	$ 140,791	$ 106,876
158,022	146,191	133,073	133,510	120,045
158,019	134,068	88,296	114,097	112,466
281,796	279,836	256,804	248,446	192,332
8,536,030	7,941,223	7,544,370	6,981,748	5,940,007
354,255	388,646	497,140	421,251	460,364
9,688,617	9,051,628	8,659,169	8,039,843	6,932,090
1,069,339	962,967	863,042	778,047	675,089
462,200	468,697	397,561	366,582	322,267
518,922	474,801	440,646	305,221	259,676
883,373	852,788	834,421	836,076	810,549
27,981	30,056	19,774	18,513	23,090
2,961,815	2,789,309	2,555,444	2,304,439	2,090,671
$ 12,650,432	$ 11,840,937	$ 11,214,613	$ 10,344,282	$ 9,022,761
$ (12,298,442)	$ (10,936,896)	$ (9,948,709)	$ (9,519,204)	$ (9,599,401)
(810,749)	(695,117)	(821,026)	(1,029,907)	(990,972)
$ (13,109,191)	$ (11,632,013)	$ (10,769,735)	$ (10,549,111)	$ (10,590,373)

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental Activities:					
Taxes:					
Sales	$ 6,296,151	$ 5,942,250	$ 5,029,050	$ 5,442,563	$ 6,270,419
Income	3,706,698	3,366,783	2,809,995	3,126,076	4,205,426
Tobacco (7)	317,369	320,657	332,893	370,073	413,333
Property	30,656	32,038	31,417	32,564	36,732
Motor vehicle and fuel (4)	1,581,909	1,565,525	1,583,790	1,643,276	1,800,920
Other (7)	522,510	550,430	535,435	574,030	559,440
Unrestricted investment earnings (8)	79,190	29,183	37,665	92,957	243,160
Unrestricted grants and contributions	40,678	16,468	13,213	12,440	13,574
Miscellaneous general revenues (5)	167,604	140,854	204,295	222,712	214,751
Gain (loss) on sale of trust land	125,479	(154,359)	64,005	(165,696)	196,953
Transfers	(576,846)	(734,892)	(809,864)	(983,006)	(994,435)
Total Governmental Activities	12,291,398	11,074,937	9,831,894	10,367,989	12,960,273
Business-type Activities:					
Sales taxes	55,309	52,913	52,318	58,528	72,945
Unrestricted investment earnings	49,501	68,401	70,766	22,450	39,763
Unrestricted grants and contributions	3,468	-	-	-	-
Miscellaneous general revenues (6)	155,757	50,510	52,072	45,786	64,564
Contributions to permanent endowments	3,270	3,656	3,020	4,014	3,927
Special items	-	-	-	7,240	(20,100)
Extraordinary items	-	3,884	7,080	2,720	15,475
Transfers	576,846	734,892	809,864	983,006	994,435
Total Business-type Activities	844,151	914,256	995,120	1,123,744	1,171,009
Total Primary Government	$ 13,135,549	$ 11,989,193	$ 10,827,014	$ 11,491,733	$ 14,131,282
CHANGE IN NET ASSETS					
Governmental activities	$ 1,730,891	$ 977,217	$ 130,370	$ (2,312,301)	$ (435,877)
Business-type activities	194,353	115,796	(311,779)	(366,256)	99,676
Total Primary Government	$ 1,925,244	$ 1,093,013	$ (181,409)	$ (2,678,557)	$ (336,201)

(1) This schedule reports using the accrual basis of accounting.
(2) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of $302,375 of capital assets that were previously recorded as transportation expenses.
(3) The Industrial Commission Special Fund's cost of sales and benefits expense decreased $125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities. During fiscal years 2005 and 2004, insolvent carrier liability increased, primarily as the result of $67,423 and $107,600, respectively, in Arizona workers' compensation claims from the defunct California domiciled Fremont Companies.
(4) $31,804 of transportation's charges for services for fiscal year 2005 were classified as motor vehicle and fuel tax revenues.
(5) Beginning in fiscal year 2004, operating grants and contributions included Indian gaming revenue and tobacco settlement revenue. For fiscal year 2004, gaming revenue was $57,517 and this was the first year that gaming revenue was earned, as a result of Proposition 202. For fiscal year 2004, tobacco settlement revenue was $91,601. Prior to fiscal year 2004, tobacco settlement revenue was included in miscellaneous general revenues.
(6) Beginning in fiscal year 2005, settlement income for the Industrial Commission Special Fund is classified as a program revenue, charges for services. Prior to this, it was classified as a miscellaneous general revenue. In fiscal year 2005, settlement income was $41,554.
(7) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
(8) Fiscal year 2007 unrestricted investment earnings were reduced by $17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.

Fiscal Year				
2007, as restated	2006, as restated	2005	2004, as restated	2003, as restated
$ 6,537,584	$ 6,322,311	$ 5,421,949	$ 5,016,585	$ 4,551,804
4,636,447	4,548,843	3,562,916	2,800,461	2,371,005
358,205	248,122	237,430	223,804	-
43,736	43,035	46,148	50,455	37,470
1,826,893	1,857,293	1,758,950	1,613,952	1,563,876
529,629	575,946	493,501	539,218	632,896
243,328	172,311	106,362	24,227	77,914
11,711	12,293	11,624	8,502	7,222
212,253	235,610	387,269	281,109	319,873
451,501	567,364	288,483	319,517	137,563
(876,456)	(774,492)	(707,597)	(678,726)	(665,004)
13,974,831	13,808,636	11,607,035	10,199,104	9,034,619
79,223	54,550	57,584	50,050	43,450
103,362	49,050	40,311	38,753	32,527
-	-	5	-	3
77,841	58,816	26,017	46,615	26,985
4,815	3,803	2,955	2,231	3,037
-	(7,874)	-	(6,880)	-
-	-	-	-	-
876,456	774,492	707,597	678,726	665,004
1,141,697	932,837	834,469	809,495	771,006
$ 15,116,528	$ 14,741,473	$ 12,441,504	$ 11,008,599	$ 9,805,625
$ 1,676,389	$ 2,871,740	$ 1,658,326	$ 679,900	$ (564,782)
330,948	237,720	13,443	(220,412)	(219,966)
$ 2,007,337	$ 3,109,460	$ 1,671,769	$ 459,488	$ (784,748)

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010, as restated (2)	2009	2008
GENERAL FUND:					
Reserved for:					
Budget stabilization fund	$ -	$ -	$ -	$ 2,767	$ 147,212
School facilities improvements	-	-	14,764	376,993	1,914
Continuing appropriations	-	-	55,354	43,091	103,320
Other fund balance reservations	-	-	232	252	262
Unreserved	-	-	(817,348)	(1,401,381)	108,914
Nonspendable (2)	891	716	-	-	-
Restricted (2)	246,977	317,471	-	-	-
Committed (2)	109,469	141,183	-	-	-
Unassigned (2)	(437,035)	(1,162,531)	-	-	-
Total General Fund	$ (79,698)	$ (703,161)	$ (746,998)	$ (978,278)	$ 361,622
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Highway construction	$ -	$ -	$ 809,497	$ 1,304,781	$ 1,253,202
Other construction	-	-	45,403	108,129	238,985
School facilities improvements	-	-	-	-	-
Permanent funds	-	-	2,674,953	2,196,040	2,544,365
Continuing appropriations	-	-	116,350	212,553	143,785
Debt service	-	-	26,389	27,115	35,236
Other fund balance reservations	-	-	40,327	7,447	27,132
Unreserved, reported in:					
Special revenue funds	-	-	821,491	767,258	919,679
Capital projects funds	-	-	-	-	-
Nonspendable (2)	3,472,005	3,244,080	-	-	-
Restricted (2)	1,664,746	1,531,992	-	-	-
Committed (2)	514,085	452,447	-	-	-
Unassigned (2)	(33,861)	(39,009)	-	-	-
Total All Other Governmental Funds	$ 5,616,975	$ 5,189,510	$ 4,534,410	$ 4,623,323	$ 5,162,384

(1) This schedule reports using the modified accrual basis of accounting.
(2) Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement 54. Additionally, as a result of the reclassification, fund balance for fiscal year 2010 was restated.

Fiscal Year				
2007, as restated	2006	2005	2004	2003
$ 673,531	$ 651,020	$ 160,873	$ 13,545	$ 13,737
4,931	110,149	107,260	96,714	101,944
162,657	69,861	55,727	74,973	87,131
272	302	374	377	598
1,081,708	1,434,806	986,168	561,029	343,012
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 1,923,099	$ 2,266,138	$ 1,310,402	$ 746,638	$ 546,422
$ 976,488	$ 426,015	$ 419,072	$ 321,401	$ 342,324
5,288	6,256	7,307	41,165	33,477
-	-	5,386	17,808	33,893
2,454,564	2,043,591	1,716,404	1,361,366	1,123,523
94,602	118,671	120,752	114,948	90,238
34,421	37,792	21,992	27,693	23,273
17,702	5,145	25,375	25,138	38,945
793,890	657,371	574,938	463,738	444,301
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 4,376,955	$ 3,294,841	$ 2,891,226	$ 2,373,257	$ 2,129,974

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010, as restated	2009	2008
REVENUES					
Taxes:					
Sales	$ 6,312,870	$ 5,971,141	$ 5,017,977	$ 5,429,453	$ 6,278,181
Income	3,715,082	3,398,972	2,805,426	3,137,794	4,174,966
Tobacco (2)	317,369	320,657	332,893	370,073	413,333
Property	30,656	32,038	31,417	32,564	36,732
Motor vehicle and fuel	1,581,909	1,565,525	1,585,919	1,672,151	1,802,572
Other (2)	522,510	550,430	535,435	574,030	559,440
Intergovernmental	11,843,908	13,019,744	13,562,547	11,316,023	9,499,419
Licenses, fees, and permits	477,344	452,629	425,526	410,002	447,090
Earnings (loss) on investments (3,7)	190,055	438,068	422,564	(318,321)	135,879
Sales and charges for services (9)	188,806	186,325	203,725	154,671	167,329
Fines, forfeitures, and penalties	168,240	184,950	224,000	203,337	167,309
Gaming (4)	85,535	80,455	77,554	84,140	94,004
Tobacco settlement (5)	101,067	99,130	105,394	125,571	115,587
Proceeds from sale of trust land (8)	137,405	95,500	78,564	143,674	-
Other (5)	199,455	164,658	230,223	253,868	263,443
Total Revenues	25,872,211	26,560,222	25,639,164	23,589,030	24,155,284
EXPENDITURES					
Current:					
General government (9)	838,776	933,313	923,977	913,266	966,512
Health and welfare	12,029,530	12,818,468	13,054,472	11,959,640	10,874,581
Inspection and regulation	153,947	153,718	157,461	174,633	184,451
Education	5,332,141	5,467,695	5,702,963	6,031,605	6,240,862
Protection and safety	1,351,251	1,288,577	1,417,428	1,460,692	1,447,372
Transportation (6)	745,306	820,417	584,363	608,631	630,283
Natural resources	202,677	191,429	175,568	220,030	242,893
Intergovernmental revenue sharing	2,473,535	2,459,934	2,574,539	2,764,776	3,026,563
Debt service:					
Principal	386,027	383,591	288,172	235,971	261,228
Interest and other fiscal charges	344,903	357,754	286,027	238,430	210,856
Capital outlay (6)	769,716	824,417	1,291,341	1,295,530	1,106,951
Total Expenditures	24,627,809	25,699,313	26,456,311	25,903,204	25,192,552
Excess (Deficiency) of Revenues Over Expenditures	1,244,402	860,909	(817,147)	(2,314,174)	(1,037,268)

Fiscal Year				
2007, as restated	2006	2005	2004	2003
$ 6,527,968	$ 6,313,090	$ 5,410,383	$ 4,985,424	$ 4,555,389
4,629,220	4,535,492	3,528,565	2,818,778	2,387,369
358,205	248,122	237,430	223,804	-
43,736	43,035	46,148	50,455	37,470
1,828,701	1,857,293	1,758,950	1,613,952	1,563,876
529,629	575,946	493,501	539,218	632,896
8,313,720	8,019,509	7,714,012	7,159,976	6,141,218
442,236	410,069	335,760	349,938	320,564
510,253	247,250	190,499	131,715	111,771
158,318	162,048	154,251	161,170	111,438
183,923	138,354	121,123	120,032	96,192
94,771	84,794	67,658	57,517	-
90,258	86,231	93,933	92,550	-
-	-	-	-	-
264,440	269,411	430,097	313,220	337,930
23,975,378	22,990,644	20,582,310	18,617,749	16,296,113
879,519	861,373	758,149	718,229	689,603
9,679,226	8,995,430	8,419,913	7,733,516	6,652,661
173,897	157,401	146,523	136,189	139,863
5,983,513	5,302,942	4,852,099	4,702,609	4,882,516
1,358,439	1,247,508	1,132,473	1,028,134	925,667
524,318	373,603	564,574	717,463	463,756
185,592	178,832	175,593	153,533	163,946
2,863,218	2,661,894	2,335,828	2,144,438	2,159,691
220,473	261,277	381,512	327,595	297,508
195,317	176,933	200,731	188,247	140,613
992,000	1,066,815	710,688	695,289	1,041,038
23,055,512	21,284,008	19,678,083	18,545,242	17,556,862
919,866	1,706,636	904,227	72,507	(1,260,749)

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year				
	2012	2011	2010, as restated	2009	2008
OTHER FINANCING SOURCES (USES)					
Transfers in	821,072	862,040	1,106,250	1,248,267	897,771
Transfers out	(1,323,778)	(1,574,406)	(1,872,212)	(2,168,964)	(1,874,084)
Proceeds from sale of trust land (8)	-	-	-	-	249,970
Proceeds from sale of capital assets	1,815	3,712	3,088	2,127	28,233
Capital lease and installment purchase contracts	8,166	4,583	187,836	4,056	23,556
Proceeds from notes and loans	9,541	11,113	32,628	23,139	19,529
Refunding bonds issued	455,900	-	-	-	82,880
Payment to refunded bond escrow agent	(560,228)	-	-	-	(86,547)
Bonds issued	259,460	180,000	425,420	621,050	563,950
Refunding grant anticipation notes issued	43,825	-	-	-	-
Grant anticipation notes issued	-	158,585	-	55,420	68,000
Refunding certificates of participation issued	-	-	-	-	-
Payment to refunded certificates of participation escrow agent	-	-	-	-	-
Certificates of participation issued	-	150,110	998,795	580,035	238,990
Premium on debt issued	90,753	42,291	77,709	70,083	48,972
Total Other Financing Sources (Uses)	(193,474)	(161,972)	959,514	435,213	261,220
NET CHANGE IN FUND BALANCES	$ 1,050,928	$ 698,937	$ 142,367	$ (1,878,961)	$ (776,048)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.1%	3.0%	2.3%	1.9%	2.0%

(1) This schedule reports using the modified accrual basis of accounting.
(2) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
Increase from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December 2006.
(3) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
(4) Beginning in fiscal year 2004, Indian gaming revenue was earned as a result of Proposition 202.
(5) Prior to fiscal year 2004, tobacco settlement revenue was included in other revenue.
(6) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by $302,375 for addition of capital assets that were previously recorded as transportation expenditures.
(7) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
(8) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."
(9) In fiscal year 2010, amounts were restated as a result of implementing GASB Statement 54.

Fiscal Year				
2007, as restated	2006	2005	2004	2003
910,605	812,083	1,011,456	940,050	1,053,862
(1,784,833)	(1,585,754)	(1,714,562)	(1,616,105)	(1,690,443)
199,089	284,293	274,127	149,001	88,066
10,162	11,118	-	-	-
132,985	3,543	5,350	24,349	101,473
-	-	-	-	-
-	596,160	224,283	107,940	90,530
-	(646,689)	(247,417)	(145,965)	(107,735)
325,000	118,250	210,577	389,746	662,975
-	-	-	22,633	-
-	-	104,385	177,322	-
-	-	334,225	16,725	75,295
-	-	(363,052)	(17,273)	(80,713)
-	-	237,625	273,735	372,730
26,201	59,711	100,509	48,834	80,563
(180,791)	(347,285)	177,506	370,992	646,603
$ 739,075	$ 1,359,351	$ 1,081,733	$ 443,499	$ (614,146)
1.9%	2.2%	3.1%	2.9%	2.7%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Fiscal Year					
	2012	2011	2010	2009	2008	2007
CLASSIFICATION (6)						
Transporting (2)	$ 52,137	$ 41,555	$ 41,990	$ 37,920	$ 48,713	$ 43,351
Mining, oil and gas	105,614	96,514	102,900	175,743	216,675	255,531
Mining severance	1,623,111	1,609,451	1,164,231	729,482	1,752,522	1,743,361
Utilities	9,474,521	9,394,361	9,354,244	9,236,366	9,237,779	8,609,034
Communications	3,190,962	2,853,538	3,618,208	2,928,433	3,669,683	3,513,667
Private car and pipelines	1,186	1,908	1,640	7,743	16,021	19,679
Publishing	92,505	98,343	103,681	102,457	122,652	129,681
Job printing	252,603	266,564	236,985	307,581	391,038	397,802
Restaurants and bars	9,996,825	9,311,826	9,020,795	9,094,485	9,663,959	9,619,785
Amusements	1,037,059	994,092	1,051,919	1,053,048	1,146,344	1,086,364
Commercial lease (3)	1	2	141	1	(443)	(2)
Personal property rentals	3,257,588	3,056,386	3,127,828	3,552,696	3,995,697	3,927,824
Contracting	9,543,335	8,983,261	9,311,612	14,882,706	20,156,299	22,415,051
Feed wholesale (4)	-	-	-	-	-	-
Retail	48,178,714	45,898,838	42,913,933	46,174,068	52,626,993	55,009,403
Hotel/motel	2,156,864	2,039,283	1,949,718	2,117,242	2,405,705	2,411,634
Rental occupancy tax (8)	(3)	43	(62)	(25)	(2,669)	1,065
Use tax	5,302,844	4,610,921	5,464,504	5,882,942	6,837,880	6,091,507
Use tax-utilities (7)	10,022	10,040	(35,594)	38,653	12,461	12,154
Membership camping (8)	-	1	10	11	52	12
Other	-	-	-	-	-	-
Total	$ 94,275,888	$ 89,266,927	$ 87,428,683	$ 96,321,552	$ 112,297,361	$ 115,286,903
Direct sales tax rate (5)	6.60%	6.60%	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) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.
(5) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2003 through 2010 and 6.6% for fiscal years 2011 and 2012. For fiscal years 2003 thru 2012, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, and the jet fuel and jet fuel use tax was $.0305 per gallon. The hotel/motel tax rate was 5.5% for fiscal years 2003 through 2010 and 6.5% for fiscal years 2011 and 2012. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate beginning June 1, 2010 by one percentage point which is reflected in this table.
(6) 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.
(7) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2004-2008 were reported in fiscal year 2008. Information prior to 2004 is not available.
(8) Effective November 1, 2006, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2012 and prior.

Fiscal Year			
2006	2005	2004	2003
$ 59,801	$ 53,371	$ 67,486	$ 26,106
321,538	317,202	287,787	268,073
1,219,984	656,631	261,623	45,049
7,679,982	6,828,179	6,430,306	5,940,826
3,220,062	2,934,858	2,809,508	2,869,499
25,751	14,832	15,920	12,493
133,680	134,925	128,911	133,229
403,686	367,010	348,924	427,730
8,933,459	7,939,964	7,202,034	6,655,028
998,767	872,520	813,489	782,670
(120)	919	(6,518)	(7,579)
3,633,374	3,242,363	3,174,945	3,319,778
20,487,917	16,044,847	13,156,490	11,563,726
-	-	(8)	(67)
53,147,971	46,378,344	42,409,055	39,408,769
2,268,776	2,063,973	1,831,153	1,698,499
3,471	2,414	4,202	1,428
6,155,959	5,218,535	4,644,319	3,793,691
16,582	234	127	-
2,785	2,897	2,998	2,406
-	-	119	-
$ 108,713,425	$ 93,074,018	$ 83,582,870	$ 76,941,354
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 2012		Fiscal Year 2003	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
CLASSIFICATION				
Transporting (1)	$ 2,604	0.05 %	$ 3,154	0.07 %
Non-metal mining, oil and gas	3,301	0.06	8,377	0.19
Mining severance	40,578	0.78	1,126	0.03
Timbering severance - ponderosa (2)	-	-	5	-
Utilities	473,726	9.06	297,041	6.90
Communications	159,548	3.05	143,475	3.33
Railroads and aircraft (1)	-	-	(1,849)	(0.04)
Private car and pipelines	59	-	625	0.01
Publishing	4,625	0.09	6,661	0.15
Printing	12,630	0.24	21,387	0.50
Restaurants and bars	499,841	9.56	332,751	7.73
Amusements	51,853	0.99	39,133	0.91
Commercial lease (3)	-	-	(114)	-
Personal property rentals	162,875	3.12	165,989	3.86
Contracting	477,165	9.13	578,186	13.43
Retail	2,408,948	46.08	1,970,438	45.79
Hotel/motel	118,628	2.27	93,417	2.17
Rental occupancy tax (2)	-	-	43	-
Use tax utilities	501	0.01	-	-
Use tax	263,724	5.04	189,685	4.41
License fees	542	0.01	500	0.01
Membership camping (2)	-	-	120	-
Jet fuel tax	3,810	0.07	5,839	0.14
Jet fuel use tax	732	0.01	502	0.01
Non sufficient funds	53	-	43	-
Telecommunications service assistance	(156)	-	(291)	(0.01)
Mandatory EFT fees	338	0.01	-	-
Education tax (4)	542,395	10.37	447,841	10.41
Total	$ 5,228,320	100.00 %	$ 4,304,084	100.00 %

(1) Transporting/towing was combined with railroads/aircraft for confidentiality purposes beginning in fiscal year 2004.
(2) Effective November 1, 2006 these rates were repealed.
(3) Commercial lease rate dropped to 0% effective July 1, 1997.
(4) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are non-metal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, 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.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2012 and 2003.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY (3)
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31					
	2011	2010	2009	2008	2007	2006
CLASSIFICATION						
Farm earnings	$ 1,084,076	$ 701,669	$ 496,972	$ 625,349	$ 818,856	$ 692,283
Forestry and fishing	472,323	441,488	415,493	404,150	452,275	448,533
Mining	1,176,968	1,011,364	986,723	1,372,046	1,032,176	903,040
Utilities	1,600,157	1,568,120	1,594,921	1,573,587	1,422,489	1,330,098
Construction	8,767,264	8,623,271	9,464,460	13,184,765	14,710,324	15,438,164
Manufacturing	13,326,355	12,550,307	12,451,628	13,741,210	13,722,387	13,656,708
Wholesale trade	8,320,573	7,992,993	8,016,266	8,642,214	8,785,321	7,924,846
Retail trade	12,558,044	11,822,332	11,787,506	12,513,585	13,323,248	12,967,991
Transportation and warehousing	4,980,116	4,720,442	4,702,374	4,892,245	4,960,240	4,778,258
Information	2,927,104	2,856,013	3,019,547	3,178,441	3,079,614	3,144,112
Finance and insurance	10,712,372	10,073,935	9,581,251	9,965,677	10,606,023	10,547,147
Real estate, rental, and leasing	4,233,451	4,155,458	3,518,283	4,223,362	4,308,573	5,321,210
Professional and technical services	12,826,599	12,147,389	12,141,072	13,437,572	12,799,386	11,795,487
Managing companies/enterprises	2,237,074	2,189,778	2,412,689	2,427,638	2,438,767	2,016,086
Administrative and waste services	9,017,512	8,659,822	8,751,064	9,593,039	9,642,814	9,219,474
Educational services	2,708,347	2,544,398	2,357,215	2,080,996	1,842,200	1,711,762
Health care and social assistance	19,857,701	19,246,288	18,345,888	17,762,771	16,234,807	14,945,405
Arts, entertainment, and recreation	1,786,419	1,756,412	1,682,950	1,742,844	1,764,742	1,697,223
Accommodation and food services	5,935,381	5,666,943	5,552,846	5,925,329	6,150,529	5,507,255
Other services, except public administration	5,686,358	5,461,139	5,355,341	5,442,281	5,806,999	5,237,758
Government and government enterprises	28,727,443	28,391,148	28,427,785	28,135,070	26,626,290	24,771,576
Other (1)	68,344,882	64,008,843	61,811,008	65,600,877	58,059,491	52,903,982
Total	$ 227,286,519	$ 216,589,552	$ 212,873,282	$ 226,465,048	$ 218,587,551	$ 206,958,398
Average effective rate (2)	1.36%	1.33%	1.14%	1.14%	1.56%	1.77%

(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 2008 through 2010 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			
2005	2004	2003	2002
$ 966,562	$ 1,005,583	$ 731,608	$ 763,907
392,423	398,258	359,899	348,540
717,889	652,564	568,278	562,242
1,181,096	1,077,131	1,043,710	1,036,530
13,453,380	11,524,499	10,379,641	10,159,027
12,736,884	12,241,302	11,754,138	11,581,992
7,209,873	6,643,795	6,001,515	5,900,156
11,909,557	10,755,773	10,055,878	9,368,279
4,375,950	4,073,329	3,720,148	3,520,402
2,977,675	3,035,060	2,982,886	2,962,772
9,680,158	8,358,294	7,848,643	7,240,812
5,320,830	4,854,340	4,150,748	4,129,856
10,295,791	8,975,667	8,156,394	8,039,619
1,694,602	1,908,177	1,598,978	1,429,896
8,326,832	7,186,639	6,568,021	6,203,543
1,572,715	1,439,838	1,165,114	1,029,270
13,342,839	12,318,173	11,093,907	10,050,149
1,487,796	1,438,709	1,347,898	1,344,317
5,162,857	4,750,837	4,328,034	4,129,811
4,761,529	4,269,944	4,043,836	4,050,133
23,099,159	21,470,055	20,037,866	18,617,360
47,486,042	41,648,161	37,670,118	35,706,259
$ 188,152,439	$ 170,026,128	$ 155,607,258	$ 148,174,872
1.94%	1.68%	1.49%	1.42%

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31				
	2011	2010	2009	2008	2007
AVERAGE EFFECTIVE RATE (3)					
Personal Income Tax Revenue (1)	$ 3,099,177	$ 2,870,765	$ 2,423,215	$ 2,575,453	$ 3,414,304
Personal Income (2)	$ 227,286,519	$ 216,589,552	$ 212,873,282	$ 226,465,048	$ 218,587,551
Average Effective Rate (3)	1.36%	1.33%	1.14%	1.14%	1.56%
TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)					
$0 - $10	2.59%	2.59%	2.59%	2.59%	2.59%
$10 - $25	2.88%	2.88%	2.88%	2.88%	2.88%
$25 - $50	3.36%	3.36%	3.36%	3.36%	3.36%
$50 - $150	4.24%	4.24%	4.24%	4.24%	4.24%
$150 and over	4.54%	4.54%	4.54%	4.54%	4.54%

(1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
(2) Personal income is reported on a calendar basis. Years 2008 through 2010 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) Amounts 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.

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 2009 AND 2002 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2009			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
FEDERAL ADJUSTED GROSS INCOME LEVEL (3)				
$50 and under	1,739,297	68.44%	$ 395,695	15.48%
$50 - $100	525,351	20.67%	643,653	25.17%
$100 - $500	267,017	10.50%	1,014,846	39.68%
$500 and over	9,837	0.39%	503,105	19.67%
Total	2,541,502	100.00%	$ 2,557,299	100.00%

(1) The taxable year 2009 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 2009, filed from January 2010 forward (or 2002, filed from January 2003 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				
2006	2005	2004	2003	2002
$ 3,666,923	$ 3,651,576	$ 2,854,009	$ 2,316,040	$ 2,104,362
$ 206,958,398	$ 188,152,439	$ 170,026,128	$ 155,607,258	$ 148,174,872
1.77%	1.94%	1.68%	1.49%	1.42%
2.73%	2.87%	2.87%	2.87%	2.87%
3.04%	3.20%	3.20%	3.20%	3.20%
3.55%	3.74%	3.74%	3.74%	3.74%
4.48%	4.72%	4.72%	4.72%	4.72%
4.79%	5.04%	5.04%	5.04%	5.04%

Taxable Year Ended December 31, 2002			
Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,576,268	72.49%	$ 436,486	20.49%
433,508	19.94%	601,636	28.24%
157,522	7.25%	698,027	32.75%
7,035	0.32%	394,610	18.52%
2,174,333	100.00%	$ 2,130,759	100.00%

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2012	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES:						
Revenue bonds	$ 3,593,420	$ 3,529,115	$ 3,522,605	$ 3,251,580	$ 2,759,070	$ 2,328,840
Grant anticipation notes	335,230	392,495	304,480	329,650	298,280	282,860
Certificates of participation	2,495,825	2,611,255	2,571,125	1,649,870	1,135,640	959,865
Capital leases	391,184	400,540	412,919	236,125	249,876	242,209
Installment purchase contracts	177	245	901	6,343	8,908	10,644
Notes payable	55,666	59,891	60,712	42,668	22,838	3,309
Premiums and discounts on debt	396,465	342,602	334,721	285,613	242,816	225,071
Deferred amount on refundings	(813)	(1,221)	(5,197)	(9,171)	(13,145)	(14,266)
Total Governmental Activities	7,267,154	7,334,922	7,202,266	5,792,678	4,704,283	4,038,532
BUSINESS-TYPE ACTIVITIES:						
Revenue bonds	1,942,755	1,742,125	1,692,825	1,239,675	902,255	868,565
Certificates of participation	756,980	812,706	840,719	872,829	903,843	935,127
Capital leases	163,637	167,841	171,448	175,453	179,052	166,780
Installment purchase contracts	8,397	10,511	13,043	16,418	13,024	9,544
Notes payable	12,643	292	360	674	1,022	1,354
Premiums and discounts on debt	87,993	41,393	39,705	43,112	38,211	39,582
Deferred amount on refundings	(33,391)	(20,875)	(23,100)	(25,294)	(27,711)	(29,211)
Total Business-type Activities	2,939,014	2,753,993	2,735,000	2,322,867	2,009,696	1,991,741
Total Primary Government	$ 10,206,168	$ 10,088,915	$ 9,937,266	$ 8,115,545	$ 6,713,979	$ 6,030,273
Debt as a Percentage of Personal Income (1)	4.5%	4.7%	4.7%	3.6%	3.1%	2.9%
Amount of Debt per Capita (1)	$ 1,574	$ 1,573	$ 1,567	$ 1,292	$ 1,089	$ 1,000

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

(1) See Schedule 23 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 2012 contains data for the calendar year ending December 31, 2011.

Fiscal Year			
2006	2005	2004	2003
$ 2,106,700	$ 2,170,845	$ 2,278,225	$ 2,173,055
325,430	363,970	308,585	169,145
1,020,810	1,054,677	845,804	582,511
129,808	126,676	125,974	104,644
6,815	6,926	4,602	6,188
-	-	562	10,301
219,958	197,479	144,759	108,732
(17,832)	-	-	-
3,791,689	3,920,573	3,708,511	3,154,576
802,600	768,000	756,781	597,238
946,766	860,759	641,315	429,144
113,388	120,361	80,338	31,923
10,279	7,276	5,038	3,823
-	30	80	129
38,331	36,133	28,184	21,686
(21,606)	(20,821)	(10,970)	(11,305)
1,889,758	1,771,738	1,500,766	1,072,638
$ 5,681,447	$ 5,692,311	$ 5,209,277	$ 4,227,214
3.0%	3.3%	3.3%	2.9%
$ 973	$ 1,007	$ 945	$ 783

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Total Principal Outstanding Debt Limit (1)			
Fiscal Year	Debt Limit	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit
2012	$ -	$ -	$ -	- %
2011	-	-	-	-
2010	-	-	-	-
2009	-	-	-	-
2008	-	-	-	-
2007	-	-	-	-
2006	1,300,000	1,223,425	76,575	94.11
2005	1,300,000	1,161,355	138,645	89.34
2004	1,300,000	1,017,360	282,640	78.26
2003	1,300,000	932,700	367,300	71.75

(1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the $1.3 billion debt limit is eliminated from ARS §28-7510. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding $1.3 billion.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST SEVEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2012	$ 1,612,000	$ 128,960	$ 80,600	$ 48,360	5.00 %
2011	1,606,250	128,500	77,100	51,400	4.80 %
2010	1,894,737	151,579	108,000	43,579	5.70 %
2009	1,865,385	149,231	97,000	52,231	5.20 %
2008	2,017,544	161,404	115,000	46,404	5.70 %
2007	1,880,769	150,462	97,800	52,662	5.20 %
2006	1,724,528	137,962	91,400	46,562	5.30 %

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2006, 2007, 2008, 2009, 2010, 2011, and 2012, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, and 2014-2016 capital improvement plans, respectively.
(3) 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
UNIVERSITY OF ARIZONA
FOR THE LAST SIX FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2012	$ 1,611,765	$ 128,941	$ 82,200	$ 46,741	5.10 %
2011	1,556,364	124,509	85,600	38,909	5.50
2010	1,817,647	145,412	92,700	52,712	5.10
2009	1,681,818	134,545	92,500	42,045	5.50
2008	1,681,132	134,491	89,100	45,391	5.30
2007	1,657,971	132,638	114,400	18,238	6.90

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009, 2010, 2011, and 2012, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, and 2014-2016 capital improvement plans, respectively.
(3) 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
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST SIX FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2012	$ 427,586	$ 34,207	$ 24,800	$ 9,407	5.80 %
2011	405,109	32,409	22,200	10,209	5.48
2010	423,601	33,888	28,000	5,888	6.61
2009	419,448	33,556	28,900	4,656	6.89
2008	430,360	34,429	27,500	6,929	6.39
2007	410,811	32,865	30,400	2,465	7.40

(1) Ten years of data is not available, but will be accumulated over time.
(2) For fiscal years 2007, 2008, 2009, 2010, 2011, and 2012, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, and 2014-2016 capital improvement plans, respectively.
(3) 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 15
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2012	$ 392,648	$ 67,885	$ 71,113	$ 138,998	2.8
2011	504,175	71,770	83,960	155,730	3.2
2010	502,874	68,140	87,661	155,801	3.2
2009	509,183	64,190	89,825	154,015	3.3
2008	658,616	60,645	75,538	136,183	4.8
2007	635,140	57,825	73,785	131,610	4.8
2006	624,408	54,830	62,222	117,052	5.3
2005	461,763	44,265	60,459	104,724	4.4
2004	557,854	51,155	53,149	104,304	5.3
2003	540,540	44,490	41,932	86,422	6.3

(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. Fiscal year 2005 is net of a $118 million distribution to the State General Fund. Fiscal year 2009 is net of $66 million, 2010 is net of $44 million, and 2011 is net of $45 million distribution to the State General Fund.

STATE OF ARIZONA
SCHEDULE 16
PLEDGED-REVENUE COVERAGE
ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2012	$ 216,281	$ 55,460	$ 48,129	$ 103,589	2.1
2011	206,545	45,970	42,496	88,466	2.3
2010	199,672	33,315	38,225	71,540	2.8
2009	219,165	13,825	17,193	31,018	7.1
2008	253,742	19,045	10,673	29,718	8.5
2007	262,264	-	-	-	N/A
2006	316,491	80,375	1,566	81,941	3.9
2005	316,806	208,625	14,318	222,943	1.4
2004	288,600	199,400	23,553	222,953	1.3
2003	268,721	190,415	31,533	221,948	1.2

(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 17
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service Principal	Interest	Total	Coverage
2012	$ 542,395	$ 41,405	$ 22,804	$ 64,209	8.45
2011	514,346	39,215	25,088	64,303	8.00
2010	504,391	37,230	27,074	64,304	7.84
2009	558,900	35,420	28,885	64,305	8.69
2008	645,828	33,810	30,498	64,308	10.04
2007	666,184	31,055	31,893	62,948	10.58
2006	628,471	34,480	30,052	64,532	9.74
2005	538,346	28,485	36,060	64,545	8.34
2004	487,215	27,215	37,568	64,783	7.52
2003	447,841	25,010	36,901	61,911	7.23

(1) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.
(2) Principal does not include sinking fund deposits of $1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of $6,350 upon maturity, in fiscal year 2016. Additionally, principal does not include sinking fund deposits of $1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018, that will be sufficient to retire bonds with a par amount of $20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA
SCHEDULE 18
PLEDGED-REVENUE COVERAGE
SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS
FOR THE LAST NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(2) (3) Pledged Revenue	Debt Service Principal	Interest	Total	Coverage
2012	$ 39,155	$ 17,400	$ 6,846	$ 24,246	1.61
2011	42,191	16,535	7,714	24,249	1.74
2010	38,147	15,710	8,539	24,249	1.57
2009	72,263	15,105	9,143	24,248	2.98
2008	72,263	14,470	8,400	22,870	3.16
2007	72,263	13,980	11,524	25,504	2.83
2006	72,263	13,440	12,061	25,501	2.83
2005	72,263	13,740	11,960	25,700	2.81
2004	64,903	-	8,634	8,634	7.52

(1) No debt service payments were due prior to fiscal year 2004.
(2) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed $72,263. Expendable trust revenues in excess of $72,263 must be deposited in the Classroom Site Fund.
(3) Fiscal year 2011 pledged revenues was revised to reflect the State Land Department's 2011 annual report.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
LOTTERY REVENUE BONDS
FOR THE LAST TWO FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

		Debt Service			
Fiscal Year	(2) Pledged Revenue	Principal	Interest	Total	Coverage
2012	$ 96,200	$ -	$ 20,709	$ 20,709	4.65
2011	96,200	-	21,630	21,630	4.45

(1) No debt service payments were due prior to fiscal year 2011.
(2) Pledged revenues consist of lottery revenue deposited to the Lottery Fund net of operating expenses of the lottery.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

		Debt Service				
Fiscal Year	(1), (2) Pledged Revenue	Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	Coverage
2012	$ 977,828	$ 31,215	$ 39,560	$ 3,612	$ 74,387	13.15
2011	876,770	28,595	35,051	3,791	67,437	13.00
2010	782,727	26,975	33,003	3,716	63,694	12.29
2009	702,797	21,555	21,896	3,692	47,143	14.91
2008	638,707	19,135	16,682	2,448	38,265	16.69
2007	580,102	17,125	21,339	186	38,650	15.01
2006	505,890	14,625	17,313	-	31,938	15.84
2005	458,177	11,205	16,307	-	27,512	16.65
2004	383,756	1,340	16,260	-	17,600	21.80
2003	325,626	-	13,754	-	13,754	23.68

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.
(2) Pledged revenues prior to payment date of 2004 have been restated to include West and Polytechnic campuses.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2012	$ 1,226,227	$ 1,126,649	$ 99,578	$ 17,375	$ 31,480	$ 48,855	2.04
2011	1,215,062	1,056,408	158,654	24,720	28,571	53,291	2.98
2010	1,128,091	962,469	165,622	23,860	24,593	48,453	3.42
2009	1,044,354	911,440	132,914	22,725	15,437	38,162	3.48
2008	1,113,954	1,005,572	108,382	21,235	14,978	36,213	2.99
2007	982,559	899,084	83,475	17,440	14,166	31,606	2.64
2006	897,706	836,657	61,049	12,355	13,433	25,788	2.37
2005	830,077	774,014	56,063	11,815	11,817	23,632	2.37
2004	778,939	727,161	51,778	10,970	11,706	22,676	2.28
2003	726,258	667,627	58,631	12,625	12,156	24,781	2.37

(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 22
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2012	$ 246,098	$ 5,835	$ 15,028	$ 20,863	11.80
2011	220,538	24,310	14,712	39,022	5.65
2010	198,197	6,545	10,912	17,457	11.35
2009	164,877	6,570	7,383	13,953	11.82
2008	143,733	10,455	6,628	17,083	8.41
2007	136,100	9,610	5,943	15,553	8.75
2006	129,608	10,310	6,603	16,913	7.66
2005	110,981	10,065	6,060	16,125	6.88
2004	103,192	10,294	5,778	16,072	6.42
2003	85,294	9,426	5,066	14,492	5.89

(1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.

(2) Fiscal year 2011 includes debt defeasance of $18.7 million.

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STATE OF ARIZONA
SCHEDULE 23
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 (4)
2011	6,482,505	$ 227,286,519	$ 35,062	8.8
2010	6,413,158	216,589,552	33,773	9.8
2009	6,343,154	212,873,282	33,560	10.5
2008	6,280,362	226,465,048	36,059	7.7
2007	6,167,681	218,587,551	35,441	4.1
2006	6,029,141	206,958,398	34,326	3.6
2005	5,839,077	188,152,439	32,223	4.2
2004	5,652,404	170,026,128	30,080	4.2
2003	5,510,364	155,607,258	28,239	5.0
2002	5,396,255	148,174,872	27,459	5.6

(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.
(4) Unemployment rates were revised to reflect revisions made by the Office of Employment and Population Statistics.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
U.S. Bureau of the Census (also for population).
Office of Employment and Population Statistics, formerly known as the Research Administration at the Arizona Department of Commerce (for unemployment rate).

STATE OF ARIZONA
SCHEDULE 24
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	Calendar Year Ended December 31, 2011			Calendar Year Ended December 31, 2002		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	49,800	1	1.64 %	59,348	1	2.30 %
Wal-Mart Stores Inc.	30,634	2	1.01	13,800	6	0.54
Banner Health	24,825	3	0.82	13,973	4	0.54
City of Phoenix	15,100	4	0.50	12,917	7	0.50
Wells Fargo	13,308	5	0.44	-	-	-
Bank of America	13,300	6	0.44	-	-	-
Maricopa County	12,792	7	0.42	13,860	5	0.54
Raytheon Missile Systems	11,500	8	0.38	9,700	10	0.38
Arizona State University	11,185	9	0.37	-	-	-
Apollo Group, Inc.	11,000	10	0.36	-	-	-
Honeywell International	-		-	17,500	2	0.68
Motorola, Inc.	-		-	15,500	3	0.60
The Kroger Company	-		-	9,837	8	0.38
U.S. Postal Service	-		-	9,756	9	0.38
Total	193,444		6.38 %	176,191		6.84 %

Source: Arizona Department of Transportation CAFR 2012.

STATE OF ARIZONA
SCHEDULE 25
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST NINE FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2012

	Fiscal Year					
	2012	2011	2010	2009	2008	2007
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	104.0	104.0	104.0	110.0	110.0	110.0
Arizona State Retirement System	236.0	236.0	236.0	236.0	235.0	231.0
Department of Revenue	935.0	935.0	863.0	1,164.0	1,164.0	1,148.0
All other	2,427.6	2,646.5	2,746.5	2,989.2	2,999.2	2,957.5
Health and welfare:						
Department of Economic Security	3,726.0	3,726.0	4,201.0	4,201.0	4,099.2	3,874.4
Arizona Health Care Cost Containment System	1,407.3	1,423.0	1,484.0	1,635.8	1,629.0	1,617.3
Department of Health Services	1,513.3	1,513.3	1,538.6	1,699.1	1,702.1	1,680.4
All other	1,098.5	954.5	966.5	981.5	981.5	859.9
Inspection and regulation	1,801.2	1,807.7	1,820.7	1,943.1	1,930.1	1,853.7
Education:						
Universities	16,964.2	15,754.2	15,664.5	17,353.5	17,138.8	16,975.0
All other	886.5	896.0	972.4	1,003.4	1,001.4	969.0
Protection and safety:						
Department of Corrections	10,015.2	10,015.2	9,755.9	9,932.5	9,755.9	9,726.9
Department of Juvenile Corrections	1,001.7	1,001.7	1,050.7	1,163.7	1,163.7	1,195.7
Department of Public Safety	2,139.8	2,081.8	2,099.8	2,114.8	2,108.8	2,065.8
All other	112.6	117.9	118.4	134.9	133.9	125.4
Department of Transportation	4,548.0	4,548.0	4,548.0	4,748.0	4,744.0	4,703.5
Natural resources	930.2	937.2	956.7	1,009.7	1,007.7	967.3
Total	49,847.1	48,698.0	49,126.7	52,420.2	51,904.3	51,060.8

(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) Ten years of data is not available, but will be accumulated over time.

Source: The Executive Budget (Detail). Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year		
2006	2005	2004
110.0	110.0	110.0
221.0	199.0	197.0
1,146.0	1,024.0	1,134.0
2,898.6	2,944.3	3,003.0
3,953.7	3,902.7	3,592.9
1,583.5	1,574.5	1,530.1
1,735.5	1,734.5	1,701.5
858.5	924.2	933.2
1,827.3	1,818.5	1,815.3
16,419.5	16,027.5	15,467.4
913.8	949.5	948.1
9,726.9	10,322.4	10,295.4
1,160.5	1,151.5	1,214.4
1,901.8	1,872.0	1,853.0
127.4	120.6	149.6
4,649.0	4,626.0	4,605.0
926.9	903.2	856.9
50,159.9	50,204.4	49,406.8

STATE OF ARIZONA
SCHEDULE 26
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
FUNCTIONS/PROGRAMS							
General government:							
Number of tax returns received (in millions)	5.4	5.4	5.2	5.7	5.6	5.5	5.5
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,314,210	1,392,810	1,392,420	1,282,910	1,136,585	1,075,125	1,065,444
Average monthly number of recipients of temporary assistance for needy families	N/A	44,842	82,127	83,969	80,221	82,408	93,553
Average monthly number of persons receiving food stamp benefits	N/A	1,049,522	986,413	752,772	600,549	537,072	546,424
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	67.9	66.4	75.2	84.0	101.8	99.4	97.0
Incident rate per 100 full-time workers (3)	3.5	3.5	3.7	3.9	4.6	4.6	4.9
Education:							
Public school enrollment, grades K-12 (4)	1,066,740	1,062,200	1,068,987	1,062,618	1,132,963	1,106,207	1,084,247
Protection and safety:							
Number of miles patrolled by the Highway Patrol	19,465,944	19,953,766	21,275,292	21,987,920	21,881,034	20,282,212	19,703,282
State prison adult inmate population (5)	39,877	40,181	40,477	39,628	38,897	37,088	34,864
Transportation:							
Number of registered vehicles (6)	6,823,906	6,839,659	6,740,536	6,692,834	6,733,610	6,608,726	6,318,402
Number of driver licenses issued (7)	N/A	1,196,675	1,241,977	1,246,358	1,200,227	1,266,973	1,205,068
Natural resources:							
Game and Fish Department's license and tag sales (8)	N/A	826,385	874,442	874,363	896,143	940,223	897,159
Universities:							
University full-time equivalent students (9)	134,051	129,653	122,734	118,743	113,092	110,580	107,765
Unemployment compensation:							
Number of initial unemployment claims filed	288,097	311,472	363,189	396,755	226,772	185,397	161,869
Industrial Commission special fund:							
No-insurance awards issued	1,365	882	1,781	2,244	2,748	3,265	2,744
Number of vocational rehabilitation awards issued	125	132	128	103	118	133	124
Lottery:							
Total lottery sales (in millions)	$ 646.7	$ 583.5	$ 551.5	$ 484.5	$ 472.9	$ 462.2	$ 468.7
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	7,080	8,260	10,760	14,560	21,646	26,914	21,600

N/A = Not available

(1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.

(2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002.

(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 2012 contains data for the calendar year ending December 31, 2011. 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 2012 contains data from the October 1, 2011 enrollment figures. Starting with the 2008-09 school year, due to federal requirements, new business rules were used to calculate enrollment, so that counts are unduplicated. Prior to this, the counts are not unduplicated counts; concurrently enrolled students are counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools are included, which may additionally overstate aggregated enrollment figures.

(5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates.

(6) Count represents the total number of vehicles registered as of the end of the fiscal year. Starting with fiscal year 2002, a new category for "unassigned vehicles" was added to more fully reflect the total count of all registered vehicles.

(7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.

(8) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2012 contains data for the calendar year ending December 31, 2011.

(9) 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 2012 contains data for the fall 2011 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.

(10) Approximate number of members enrolled as of June 1.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

Fiscal Year		
2005	2004	2003
6.0	6.0	5.3
1,075,873	971,292	955,600
105,517	122,577	121,193
546,369	521,992	442,320
87.1	85.7	95.9
4.7	4.8	5.1
1,043,704	1,002,630	970,283
19,922,704	19,229,079	18,363,977
32,710	31,937	30,898
5,945,131	5,638,799	5,311,590
1,158,223	1,122,893	1,039,780
808,055	835,669	865,634
104,685	102,461	100,258
200,282	227,585	255,579
3,281	3,300	2,954
102	139	150
$ 397.6	$ 366.6	$ 322.3
14,626	11,218	11,400

STATE OF ARIZONA
SCHEDULE 27
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2012

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
FUNCTIONS/PROGRAMS							
Protection and safety:							
Number of adult prison facilities (3)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (2)	6,751	6,722	6,789	6,753	6,785	6,817	6,922
Number of bridges (2)	4,754	4,741	4,700	4,648	4,637	4,648	4,676
Natural resources:							
State Trust acres	9,302,256	9,252,495	9,258,071	9,259,296	9,260,253	9,262,781	9,267,377
Universities:							
Number of facilities (4)	1,711	1,740	1,737	1,670	1,669	1,663	1,002
Gross square feet (in thousands) (4)	39,933	37,967	37,589	37,186	36,000	34,946	20,154

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, unemployment compensation, Industrial Commission special fund, Lottery, and other business-type activity functions.

(1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as a calendar year), as indicated in the notes below.
(2) 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.
(3) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
(4) 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, and Corrections and the Universities.

Fiscal Year		
2005	2004	2003
10	10	10
6,816	6,912	6,801
4,608	4,488	4,463
9,269,723	9,271,580	9,279,243
N/A	N/A	N/A
N/A	N/A	N/A

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, General Accounting Office, Financial Reporting Section:

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Gary Kern

Special acknowledgment goes to:

All fiscal and accounting personnel throughout the Arizona State government, whose dedicated efforts and cooperation contributed to the compilation of financial information that appears in the report.

A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

State of Arizona

Year Ended June 30, 2012

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

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State of Arizona
Single Audit Reporting Package
Year Ended June 30, 2012

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable Andy Tobin, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

Compliance

We have audited the State of Arizona's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012, except for that portion of the federal programs administered by the Arizona Health Care Cost Containment System and the Arizona Department of Transportation. Those entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the compliance of those entities with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the reports of the other auditors. The State's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit and the reports of the other auditors.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in the following table, the State did not comply with certain compliance requirements that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
Military Construction, National Guard (12.400)	Cash Management	12-120
Vocational Rehabilitation Cluster:	Eligibility	12-104
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126) ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act (84.390)		
TANF Cluster:	Reporting	12-105
Temporary Assistance for Needy Families (93.558) ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants (93.716)		

In our opinion, based on our audit and the reports of the other auditors, except for the noncompliance described in the preceding table, the State of Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures and the reports of the other auditors also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 12-101, 12-102, 12-103, 12-106, 12-107, 12-108, 12-109, 12-110, 12-111, 12-112, 12-113, 12-114, 12-116, 12-117, 12-118, 12-119, 12-121, 12-122, 12-125, and 12-126.

Internal Control over Compliance

The State's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we and the reports of the other auditors identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-104, 12-105, 12-108, 12-109, 12-110, 12-112, 12-113, 12-116, 12-118, 12-120, and 12-122 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-106, 12-107, 12-111, 12-114, 12-115, 12-117, 12-119, 12-121, 12-123, 12-124, 12-125, and 12-126 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the 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 as of and for the year ended June 30, 2012, and have issued our report thereon dated January 14, 2013, that contained an unqualified opinion on those financial statements. Our report was modified to include a reference to our reliance on other auditors, for emphasis of a matter relating to the Rio Nuevo Multipurpose Facilities District, and as to consistency because of a change in reporting entity. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the State's management 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 previously, and the reports of the other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The State's responses to the findings identified in our audit are presented on pages 97 through 115. We did not audit the State's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, management of state agencies, others within the State, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport
Auditor General

March 28, 2013

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	PEACE CORPS		
8.PC-11-8-046, PC-11-8-030	Peace Corps	NAA	$ 15,712
	Total Peace Corps		$ 15,712
	DEPARTMENT OF AGRICULTURE		
	SNAP Cluster		
10.551	Supplemental Nutritional Assistance Program	DEA	$ 1,709,716,879
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	ASA	20,657
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	DEA	46,392,469
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	HSA	6,906,906
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	UAA	5,247,311
	10.561 Subtotal		58,567,343
	SNAP Cluster Subtotal		1,768,284,222
	Child Nutrition Cluster		
10.553	School Breakfast Program	DCA	34,141
10.553	School Breakfast Program	DJA	299,385
10.553	School Breakfast Program	EDA	70,100,594
	10.553 Subtotal		70,434,120
10.555	National School Lunch Program	DCA	52,245
10.555	National School Lunch Program	EDA	266,545,944
10.555	National School Lunch Program	SDA	247,538
	10.555 Subtotal		266,845,727
10.556	Special Milk Program for Children	EDA	73,531
10.559	Summer Food Service Program for Children	EDA	6,715,147
	Child Nutrition Cluster Subtotal		344,068,525
	Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	DEA	2,259,028
10.569	Emergency Food Assistance Program (Food Commodities)	DEA	10,197,036
	Emergency Food Assistance Cluster Subtotal		12,456,064
	Forest Service Schools and Roads Cluster		
10.665	Schools and Roads—Grants to States	GFA	26,415
	Schools and Roads Cluster Subtotal		26,415
	Other Department of Agriculture Programs		
10.001	Agricultural Research—Basic and Applied Research	CRA	30,000
10.001	Agricultural Research—Basic and Applied Research	UAA	86,299
	10.001 Subtotal		116,299
10.025	Plant and Animal Disease, Pest Control, and Animal Care	AHA	2,355,215
10.025	Plant and Animal Disease, Pest Control, and Animal Care	CRA	1,953,153
10.025	Plant and Animal Disease, Pest Control, and Animal Care	GFA	49,316
10.025	Plant and Animal Disease, Pest Control, and Animal Care	UAA	16,500
	10.025 Subtotal		4,374,184
10.093	Voluntary Public Access and Habitat Incentive Program	GFA	521,638
10.156	Federal-State Marketing Improvement Program	AHA	47,608
10.163	Market Protection and Promotion	AHA	88,997
10.168	Farmers' Market Promotion Program	ASA	5,400
10.170	Specialty Crop Block Grant Program—Farm Bill	AHA	801,340
10.170	Specialty Crop Block Grant Program—Farm Bill	UAA	14,822
	10.170 Subtotal		816,162
10.171	Organic Certification Cost Share Programs	AHA	5,250
10.200	Grants for Agricultural Research, Special Research Grants, *New Mexico State University,* Contract # Q01437	UAA	3,269
10.215	Sustainable Agriculture Research and Education, *Utah State University,* Contract # 2007-38640-18047	ASA	1,568

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
10.217	Higher Education Challenge Grants	UAA	112,235
10.217	Higher Education Challenge Grants, *New Mexico State University,* Contract # Q01429	UAA	27,475
	10.217 Subtotal		139,710
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	UAA	20,792
10.303	Integrated Programs, *University of California-Davis,* Contract #s 07001492ARI13, 07001492ARI14, 07001492ARI15, 07001492UA3, 201120630ARI16, 201120630ARI17, 201120630ARI18, 201120630-ARI19	UAA	69,526
10.304	Homeland Security—Agricultural	UAA	192,129
10.304	Homeland Security—Agricultural, *University of California-Davis,* Contract # K007797-18	AHA	1,500
	10.304 Subtotal		193,629
10.305	International Science and Education Grants	UAA	80,876
10.309	Specialty Crop Research Initiative, *University of California-Davis,* Contract # 20101304803	UAA	96,097
10.310	Agriculture and Food Research Initiative (AFRI)	UAA	26,770
10.311	Beginning Farmer and Rancher Development Program	UAA	41,954
10.443	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	UAA	112,544
10.455	Community Outreach and Assistance Partnership Program	UAA	67,137
10.459	Commodity Partnerships for Small Agricultural Risk Management Education Sessions	UAA	59,014
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	AHA	132,684
10.479	Food Safety Cooperative Agreements	HSA	431,323
10.500	Cooperative Extension Service	UAA	4,889,435
10.500	Cooperative Extension Service, *Kansas State University,* Contract #s 20104866121868, S08024, S11095, S12010, S12080, S12197	UAA	152,816
10.500	Cooperative Extension Service, *Michigan State University,* Contract # RC100253UA	UAA	104,816
10.500	Cooperative Extension Service, *University of Wyoming,* Contract #s 1000781MASTERS, 1000781TUTTLE, 1000781ALDEN, 1001381, UTSTUNV46442AZ, UTSTUNV46467AZ2	UAA	13,560
10.500	Cooperative Extension Service, *Washington State University,* Contract #s 108815G002909, 108815G002719	UAA	7,269
	10.500 Subtotal		5,167,896
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	HSA	162,015,474
10.558	Child and Adult Care Food Program	EDA	46,015,969
10.560	State Administrative Expenses for Child Nutrition	EDA	5,257,003
10.565	Commodity Supplemental Food Program	HSA	4,033,093
10.572	WIC Farmers' Market Nutrition Program (FMNP)	HSA	96,257
10.574	Team Nutrition Grants	EDA	982
10.576	Senior Farmers Market Nutrition Program	HSA	76,313
10.578	ARRA—WIC Grants to States (WGS)	HSA	782,130
10.579	Child Nutrition Discretionary Grants Limited Availability	EDA	146,596
10.582	Fresh Fruit and Vegetable Program	EDA	2,959,328
10.652	Forestry Research	GFA	7,606
10.664	Cooperative Forestry Assistance	FOA	4,171,745
10.664	Cooperative Forestry Assistance, *Coconino County,* Contract # 71542	UAA	36,000
	10.664 Subtotal		4,207,745
10.676	Forest Legacy Program	FOA	2,150
10.683	National Fish and Wildlife Foundation	GFA	282,634
10.688	ARRA—Recovery Act of 2009: Wildland Fire Management	FOA	1,048,563
10.688	ARRA—Recovery Act of 2009: Wildland Fire Management	GFA	118,578
	10.688 Subtotal		1,167,141
10.694	Southwest Forest Health and Wildfire Prevention	NAA	4,538
10.769	Rural Business Enterprise Grants	DTA	80,000
10.773	Rural Business Opportunity Grants	NAA	8,074
10.862	Household Water Well System Grant Program	ASA	8,403
10.912	Environmental Quality Incentives Program	AHA	170,666
10.912	Environmental Quality Incentives Program	GFA	106,617
	10.912 Subtotal		277,283
10.914	Wildlife Habitat Incentive Program	GFA	21,634
10.06CS011031200036	AZ Bald Eagle Management Program	GFA	15,600

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
10.07-CR-11031600-147, 10-DG-11031600-050, 10-JV-11221636-261, 12-CR-11031600-020	Forestry Service	NAA	1,329,957
10.07CS11132422195	Wildcat5 Hydrograph Program	UAA	4,222
10.08CS11030504027	Rangeland Monitoring and Inventory	UAA	31,867
10.09CR11031600085	Education and Monitoring Program Related to Rangeland Resources Monitoring and Data Collection on National Forest System Lands within the State of Arizona	UAA	36,077
10.0992080217CA	New Mexico ALIRT Program, *New Mexico State University,* Contract # Q01441	UAA	12,126
10.11-CS-11030515-027	Pnea Blanca Lake Habitat and Recreation Improvements	GFA	43,854
10.11-CS-11031200-027	Coordinated Sonoran Desert Bird Monitoring	GFA	9,883
10.11-CS-11031203-021	Saguaro And Canyon Lakes Dock Renovation Project	GFA	64,171
10.1110010773CA	The Arizona AG Discovery Summer Enrichment Program	UAA	16,301
10.1225B1053-1	Enhancing Vegetable IPM in Arizona	UAA	27,910
10.1225B1053-2	Implementing an Arizona GHP/GAP Certification Training and Promotion Program	UAA	18,642
10.1225B1053-3	Pesticide Information Empowers Progressive Vegetable Industry	UAA	35,733
10.12-CS-11030109-019	ASNF Management Indicator Species Report Update 2006-2011	GFA	22,334
10.685-IPA-11-246,10.689-IPA-10-033	IPA-VA Consortium for Healthcare Informatics Research	ASA	17,659
10.BG00T53311	Reduced Risk Pesticide Use in Arizona Cotton	UAA	9,916
10.PNW09JV11261975012	Saving the Wide Open Spaces	UAA	8,703
10.Unknown	Rural Development	NAA	162,214
10.Unknown	Solid Waste Training Support for Shonto Community, *Shonto Community Development Corporation Inc.*	NAA	2,381
10.Unknown	(Yeak) Cyfernet Search: 4H Youth Engagement, Attitudes and Knowledge Survey, *National 4H Council,* Contract # LTR DTD 090111	UAA	10,056
	Total Department of Agriculture		$ 2,366,785,512
	DEPARTMENT OF COMMERCE		
	Economic Development Cluster		
11.300	ARRA—Investments for Public Works and Economic Development Facilities	UAA	$ 1,317,056
11.307	Economic Adjustment Assistance	NAA	150,000
	Economic Development Cluster Subtotal		1,467,056
	Other Department of Commerce Programs		
11.303	Economic Development—Technical Assistance	UAA	112,303
11.467	Meteorologic and Hydrologic Modernization Development, *University Corporation for Atmospheric Research,* Contract # NA06NWS4670013	ASA	7,102
11.555	Public Safety Interoperable Communications Grant Program	ADA	59,411
11.555	Public Safety Interoperable Communications Grant Program	HLA	5,300,808
11.555	Public Safety Interoperable Communications Grant Program	PSA	1,612,603
	11.555 Subtotal		6,972,822
11.557	ARRA—Broadband Technology Opportunities Program (BTOP)	GVA	17,405
11.557	ARRA—Broadband Technology Opportunities Program (BTOP)	STA	660,395
	11.557 Subtotal		677,800
11.558	ARRA—State Broadband Data and Development Grant Program	ADA	1,130,807
11.558	ARRA—State Broadband Data and Development Grant Program	LDA	84,148
	11.558 Subtotal		1,214,955
11.609	Measurement and Engineering Research and Standards	ASA	61,624
11.IPA DTD 101510	IPA: 2010 Census Analyses and Monographs	UAA	54,329
11.IPA DTD 120109	NOAA Intergovernmental Personnel Act Mobility Assignment	UAA	212,439
	Total Department of Commerce		$ 10,780,430
	DEPARTMENT OF DEFENSE		
12.110	Planning Assistance to States	GFA	$ 84,172
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	EVA	875,761
12.300	Basic and Applied Scientific Research	ASA	599,718
12.300	Basic and Applied Scientific Research	UAA	396,885
	12.300 Subtotal		996,603

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
12.400	Military Construction, National Guard	MAA	13,016,903
12.401	National Guard Military Operations and Maintenance (O&M) Projects	MAA	47,685,464
12.404	National Guard ChallenGe Program		1,866,730
12.420	Military Medical Research and Development, *Samueli Institute,* Contract # W81XWH0610279P00002	UAA	49,939
12.431	Basic Scientific Research	ASA	12,728
12.431	Basic Scientific Research, *Plexus Logistics,* Contract # W9133L-09-F-0242	ASA	250,000
	12.431 Subtotal		262,728
12.550	The Language Flagship Grants to Institutions of Higher Education, *Institute of International Education,* Contract #s NSEP-U631043-ASU-CHN-10-C, HQ0034-07-C-1010	ASA	48,416
12.630	Basic, Applied, and Advanced Research in Science and Engineering	GFA	126,222
12.630	Basic, Applied, and Advanced Research in Science and Engineering	NAA	4,300
12.630	Basic, Applied, and Advanced Research in Science and Engineering, A*cademy of Applied Science,* Contract # W911NF-10-2-0076	ASA	8,585
12.630	Basic, Applied, and Advanced Research in Science and Engineering, *Institute of International Education,* Contract # HQ0034-08-2-0024	ASA	501,565
	12.630 Subtotal		640,672
12.800	Air Force Defense Research Sciences Program	ASA	25,930
12.800	Air Force Defense Research Sciences Program	GFA	221,273
	12.800 Subtotal		247,203
12.900	Language Grant Program	ASA	112,566
12.902	Information Security Grant Program	ASA	1,752
12.910	Research and Technology Development	ASA	84,743
12.HC1047-05-D-4005	NET Zero at the Tactical Edge Symposium, *Wyle Laboratories,* Contract # HC1047-05-D-4005	ASA	97,920
12.LTR DTD 082510	IPA Agreement for David Schroeder	UAA	237,855
12.NSEP-U631063-ASU-CHN-ROT	ASU Chinese Language ROTC/Flagship Program, *Institute of International Education,* Contract # NSEP-U631063-ASU-CHN-ROT	ASA	40,668
12.N0014006C0084	Physical Activity Forms and Processing Support, *Science Applications International Corporation,* Contract # N0014006C0084	UAA	8,051
12.W9124A-05-D-0002	Business Enterprise Program/FT Huachuca	DEA	5,442,372
12.W9124A-12-C-0008	Legacy Resource Management Program*, U.S. Army,* Contract # W9124A12C0008	GFA	1,117
12.W9132T-12-2-0033	Conservation and Cultural Activities*, U.S. Army Construction Engineering Research Laboratories,* Contract # W91232T1220033	GFA	46,243
12.W9133L-09-F-0242	Graduate Certificate in Sustainability (GCSL), *Polu Kai Services,* Contract # W9133L-09-F-0242	ASA	380,775
12.Unknown	Marine Corps Community Services	NAA	3,888
12.Unknown	Modeling the Carbon Implications of Ecologically-Based Forest Management, *Penn State University,* Contract # 4524-NAU-USACE-0085	NAA	8,593
	Total Department of Defense		$ 72,241,134
	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
	Section 8 Project-Based Cluster		
14.195	Section 8 Housing Assistance Payments Program	HDA	$ 49,539,321
	Section 8 Project-Based Cluster Subtotal		49,539,321
	CDBG—State-Administered CDBG Cluster		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	HDA	15,207,871
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	UAA	3,796
	14.228 Subtotal		15,211,667
14.255	ARRA—Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii—(Recovery Act Funded)	HDA	864,296
	CDBG—State-Administered CDBG Cluster Subtotal		16,075,963
	Housing Voucher Cluster		
14.871	Section 8 Housing Choice Vouchers	HDA	809,923
	Housing Voucher Cluster Subtotal		809,923
	Other Department of Housing and Urban Development Programs		
14.171	Manufactured Home Dispute Resolution	MMA	310,783

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
14.231	Emergency Solutions Grants Program	DEA	913,672
14.235	Supportive Housing Program	HDA	2,498,229
14.238	Shelter Plus Care	HDA	8,177,456
14.239	Home Investment Partnerships Program	HDA	9,928,412
14.241	Housing Opportunities for Persons with AIDS	HDA	240,860
14.258	ARRA—Tax Credit Assistance Program (Recovery Act Funded)	HDA	1,373,768
14.262	ARRA—Homeless Prevention and Rapid Re-Housing Program Technical Assistance	HDA	3,382,319
14.401	Fair Housing Assistance Program—State and Local	AGA	991,651
14.866	Demolition and Revitalization of Severely Distressed Public Housing, *City of Tucson,* Contract # 033306	UAA	11,210
14.AZLHH0200-09	Health Performance, Benefit-Cost & Cost Effectiveness of Green Retrofit Housing for Low-Income Seniors in Phoenix, Arizona	ASA	151,166
14.CDNC113010CDBG	SJEP Block Grant, *Pima County, Arizona,* Contract # CTCD 1200000000000000230	UAA	1,198
14.Unknown	Community Development Block Grant Contract, *Pima County, Arizona,* Contract # 0170A143491010	UAA	5,329
14.Unknown	Increase Access to Health Care in Summit View, Littleton, Elvira and Banks Elementary Neighborhood Through Community Health Worker Model, *Pima County, Arizona,* Contract # 12000000000000000000	UAA	18,308
	Total Department of Housing and Urban Development		$ 94,429,568
	DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	GFA	$ 7,074,300
15.611	Wildlife Restoration and Basic Hunter Education	GFA	8,636,739
	Fish and Wildlife Cluster Subtotal		15,711,039
	Other Department of the Interior Programs		
15.225	Recreation Resource Management	NAA	8,958
15.228	National Fire Plan—Wildland Urban Interface Community Fire Assistance	FOA	87,695
15.231	Fish, Wildlife and Plant Conservation Resource Management	EVA	73,230
15.231	Fish, Wildlife and Plant Conservation Resource Management	GFA	742,693
15.231	Fish, Wildlife and Plant Conservation Resource Management	NAA	9,296
15.231	Fish, Wildlife and Plant Conservation Resource Management, *The Arboretum at Flagstaff,* Contract # PAA-07-0012	NAA	25,000
	15.231 Subtotal		850,219
15.237	Rangeland Resource Management	UAA	246,524
15.238	Challenge Cost Share	GFA	212,416
15.238	Challenge Cost Share	UAA	13,149
	15.238 Subtotal		225,565
15.511	Cultural Resources Management	ASA	4,565
15.517	Fish and Wildlife Coordination Act	GFA	72,316
15.517	Fish and Wildlife Coordination Act	UAA	74,539
	15.517 Subtotal		146,855
15.519	Indian Tribal Water Resources Development, Management, and Protection	ASA	115,938
15.530	Water Conservation Field Services Program (WCFSP)	UAA	17,169
15.538	Lower Colorado River Multi-Species Conservation Program	GFA	370,031
15.608	Fish and Wildlife Management Assistance	GFA	256,376
15.615	Cooperative Endangered Species Conservation Fund	AHA	255,940
15.615	Cooperative Endangered Species Conservation Fund	GFA	1,092,943
	15.615 Subtotal		1,348,883
15.622	Sportfishing and Boating Safety Act	GFA	178,302
15.626	Enhanced Hunter Education and Safety Program	GFA	189,277
15.632	Conservation Grants Private Stewardship for Imperiled Species	ASA	7,353
15.633	Landowner Incentive Program	GFA	392,202
15.634	State Wildlife Grants	GFA	1,731,262
15.637	Migratory Bird Joint Ventures	GFA	2,459
15.647	Migratory Bird Conservation	GFA	34,009

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
15.649	Service Training and Technical Assistance (Generic Training)	GFA	17,308
15.653	National Outreach and Communication Program	GFA	25,000
15.655	Migratory Bird Monitoring, Assessment and Conservation	GFA	17,546
15.656	ARRA—Recovery Act Funds—Habitat Enhancement, Restoration and Improvement	GFA	45,828
15.664	Fish and Wildlife Coordination and Assistance Programs	GFA	12,606
15.670	Adaptive Science	UAA	278
15.808	U.S. Geological Survey—Research and Data Collection	GFA	458,672
15.808	U.S. Geological Survey—Research and Data Collection	GSA	4,906
15.808	U.S. Geological Survey—Research and Data Collection	NAA	40,651
15.808	U.S. Geological Survey—Research and Data Collection	UAA	3,832
	15.808 Subtotal		508,061
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	NAA	9,331
15.810	National Cooperative Geologic Mapping Program	GSA	231,170
15.814	National Geological and Geophysical Data Preservation Program	GSA	35,999
15.820	National Climate Change and Wildlife Science Center	UAA	6,478
15.904	Historic Preservation Fund Grants-In-Aid	PRA	928,294
15.904	Historic Preservation Fund Grants-in-Aid	UAA	6,828
	15.904 Subtotal		935,122
15.916	Outdoor Recreation—Acquisition, Development and Planning	PRA	579,398
15.929	Save America's Treasures	UAA	5,847
15.935	National Trails System Projects	PRA	30,298
15.944	Natural Resource Stewardship	GFA	39,201
15.945	Cooperative Research and Training Programs—Resources of the National Park System	UAA	26,186
15.1-07-34-C0165	Mumme Farm Development and Revegetation Project	GFA	164
15.4500031	Bureau of Land Management	NAA	31,045
15.50730W0330	Bureau of Reclamation Restricted Endowment	ASA	6,483,752
15.624109M061	U.S. Fish & Wildlife Service	NAA	7,048
15.8FG3200540	Roosevelt Lake Goose Mitigation Project	GFA	17,860
15.99FC320140	Statewide Flood Warning System Maintenance	WCA	20,000
15.A11PX00460	Enhancing the Capacity of Seven Selected Native Nations and their Leadership	UAA	106,879
15.A12PX00034	Bureau of Indian Affairs	NAA	6,435
15.A12PX00252	2012 Water Resources Training Program	UAA	2,790
15.H1200040002/237/247, H120090005	National Park Service	NAA	83,362
15.H1200040002J8100080224	Implement Corrective Action Plan, Improve Access, and Manage FY08 Year-End Reporting—CASA Grande Ruins/Saguaro National Park (UAZCP156)	UAA	428
15.H1200040002J8100080242	Provide Museum Assistance	UAA	14,310
15.H1200040002J8100090117	Manage FY09 Museum Collection Reporting and Assist with Digital Imaging Project	UAA	644
15.H1200050003J1242070003	Speaker Series Graduate Planning Seminar564—Desert Southwest CESU (UAZDS-283)	UAA	1,423
15.H1200050003J1242070062	Missions Initiative Project Administration—Tumacacori National Park, Pecos National Monument, Salinas Pueblo Missions National Monument, San Antonio Missions National Park (UAZDS259)	UAA	1,622
15.H1200050003J1242090024	Speaker Series for UA Graduate Planning Seminar 564 (UAZDS-315)	UAA	250
15.H1200050003J230090001	Design and Production of 50th Anniversary Calendar and Poster (UAZDS-320)	UAA	6,110
15.H1200050003J7180090440	Williams Ranch & Pratt Cabin Historic Structure Reports Guadalupe Mountains National Park (UAZDS-304)	UAA	18,815
15.H1200050003J7420100005	Furnishings Documentation and Plan for Hubbell Tradingpost Store (UAZDS-323)	UAA	2,528
15.H1200050003J7481090021	Cultural Landscape Inventories Mission Espada & Mission San Juan (UAZDS-299)	UAA	17,414
15.H1200050003J7481100011	Trail Ridge Road Cultural Landscape Inventory (UAZDS-338)	UAA	17,934
15.H1200050003J7580090231	Resaca De La Plama Plan (UAZDS-313)	UAA	5,379
15.H1200050003J7600090027	Missions Initiative Project—Inventory Mission Sites (2009-2011) San Antonio Missions National Historical Park (UAZDS-296)	UAA	720
15.H1200050003J8610080006	Formalize Sister Parks Agreement & Paquime	UAA	1,444
15.H1200050003J8650060011	Exhibit Production at Tuzigoot and Tonto National Monuments Only—Southern Arizona National Park Service Sites	UAA	17,592
15.H1200050003J8660100055	Document, Assess, Stabilize and Repair Cultural Resources Impacted by Border Activities (UAZDS-346)	UAA	21,912
15.H1200050003J8670100082	Interpret the Saguaro Wilderness Watershed	UAA	8,667
15.H1200050003J8680090020	Exhibit Production at Various Southern Arizona National Park Service Sites (UAZD-305)	UAA	4,722
15.H1200090005	Wayside Exhibit Planning and Design	ASA	15,202
15.H1200090005J2303100009	Herbarium Imaging Project (Phase 3-UA) (UAZCP-242)	UAA	10,012
15.H1200090005J2370107006	Year 2—Herbarium Imaging Project	UAA	12,908
15.H1200090005P11AT00170	Provide Support for Western Archeological and Conservation Center Earthquake Preparedness and Emergency Operation Plan	UAA	7,194

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
15.H1200090005P11AT10744	Support Archives and Library Program (UAZCP-277)	UAA	1,502
15.H1200090005J8100100364	Conduct Pilot Project to Catalog and Make Archeological Dendrochronology Specimens Web—Accessible (UAZCP-239)	UAA	39,006
15.H1200090005J8430091014	Performing A Sustainability Assessment and Development an Energy Plan for: Park Employee Housing on the Former Sugilia Property	UAA	14,026
15.H1200100001P11AT10307	FY11 DSCESU Program Coordinator	UAA	3,149
15.H1200100001P11AT10311	2011 Southwestern Rare Plant Taskforce Workshop	UAA	246
15.H1200100001P11AT10417	Document, Assess, Stabilize and Repair Cultural Resources Impacted by Border Activities	UAA	21,896
15.H1200100001P11AT10435	California Phenology Project Technical Assistance (UAZDS 364)	UAA	32,427
15.H1200100001P12AC10087	Conduct Tribal Consultation to Publish a Notice of Inventory Completion	UAA	8,245
15.H2623050831J2275090006	Assistance with Professional Training for Afghan Cultural Heritage Officials	UAA	354
15.H2623050831J2275100005	Assistance with Afghan Cultural Heritage Officials Training, Archeology Program, WASO	UAA	20,921
15.H2623050831J2370091671	Assessing the Impacts of Climate Change to National Park Service Resources and Park Operations	UAA	46,121
15.L08AC13646	Rangeland Monitoring Years 5 & 6	UAA	5,046
15.LTR DTD 020311	IPA on Land Use Dynamics and Adaptation to Climate Change in West Africa	UAA	74,835
15.R06AP30039	Razorback Sucker Growth Studies	GFA	14,222
15.Unknown	Indian Children's Program, *Utah State University,* Contract # 100249-002	NAA	296,074
	Total Department of the Interior		$ 31,974,973
	DEPARTMENT OF JUSTICE		
	JAG Program Cluster		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	AGA	$ 192,943
16.738	Edward Byrne Memorial Justice Assistance Grant Program	JCA	6,522,624
16.738	Edward Byrne Memorial Justice Assistance Grant Program	PSA	570,034
16.738	Edward Byrne Memorial Justice Assistance Grant Program	SPA	142,801
	16.738 Subtotal		7,428,402
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	AGA	823,509
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	JCA	1,487,305
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	PSA	416,575
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	SPA	63,779
	16.803 Subtotal		2,791,168
	JAG Program Cluster Subtotal		10,219,570
	Other Department of Justice Programs		
16.013	Violence Against Women Act Court Training and Improvement Grants	SPA	1,023
16.017	Sexual Assault Services Formula Program	HSA	178,414
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	DCA	33,214
16.523	Juvenile Accountability Block Grants	DJA	62,108
16.523	Juvenile Accountability Block Grants	GVA	800,289
16.523	Juvenile Accountability Block Grants	SPA	70,059
	16.523 Subtotal		932,456
16.526	OVW Technical Assistance Initiative	NAA	144,644
16.527	Supervised Visitation, Safe Havens for Children	GVA	117,384
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	GVA	839,725
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States	SPA	17,999
	16.540 Subtotal		857,724
16.543	Missing Children's Assistance	AGA	11,000
16.543	Missing Children's Assistance	PSA	24,000
16.543	Missing Children's Assistance	SPA	59,052
	16.543 Subtotal		94,052
16.548	Title V—Delinquency Prevention Program	GVA	44,605
16.550	State Justice Statistics Program for Statistical Analysis Centers	JCA	54,025
16.554	National Criminal History Improvement Program (NCHIP)	DCA	26,937

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
16.554	National Criminal History Improvement Program (NCHIP)	JCA	104,310
16.554	National Criminal History Improvement Program (NCHIP)	PSA	131,414
	16.554 Subtotal		262,661
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	AGA	11,722
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	JCA	80,073
	16.560 Subtotal		91,795
16.575	Crime Victim Assistance	AGA	104,151
16.575	Crime Victim Assistance	DCA	52,483
16.575	Crime Victim Assistance	DJA	45,672
16.575	Crime Victim Assistance	PSA	8,006,335
	16.575 Subtotal		8,208,641
16.576	Crime Victim Compensation	JCA	1,421,727
16.579	Edward Byrne Memorial Formula Grant Program, *City of Tucson,* Contract # 16061	UAA	173,898
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	AGA	620,126
16.582	Crime Victim Assistance/Discretionary Grants	AGA	20,397
16.588	Violence Against Women Formula Grants	GVA	2,502,691
16.588	ARRA—Violence Against Women Formula Grants	GVA	319,504
16.588	Violence Against Women Formula Grants	NAA	337,366
16.588	ARRA—Violence Against Women Formula Grants	PSA	226,602
16.588	ARRA—Violence Against Women Formula Grants	STA	103,246
	16.588 Subtotal		3,489,409
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	GVA	251,720
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	UAA	32,042
	16.589 Subtotal		283,762
16.593	Residential Substance Abuse Treatment for State Prisoners	DCA	45,673
16.593	Residential Substance Abuse Treatment for State Prisoners	DJA	201,724
16.593	Residential Substance Abuse Treatment for State Prisoners	JCA	275,186
	16.593 Subtotal		522,583
16.606	State Criminal Alien Assistance Program	DCA	9,728,312
16.607	Bulletproof Vest Partnership Program	ADA	17,876
16.607	Bulletproof Vest Partnership Program	DCA	70,545
	16.607 Subtotal		88,421
16.609	Project Safe Neighborhoods	JCA	135,934
16.609	Project Safe Neighborhoods	PSA	98,651
	16.609 Subtotal		234,585
16.610	Regional Information Sharing Systems	PSA	1,314,322
16.726	Juvenile Mentoring Program, *National 4H Council,* Contract # LTR DTD 050912	UAA	15,071
16.727	Enforcing Underage Drinking Laws Program	ASA	12,007
16.727	Enforcing Underage Drinking Laws Program	GHA	249,397
16.727	Enforcing Underage Drinking Laws Program	LLA	80,068
16.727	Enforcing Underage Drinking Laws Program	NAA	729
16.727	Enforcing Underage Drinking Laws Program	PSA	35,000
16.727	Enforcing Underage Drinking Laws Program	UAA	29,134
	16.727 Subtotal		406,335
16.741	DNA Backlog Reduction Program	JCA	1,179,264
16.741	DNA Backlog Reduction Program	PSA	839,505
	16.741 Subtotal		2,018,769
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	JCA	314,198
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	PSA	303,212
	16.742 Subtotal		617,410
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	DCA	38,897

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
16.746	Capital Case Litigation	JCA	107,917
16.746	Capital Case Litigation	NAA	41,690
16.746	Capital Case Litigation	SPA	9,005
	16.746 Subtotal		158,612
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	PSA	549,385
16.750	Support for Adam Walsh Act Implementation Grant Program	DCA	393,942
16.801	ARRA—Recovery Act—State Victim Assistance Formula Grant Program	PSA	172,617
16.808	ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program	PSA	75,532
16.808	ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program, *Chicanos Por La Causa, Inc. (CPLC),* Contract # 2009-SC-B9-0051	ASA	487
	16.808 Subtotal		76,019
16.809	ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	AGA	486,052
16.809	ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	PSA	29,092
	16.809 Subtotal		515,144
16.812	Second Chance Act Prisoner Reentry Initiative	DCA	312,517
16.812	Second Chance Act Prisoner Reentry Initiative	DJA	9,817
	16.812 Subtotal		322,334
16.813	NICS Act Record Improvement Program	JCA	151,683
16.813	NICS Act Record Improvement Program	PSA	23,129
	16.813 Subtotal		174,812
16.816	John R. Justice Prosecutors and Defenders Incentive Act	SPA	149,076
16.2010JUFX0016	4-H Mentoring: Arizona Youth & Families with Promise, *National 4H Council,* Contract # 2010JUFX0016	UAA	54,705
16.2011-JP-FX-0101	The Long-term Consequences of Gang Membership	ASA	24,415
16.MOU DPS 2008361, SWAZP0428 MN070129, SWAZP0499H MN100076, SWAZP520 MN100175, SWAZP0529 MO100302	Drug Enforcement Administration OCDETF	PSA	32,419
16.Unknown	Federal Asset Sharing	AGA	669,669
	Total Department of Justice		$ 45,527,381
	DEPARTMENT OF LABOR		
	Employment Service Cluster		
17.207	Employment Service/Wagner-Peyser Funded Activities	ADA	$ 752,506
17.207	Employment Service/Wagner-Peyser Funded Activities	AFA	70,622
17.207	Employment Service/Wagner-Peyser Funded Activities	DEA	14,262,244
17.207	Employment Service/Wagner-Peyser Funded Activities	GVA	1,197,722
	17.207 Subtotal		16,283,094
17.801	Disabled Veterans' Outreach Program (DVOP)	DEA	1,781,280
17.804	Local Veterans' Employment Representative (LVER) Program	DEA	1,118,158
	Employment Service Cluster Subtotal		19,182,532
	WIA Cluster		
17.258	WIA Adult Program	ASA	50,193
17.258	WIA Adult Program	DEA	14,547,912
17.258	ARRA—WIA Adult Program	DEA	1,980
	17.258 Subtotal		14,600,085
17.259	WIA Youth Activities	ADA	39,104
17.259	WIA Youth Activities	DEA	11,866,667
17.259	ARRA—WIA Youth Activities	DEA	47,401
	17.259 Subtotal		11,953,172
17.260	WIA Dislocated Workers	DEA	887,301

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
17.260	ARRA—WIA Dislocated Workers	DEA	270,000
	17.260 Subtotal		1,157,301
17.278	WIA Dislocated Worker Formula Grants	DEA	17,458,466
17.278	WIA Dislocated Worker Formula Grants	EDA	25,931
	17.278 Subtotal		17,484,397
	WIA Cluster Subtotal		45,194,955
	Other Department of Labor Programs		
17.002	Labor Force Statistics	ADA	1,214,399
17.005	Compensation and Working Conditions	ICA	136,331
17.225	Unemployment Insurance	ADA	50,227
17.225	Unemployment Insurance	DEA	1,106,326,917
17.225	ARRA—Unemployment Insurance	DEA	11,565,975
	17.225 Subtotal		1,117,943,119
17.235	Senior Community Service Employment Program	DEA	1,596,483
17.245	Trade Adjustment Assistance	DEA	2,531,203
17.262	Employment and Training Administration Evaluations	ASA	4,255
17.267	Incentive Grants—WIA Section 503	DEA	67,854
17.267	Incentive Grants—WIA Section 503	EDA	316,083
17.267	Incentive Grants—WIA Section 503	GVA	4,798
	17.267 Subtotal		388,735
17.271	Work Opportunity Tax Credit Program (WOTC)	DEA	132,499
17.273	Temporary Labor Certification for Foreign Workers	DEA	150,808
17.275	ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	ADA	189,426
17.275	ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	DEA	2,754,201
	17.275 Subtotal		2,943,627
17.503	Occupational Safety and Health—State Program	ICA	1,832,641
17.504	Consultation Agreements	ICA	492,254
17.600	Mine Health and Safety Grants	MIA	229,863
17.807	Transition Assistance Program	DEA	14,458
	Total Department of Labor		$ 1,193,988,162
	DEPARTMENT OF STATE		
19.009	Academic Exchange Programs—Undergraduate Programs	NAA	$ 154,615
19.009	Academic Exchange Programs—Undergraduate Programs, *Institute of International Education,* Contract # S-ECAAE-10-GR136(MJ)	ASA	76,474
	19.009 Subtotal		231,089
19.010	Academic Exchange Programs—Hubert H. Humphrey Fellowship Program, *Institute of International Education,* Contract # S-ECAAS-10-CA-044(DT)	ASA	136,380
19.010	Academic Exchange Programs—Hubert H. Humphrey Fellowship Program, *Institute of International Education,* Contract # SECAAS11CA033DT	UAA	88,671
	19.010 Subtotal		225,051
19.011	Academic Exchange Programs—Special Academic Exchange Programs, *American Institute of Maghrib Studies,* Contract # LTR DTD 11122010	UAA	123,660
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	ASA	190,984
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union, *American Council of Learned Societies (ACLS),* Contract # AGR 07/19/07	ASA	1,350
	19.300 Subtotal		192,334
19.345	International Programs to Support Democracy, Human Rights and Labor	ASA	159,273
19.501	Public Diplomacy Programs for Afghanistan and Pakistan	UAA	225,610
19.700	General Department of State Assistance	UAA	9,900

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
19.AGR 12/29/11	Junior Faculty Development Program: US Host Institution Eurasia Region 2011-12, *American Councils for International Education,* Contract # AGR 12/29/11	ASA	1,456
19.SCH50010GR201	Establishment and Administration of an American Center at Sichuan University	ASA	32,137
19.SECAA12CA095KF	The Study of the United States Institutes for Student Leaders on U.S. History and Government, *Institute for Training and Development,* Contract # LTR DTD 061812	UAA	18,066
19.S-ECAAE-10-CA-036(CS)	Fulbright FLTA Orientations 2011, *Institute of International Education* , Contract # S-ECAAE-10-CA-036(CS)	ASA	59,835
19.S-ECAAE-10-GR136(MJ)	Indonesia English Language Study Program, *Institute of International Education,* Contract # S-ECAAE-10-GR136(MJ)	ASA	87,597
19.SECAAE11CA004KF	A Sampling of Arizona Culture (Enrichment Grant), *Institute of International Education,* Contract # LTR DTD 061812	UAA	5,098
19.S-GE800-10-GR-115	Achieving Excellence: A Strategic Research Plan for the Social Sciences in Georgia	ASA	69,418
19.SID320-11-GR-034	Indonesia English Language Study Program, *Institute of International Education,* Contract # SID320-11-GR-034	ASA	104,444
19.SIZ10009GR101	Fulbright Visiting Scholar Program for Iraq, *Institute of International Education,* Contract # SIZ10009GR101	UAA	115,500
19.SIZ-100-11-GR041	Baghdad University Teacher Training Program	ASA	12,923
19.S-NEAIR-09-CA-128-02	The University of Baghdad ESL Initiatives Program, *Academy for Educational Development,* Contract # S-NEAIR-09-CA-128-02	ASA	13,860
	Total Department of State		$ 1,687,251
	DEPARTMENT OF TRANSPORTATION		
	Highway Planning and Construction Cluster		
20.205	Highway Planning and Construction	ADA	$ 139,325
20.205	Highway Planning and Construction	DTA	788,088,475
20.205	ARRA—Highway Planning and Construction	DTA	48,361,030
20.205	Highway Planning and Construction	GFA	148,427
20.205	Highway Planning and Construction	PRA	62,400
20.205	Highway Planning and Construction	PSA	5,557
	20.205 Subtotal		836,805,214
20.219	Recreational Trails Program	DTA	1,848,426
20.219	Recreational Trails Program	PRA	991,393
	20.219 Subtotal		2,839,819
	Highway Planning and Construction Cluster Subtotal		839,645,033
	Transit Services Program Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	DTA	5,666,982
20.516	Job Access—Reverse Commute	DTA	1,059,249
20.521	New Freedom Program	DTA	688,578
	Transit Services Program Cluster Subtotal		7,414,809
	Highway Safety Cluster		
20.600	State and Community Highway Safety	ASA	28,443
20.600	State and Community Highway Safety	GFA	3,914
20.600	State and Community Highway Safety	GHA	3,638,414
20.600	State and Community Highway Safety	LLA	33,406
20.600	State and Community Highway Safety	NAA	2,878
20.600	State and Community Highway Safety	PSA	26,302
	20.600 Subtotal		3,733,357
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	ADA	4,507
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	GHA	2,054,694
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	PSA	569,916
	20.601 Subtotal		2,629,117
20.610	State Traffic Safety Information System Improvement Grants	HSA	138,353
20.612	Incentive Grant Program to Increase Motorcyclist Safety	GHA	129,565
	Highway Safety Cluster Subtotal		6,630,392
	Other Department of Transportation Programs		
20.106	Airport Improvement Program	DTA	488,436
20.200	Highway Research and Development Program	DTA	1,954,896
20.215	Highway Training and Education	ASA	1,700

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
20.215	Highway Training and Education	DTA	396,021
	20.215 Subtotal		397,721
20.218	National Motor Carrier Safety	DTA	897,542
20.218	National Motor Carrier Safety	PSA	3,510,321
	20.218 Subtotal		4,407,863
20.233	Border Enforcement Grants	PSA	6,935,119
20.237	Commercial Vehicle Information Systems and Networks	DTA	620,433
20.505	Metropolitan Transportation Planning	DTA	1,631,500
20.509	Formula Grants for Other Than Urbanized Areas	DTA	6,319,174
20.509	ARRA—Formula Grants for Other Than Urbanized Areas	DTA	3,895,559
	20.509 Subtotal		10,214,733
20.700	Pipeline Safety Program Base Grants	CCA	827,337
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	MAA	296,505
20.DTFH64-11-G-00008	2011 Eisenhower Fellowship - Keith Christian	ASA	28,433
20.T12-40-00004	ADOT Academy for the Development of SDBE's 2012	ASA	55,859
20.Unknown	Safe Routes to School	UAA	73,810
	Total Department of Transportation		$ 881,622,879
	DEPARTMENT OF THE TREASURY		
21.000	National Foreclosure Mitigation Counseling (NFMC), *Neighborhood Reinvestment Corporation,* Contract #s PL110-289:95X1350, PL112-1095X1350	HDA	$ 1,234,956
	Total Department of the Treasury		$ 1,234,956
	EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		
30.001	Employment Discrimination—Title VII of the Civil Rights Act of 1964	AGA	$ 490,013
	Total Equal Employment Opportunity Commission		$ 490,013
	GENERAL SERVICES ADMINISTRATION		
39.002	Disposal of Federal Surplus Real Property	DTA	$ 540,800
39.003	Donation of Federal Surplus Personal Property	ADA	1,634,880
	Total General Services Administration		$ 2,175,680
	LIBRARY OF CONGRESS		
42.GA09C0049	Persistent Digital Archives and Library Systems	STA	$ 132,793
42.Unknown	Library of Congress Teaching with Primary Sources, *Metropolitan College of Denver* , Contract # 117024M	NAA	9,476
	Total Library of Congress		$ 142,269
	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
43.001	Science	ASA	$ 77,662
43.008	Education	ASA	5,689
43.IPA DTD 121509	NASA IPA—Israel Wygnanski	UAA	245,584
43.NAS71407	Curriculum and Training Support for Navigators Extra-Solar Planet Research, *Jet Propulsion Laboratory,* Contract # 1251186	UAA	61,057
43.NNH09ZNE005N	Laurel Clark Earth Camp Experience, *Arizona Sonora Desert Museum,* Contract # LTR DTD 122210	UAA	43,148
43.PO AERO 539 / NNX10A162A	The Best of Engineering Science and Technology Summer Program	ASA	34,521
43.Unknown	American Indian Mobile Educational Resources (AIMER)	NAA	145,242
	Total National Aeronautics and Space Administration		$ 612,903

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	NATIONAL ENDOWMENT FOR THE ARTS		
45.024	Promotion of the Arts—Grants to Organizations and Individuals	ASA	$ 43,622
45.024	Promotion of the Arts—Grants to Organizations and Individuals	UAA	37,432
	45.024 Subtotal		81,054
45.025	Promotion of the Arts—Partnership Agreements	HUA	875,988
45.025	Promotion of the Arts—Partnership Agreements	UAA	1,475
	45.025 Subtotal		877,463
45.Unknown	NEA Challenge Permanent Endowment	UAA	60,865
	Total National Endowment for the Arts		$ 1,019,382
	NATIONAL ENDOWMENT FOR THE HUMANITIES		
45.129	Promotion of the Humanities—Federal/State Partnership	PRA	$ 7,250
45.129	Promotion of the Humanities—Federal/State Partnership, *Arizona Humanities Council,* Contract #s OA14-5598-2011, GG29-5610-2011, GG23-5264-2009	ASA	4,602
45.129	Promotion of the Humanities—Federal/State Partnership, *Arizona Humanities Council,* Contract #s GG0855122011, GG1255642011, GG1755692011, GG3156122011, OA1355942011	UAA	25,417
	45.129 Subtotal		37,269
45.149	Promotion of the Humanities—Division of Preservation and Access	STA	147,530
45.161	Promotion of the Humanities—Research	UAA	11,165
45.162	Promotion of the Humanities—Teaching and Learning Resources and Curriculum Development	NAA	1,971
45.163	Promotion of the Humanities—Professional Development	ASA	107,271
46.163	Promotion of the Humanities—Professional Development	UAA	141,332
	45.163 Subtotal		248,603
45.164	Promotion of the Humanities—Public Programs	ASA	2,265
45.164	Promotion of the Humanities—Public Programs	UAA	30,060
	45.164 Subtotal		32,325
45.169	Promotion of the Humanities—Office of Digital Humanities	UAA	3,082
45.Unknown	NEH/ASM Education Endowment	UAA	348,989
	Total National Endowment for the Humanities		$ 830,934
	INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
45.310	Grants to States	ASA	$ 2,794
45.310	Grants to States	STA	3,413,636
	45.310 Subtotal		3,416,430
45.312	National Leadership Grants	STA	16,222
45.313	Laura Bush 21st Century Librarian Program	UAA	426,012
	Total Institute of Museum and Library Services		$ 3,858,664
	NATIONAL SCIENCE FOUNDATION		
47.041	Engineering Grants	ASA	$ 259,952
47.041	Engineering Grants	UAA	33,810
47.041	Engineering Grants, *Alfred University,* Contract # 2011UAZ000	UAA	4,407
47.041	Engineering Grants, *University of Alaska-Anchorage,* Contract # G5065	UAA	22,100
	47.041 Subtotal		320,269
47.049	Mathematical and Physical Sciences	ASA	655,985
47.049	Mathematical and Physical Sciences	UAA	548,675
47.049	Mathematical and Physical Sciences, *Association for Women in Mathematics,* Contract # LTR DTD 08042011	UAA	1,530
	47.049 Subtotal		1,206,190

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
47.050	Geosciences	ASA	196,838
47.050	Geosciences	GSA	281,450
47.050	Geosciences	UAA	317,239
	47.050 Subtotal		795,527
47.070	Computer and Information Science and Engineering	ASA	89,212
47.070	Computer and Information Science and Engineering	UAA	423,462
	47.070 Subtotal		512,674
47.074	Biological Sciences	ASA	290,590
47.074	Biological Sciences	NAA	177,262
47.074	Biological Sciences	UAA	88,582
	47.074 Subtotal		556,434
47.075	Social, Behavioral, and Economic Sciences	ASA	344,757
47.076	Education and Human Resources	ASA	4,222,552
47.076	Education and Human Resources	NAA	1,343,915
47.076	Education and Human Resources	UAA	3,990,030
47.076	Education and Human Resources, *California State University, Fresno Foundation,* Contract # SC3600081002	UAA	5,756
47.076	Education and Human Resources, *George Washington University,* Contract # 0930126	ASA	8,810
47.076	Education and Human Resources, *University of Montana,* Contract # PG086598002	UAA	50,760
	47.076 Subtotal		9,621,823
47.078	Polar Programs	NAA	651,352
47.079	International Science and Engineering (OISE)	ASA	62,243
47.079	International Science and Engineering (OISE)	UAA	36,524
	47.079 Subtotal		98,767
47.082	ARRA—Trans-NSF Recovery Act Reasearch Support	ASA	310,839
47.082	ARRA—Trans-NSF Recovery Act Reasearch Support	NAA	365,974
47.082	ARRA—Trans-NSF Recovery Act Reasearch Support	UAA	38,231
	47.082 Subtotal		715,044
47.0833076	Engineering Education, *Stevens Institute of Technology,* Contract # 0833076	ASA	8,280
47.0962157	Assignment of Dr. Keith Dienes as a Program Director—IPA	UAA	184,843
47.0968944	Intergovernmental Personnel Act (IPA) Assignment of Mr. Justin Poll	ASA	75,535
47.1153253	NSF IPA	UAA	136,357
47.DMS0846477	The Ninth Annual Southwestern Undergraduate Mathematics Research Conference, *Mathematical Association of America (THE),* Contract # DMS0846477	UAA	2,000
47.IPA DTD 080310	NSF IPA Assignee—Ahmed Louri	UAA	280,391
47.Unknown	National Science Foundation	NAA	124,766
	Total National Science Foundation		$ 15,635,009
	DEPARTMENT OF VETERANS AFFAIRS		
64.005	Grants to States for Construction of State Home Facilities	VSA	$ 20,142
64.005	ARRA—Grants to States for Construction of State Home Facilities	VSA	2,819,579
	64.005 Subtotal		2,839,721
64.024	VA Homeless Providers Grant and Per Diem Program	VSA	66,747
64.124	All-Volunteer Force Educational Assistance	VSA	341,296
64.122311	Research Salary Nicholle Johnson	UAA	11,491
64.IPA DTD 030311	Research Salary S. Daugherty IPA	UAA	39,632
64.LTR DTD 033110	Research Salary A. Escalante IPA	UAA	69,166
64.LTR DTD 060111	Research Salary A. Morgan Mikail IPA	UAA	91,384
64.LTR DTD 062011	IPA Agreement for C. Wynstra	UAA	36,587
64.LTR DTD 071610	IPA Agreement for M. Stansifer	UAA	21,783
64.LTR DTD 072111	Research Salary A. Morgan Mikail IPA	UAA	16,540
64.LTR DTD 072210	IPA Agreement for H. Byrne	UAA	12,487
64.LTR DTD 072210	IPA Agreement for N. Johnson	UAA	28,715
64.LTR DTD 072910	IPA Agreement for J. Janda	UAA	7,389
64.LTR DTD 072911	IPA Agreement for B. A. P. Roxas	UAA	57,806
64.LTR DTD 082211	Research Salary A. McArthur IPA	UAA	29,886

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64.LTR DTD 091311	Research Salary A. McArthur IPA	UAA	9,000
64.LTR DTD 091710	IPA Agreement for J. Jandova	UAA	4,849
64.LTR DTD 100111	IPA Agreement for D. Chen	UAA	31,752
64.LTR DTD 100111	IPA Agreement for K. Dvorak	UAA	33,250
64.LTR DTD 110711	IPA Agreement for K. Blohm-Mangone	UAA	15,321
64.LTR DTD 111910	IPA Agreement for A. Marmorstein	UAA	5,792
64.LTR DTD 122311	Research Salary M. Stanisfer IPA	UAA	32,549
64.VA258P0428	Contract Providing Veterinary Services to The VA Hospital	UAA	11,678
	Total Department of Veterans Affairs		$ 3,814,821
	ENVIRONMENTAL PROTECTION AGENCY		
66.001	Air Pollution Control Program Support	EVA	$ 2,925,085
66.032	State Indoor Radon Grants	AEA	42,894
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	EVA	331,919
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	NAA	186,259
	66.034 Subtotal		518,178
66.037	Internships, Training and Workshops for the Office of Air and Radiation	NAA	1,896,487
66.040	ARRA—State Clean Diesel Grant Program	EVA	462,510
66.202	Congressionally Mandated Projects, *San Diego State University,* Contract # EM 83395501	ASA	1,434
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	EVA	416,385
66.454	Water Quality Management Planning	EVA	100,834
66.458	Capitalization Grants for Clean Water State Revolving Funds	WFA	2,636,311
66.460	Nonpoint Source Implementation Grants	EVA	2,558,592
66.460	Nonpoint Source Implementation Grants	MAA	34,903
	66.460 Subtotal		2,593,495
66.461	Regional Wetland Program Development Grants	EVA	79,598
66.468	Capitalization Grants for Drinking Water State Revolving Funds	EVA	2,258,844
66.468	Capitalization Grants for Drinking Water State Revolving Funds	WFA	21,575,157
66.468	ARRA—Capitalization Grants for Drinking Water State Revolving Funds	WFA	1,413,224
	66.468 Subtotal		25,247,225
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	EVA	237,548
66.474	Water Protection Grants to the States	EVA	24,299
66.509	Science To Achieve Results (STAR) Research Program, *Border Environmental Cooperation Commission,* Contract # TAA10-041	ASA	31,329
66.513	Greater Research Opportunities (GRO) Fellowships For Undergraduate Environmental Study	NAA	11,790
66.514	Science To Achieve Results (STAR) Fellowship Program	ASA	34,524
66.514	Science To Achieve Results (STAR) Fellowship Program	NAA	17,139
	66.514 Subtotal		51,663
66.605	Performance Partnership Grants	AHA	341,268
66.605	Performance Partnership Grants	EVA	5,394,883
66.605	Performance Partnership Grants	SBA	116,558
	66.605 Subtotal		5,852,709
66.607	Training and Fellowships for the Environmental Protection Agency	NAA	47,924
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	EVA	170,173
66.608	Environmental Information Exchange Network Grant Program and Related Assistance, *Walker River Paiute Tribe,* Contract # PO 29059	NAA	13,591
	66.608 Subtotal		183,764
66.708	Pollution Prevention Grants Program	UAA	30,535
66.709	Multi-Media Capacity Building Grants for States and Tribes	EVA	154,415

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
66.709	Multi-Media Capacity Building Grants for States and Tribes	NAA	7,776
	66.709 Subtotal		162,191
66.801	Hazardous Waste Management State Program Support	EVA	1,340,286
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	EVA	729,394
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	EVA	882,288
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	EVA	1,660,971
66.805	ARRA—Leaking Underground Storage Tank Trust Fund Corrective Action Program	EVA	32,755
	66.805 Subtotal		1,693,726
66.808	Solid Waste Management Assistance Grants	NAA	237,627
66.817	State and Tribal Response Program Grants	EVA	656,907
66.931	International Financial Assistance Projects Sponsored by the Office of International and Tribal Affairs	EVA	28,371
66.951	Environmental Education Grants	NAA	8,375
66.EP-12-H-000104	Tri and Toxics Training for Tribal Environmental Departments	NAA	22,728
66.EP-12-H-000325	Peer Reviewing ORD Phase II	NAA	2,700
66.TAA10006	Transferable Training Modules on Environmental Health for Promotoras on the US-Mexico Border, *Border Environment Cooperative Commission,* Contract # TAA10006	UAA	17,252
66.Unknown	Transitioning to Reduced—Risk Cotton Pest Management Practices in the Mexicali Region, *Border Environment Cooperative Commission,* Contract # TAA12017	UAA	5,121
66.Unknown	Tribal Emissions Inventory Support, *Sonoma Technology Inc.,* Contract # EP-D-09-097	NAA	8,902
	Total Environmental Protection Agency		$ 49,187,865
	DEPARTMENT OF ENERGY		
81.041	ARRA—State Energy Program	ADA	$ 2,844,920
81.041	State Energy Program	GVA	422,524
81.041	ARRA—State Energy Program	GVA	9,232,486
81.041	ARRA—State Energy Program	LDA	384,161
81.041	ARRA—State Energy Program	SFA	16,407,575
	81.041 Subtotal		29,291,666
81.042	Weatherization Assistance for Low-Income Persons	GVA	455,109
81.042	ARRA—Weatherization Assistance for Low-Income Persons	GVA	21,365,471
	81.042 Subtotal		21,820,580
81.087	ARRA—Renewable Energy Research and Development	GSA	5,306,283
81.087	Renewable Energy Research and Development	NAA	88,295
81.087	ARRA—Renewable Energy Research and Development, *Boise State University,* Contract # 014G106215-A	GSA	48,969
	81.087 Subtotal		5,443,547
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	AEA	79,363
81.112	Stewardship Science Grant Program	GFA	23,989
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	GVA	12,368
81.119	State Energy Program Special Projects	GVA	11,560
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis	CCA	286,553
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis	GVA	92,893
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis, *University of Minnesota,* Contract # A000211528	NAA	11,564
	81.122 Subtotal		391,010
81.123	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	NAA	162,132
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	GVA	3,669,176
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG), *City of Tucson,* Contract # 21731	UAA	24,890
	81.128 Subtotal		3,694,066

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
81.DE-OE0000091, 81.I11-010	ARRA—Emergency Planning for Arizona's Energy Infrastructure	ASA	154,848
	Total Department of Energy		$ 61,085,129
	DEPARTMENT OF EDUCATION		
	Title I, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	EDA	$ 306,632,253
84.010	Title I Grants to Local Educational Agencies	SDA	108,132
84.389	ARRA—Title I Grants to Local Educational Agencies, Recovery Act	EDA	24,856,845
	Title I, Part A Cluster Subtotal		331,597,230
	Special Education Cluster (IDEA)		
84.027	Special Education—Grants to States	ASA	195,576
84.027	Special Education—Grants to States	DCA	126,480
84.027	Special Education—Grants to States	DJA	188,703
84.027	Special Education—Grants to States	EDA	176,276,737
84.027	Special Education—Grants to States	HSA	2,385
84.027	Special Education—Grants to States	NAA	358,799
84.027	Special Education—Grants to States	SDA	586,902
84.027	Special Education—Grants to States	SPA	509,000
84.027	Special Education—Grants to States	UAA	182,387
	84.027 Subtotal		178,426,969
84.173	Special Education—Preschool Grants	EDA	4,310,169
84.173	Special Education—Preschool Grants	SDA	46,233
	84.173 Subtotal		4,356,402
84.391	ARRA—Special Education—Grants to States, Recovery Act	DCA	15,392
84.391	ARRA—Special Education—Grants to States, Recovery Act	DJA	78,967
84.391	ARRA—Special Education—Grants to States, Recovery Act	EDA	34,024,296
84.391	ARRA—Special Education—Grants to States, Recovery Act	SDA	116,021
	84.391 Subtotal		34,234,676
84.392	ARRA—Special Education—Preschool Grants, Recovery Act	EDA	546,175
84.392	ARRA—Special Education—Preschool Grants, Recovery Act	SDA	1,188
	84.392 Subtotal		547,363
	Special Education Cluster Subtotal		217,565,410
	TRIO Cluster		
84.042	TRIO—Student Support Services	ASA	1,357,099
84.042	TRIO—Student Support Services	NAA	287,826
84.042	TRIO—Student Support Services	UAA	222,280
	84.042 Subtotal		1,867,205
84.044	TRIO—Talent Search	NAA	374,520
84.047	TRIO—Upward Bound	ASA	959,082
84.047	TRIO—Upward Bound	NAA	764,149
	84.047 Subtotal		1,723,231
84.066	TRIO—Educational Opportunity Centers	NAA	397,791
84.217	TRIO—McNair Post-Baccalaureate Achievement	UAA	226,918
	TRIO Cluster Subtotal		4,589,665
	Vocational Rehabilitation Cluster		
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	DEA	53,651,864
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States	SDA	450,085
84.390	ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act	DEA	89,656
	Vocational Rehabilitation Cluster Subtotal		54,191,605
	Independent Living State Grants Cluster		
84.169	Independent Living—State Grants	DEA	400,198
	Independent Living State Grants Cluster Subtotal		400,198

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	Independent Living Services for Older Individuals Who Are Blind Cluster		
84.177	Rehabilitation Services—Independent Living Services for Older Individuals Who are Blind	DEA	1,154,075
	Independent Living Services for Older Individuals Who Are Blind Cluster Subtotal		1,154,075
	Early Intervention Services (IDEA) Cluster		
84.181	Special Education—Grants for Infants and Families	DEA	11,517,910
84.181	Special Education—Grants for Infants and Families	NAA	456,415
84.181	Special Education—Grants for Infants and Families	SDA	364,900
	Early Intervention Services (IDEA) Cluster Subtotal		12,339,225
	Education of Homeless Children and Youth Cluster		
84.196	Education for Homeless Children and Youth	EDA	1,418,549
84.387	ARRA—Education for Homeless Children and Youth, Recovery Act	EDA	40,738
	Education of Homeless Children and Youth Cluster Subtotal		1,459,287
	Educational Technology State Grants Cluster		
84.318	Educational Technology State Grants	EDA	1,309,410
84.318	Educational Technology State Grants	SPA	391
	84.318 Subtotal		1,309,801
84.386	ARRA—Education Technology State Grants, Recovery Act	EDA	1,557,022
	Educational Technology State Grants Cluster Subtotal		2,866,823
	Teacher Quality Partnership Grants Cluster		
84.336	Teacher Quality Partnership Grants	ASA	6,838,447
	Teacher Quality Partnership Grants Cluster Subtotal		6,838,447
	Teacher Incentive Fund Cluster		
84.374	Teacher Incentive Fund, *Maricopa County Extension Service Agency,* Contract # C-37-12-003-3-00	EDA	1,047,375
84.385	ARRA—Teacher Incentive Fund, Recovery Act	ASA	4,893,414
	Teacher Incentive Fund Cluster Subtotal		5,940,789
	School Improvement Grants Cluster		
84.377	School Improvement Grants	EDA	6,023,001
84.388	ARRA—School Improvement Grants, Recovery Act	EDA	12,183,646
	School Improvements Grants Cluster Subtotal		18,206,647
	State Fiscal Stabilization Fund Cluster		
84.394	ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act	GVA	2,161
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	ASA	353,873
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	DCA	5,946,600
85.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	EDA	1,203,220
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	FOA	90,280
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	GVA	37,775,513
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	NAA	361,007
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	PSA	1,181,000
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act	TOA	1,000,000
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act, *Science Foundation of Arizona* , Contract #s OER-11-CON-GS-43, OER-11-CON-GS-48	ASA	613,830
84.397	ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act, *Science Foundation of Arizona,* Contract # GRF 0449-10	NAA	44,009
	84.397 Subtotal		48,569,332
	State Fiscal Stabilization Fund Cluster Subtotal		48,571,493
	Other Department of Education Programs		
84.002	Adult Education—Basic Grants to States	EDA	11,233,611
84.004	Civil Rights Training and Advisory Services	ASA	273,249
84.011	Migrant Education—State Grant Program	ASA	15,755
84.011	Migrant Education—State Grant Program	EDA	6,997,864
	84.011 Subtotal		7,013,619
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	DCA	735,461
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	DJA	356,946
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	EDA	108,415

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	SPA	984,918
	84.013 Subtotal		2,185,740
84.015	National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	UAA	880,520
84.016	Undergraduate International Studies and Foreign Language Programs	UAA	11,267
84.031	Higher Education—Institutional Aid, *Arizona Western College,* Contract # B0011282	UAA	34,474
84.048	Career and Technical Education—Basic Grants to States	ASA	410,156
84.048	Career and Technical Education—Basic Grants to States	DJA	242,843
84.048	Career and Technical Education—Basic Grants to States	EDA	20,844,114
84.048	Career and Technical Education—Basic Grants to States	UAA	767,120
84.048	Career and Technical Education—Basic Grants to States, *Maryland State Department of Education,* Contract #s 11467801, 125567	UAA	17,622
	84.048 Subtotal		22,281,855
84.051	Career and Technical Education—National Programs	EDA	67,842
84.069	Leveraging Educational Assistance Partnership	NAA	81,375
84.069	Leveraging Educational Assistance Partnership	PEA	108,192
	84.069 Subtotal		189,567
84.116	Fund for the Improvement of Postsecondary Education	NAA	6,593
84.116	Fund for the Improvement of Postsecondary Education	UAA	345,453
	84.116 Subtotal		352,046
84.129	Rehabilitation Long-Term Training	UAA	134,040
84.144	Migrant Education—Coordination Program	EDA	27,499
84.170	Javits Fellowships	ASA	43,975
84.170	Javits Fellowships	UAA	40,000
	84.170 Subtotal		83,975
84.184	Safe and Drug-Free Schools and Communities—National Programs	EDA	2,792,996
84.184	Safe and Drug-Free Schools and Communities—National Programs	UAA	24,095
	84.184 Subtotal		2,817,091
84.185	Byrd Honors Scholarships	EDA	62,587
84.185	Byrd Honors Scholarships	UAA	17,790
	84.185 Subtotal		80,377
84.186	Safe and Drug-Free Schools and Communities—State Grants	GVA	203,756
84.186	Safe and Drug-Free Schools and Communities—State Grants	SPA	520
	84.186 Subtotal		204,276
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	DEA	780,378
84.195	Bilingual Education—Professional Development	ASA	164,358
84.195	Bilingual Education—Professional Development	NAA	343,124
	84.195 Subtotal		507,482
84.200	Graduate Assistance in Areas of National Need	ASA	174,624
84.200	Graduate Assistance in Areas of National Need	UAA	32,944
	84.200 Subtotal		207,568
84.213	Even Start—State Educational Agencies	EDA	383,000
84.215	Fund for the Improvement of Education, *Flagstaff Unified School,* Contract # U215X100250	NAA	185,439
84.215	Fund for the Improvement of Education, *Young Men's Christian Association,* Contract # LTR DTD 070108	UAA	87,646
	84.215 Subtotal		273,085
84.224	Assistive Technology	NAA	550,510
84.229	Language Resource Centers	NAA	266,034

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84.229	Language Resource Centers	UAA	10,126
	84.229 Subtotal		276,160
84.243	Tech-Prep Education	EDA	938,381
84.264	Rehabilitation Training—Continuing Education, *San Diego State University Foundation,* Contract # 55587CP26997802212	UAA	74,002
84.265	Rehabilitation Training—State Vocational Rehabilitation Unit In-Service Training	DEA	173,271
84.282	Charter Schools	EDA	9,230,489
84.287	Twenty-First Century Community Learning Centers	EDA	19,800,736
84.295	Ready-To-Learn Television, *Corporation for Public Broadcasting (CPB),* Contract # U295B050003	ASA	49,710
84.298	State Grants for Innovative Programs	SPA	1,092
84.299	Indian Education—Special Programs for Indian Children	ASA	1,083,261
84.305	Education Research, Development and Dissemination, *Wested,* Contract # S12-010	NAA	19,194
84.315	Capacity Building for Traditionally Underserved Populations	NAA	261,002
84.323	Special Education—State Personnel Development	EDA	351,227
84.323	Special Education—State Personnel Development	NAA	185,688
84.323	Special Education—State Personnel Development	UAA	48,533
	84.323 Subtotal		585,448
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	ASA	361,350
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	NAA	375,868
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities	UAA	1,188,886
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities, *University of California-Davis,* Contract # 060035261	UAA	42,529
	84.325 Subtotal		1,968,633
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	SDA	186,454
84.328	Special Education—Parent Information Centers	NAA	2,252
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	EDA	633,290
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	DCA	506,764
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	NAA	2,495,430
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	UAA	1,043,797
	84.334 Subtotal		3,539,227
84.335	Child Care Access Means Parents in School	ASA	270,152
84.335	Child Care Access Means Parents in School	NAA	122,376
	84.335 Subtotal		392,528
84.350	Transition to Teaching	ASA	544,164
84.350	Transition to Teaching	EDA	609,814
84.350	Transition to Teaching	UAA	282,019
	84.350 Subtotal		1,435,997
84.351	Arts in Education, *Childsplay, Inc.,* Contract # 07057476	ASA	1,709
84.357	Reading First State Grants	EDA	241,759
84.358	Rural Education	EDA	918,686
84.360	High School Graduation Initiative	EDA	17,906
84.363	School Leadership	ASA	1,048,376
84.363	School Leadership	EDA	9,000
	84.363 Subtotal		1,057,376
84.365	English Language Acquisition Grants	EDA	21,769,449
84.365	English Language Acquisition Grants	NAA	410,406
	84.365 Subtotal		22,179,855
84.366	Mathematics and Science Partnerships	EDA	2,874,653

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84.366	Mathematics and Science Partnerships, *Yavapai County Education Service Agency,* Contract # 10FSDPPR-060950-03A	NAA	2,234
	84.366 Subtotal		2,876,887
84.367	Improving Teacher Quality State Grants	BRA	63,917
84.367	Improving Teacher Quality State Grants	DCA	3,130
84.367	Improving Teacher Quality State Grants	DJA	227,046
84.367	Improving Teacher Quality State Grants	EDA	44,620,128
84.367	Improving Teacher Quality State Grants	SDA	2,745
84.367	Improving Teacher Quality State Grants	SPA	139,872
84.367	Improving Teacher Quality State Grants	UAA	50,321
	84.367 Subtotal		45,107,159
84.368	Grants for Enhanced Assessment Instruments	EDA	768,001
84.369	Grants for State Assessments and Related Activities	EDA	7,520,909
84.371	Striving Readers	EDA	112,410
84.373	Special Education—Technical Assistance on State Data Collection	EDA	141,665
84.378	College Access Challenge Grant Program	ASA	2,106
84.378	College Access Challenge Grant Program	GVA	931,090
84.378	College Access Challenge Grant Program	NAA	452,084
84.378	College Access Challenge Grant Program	PEA	1,184,976
84.378	College Access Challenge Grant Program	UAA	39,404
	84.378 Subtotal		2,609,660
84.395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race to the Top Incentive Grants, Recovery Act, *University of Texas-Austin,* Contract # UTA11001119	UAA	91,277
84.410	Education Jobs Fund	EDA	1,551,991
84.410	Education Jobs Fund	GVA	61,132,628
	84.410 Subtotal		62,684,619
84.413	Race to the Top	EDA	441,849
84.928	National Writing Project, *National Writing Project,* Contract # 09-AZ04	ASA	23,574
84.928	National Writing Project, *National Writing Project,* Contract # 92-AZ02	NAA	19,167
84.928	National Writing Project, *National Writing Project,* Contract # 92AZ03	UAA	33,774
	84.928 Subtotal		76,515
84.08-15-ED	Integrated Data for Enhancing Arizona's Learning (IDEAL) 2009	ASA	598,948
84.1101712	PBIS: Scottsdale Unified School District, *Scottsdale Unified School District,* Contract # 1101712	ASA	2,645
84.234284	Second Certification Project, *Catalina Foothills School District,* Contract # 234284	UAA	15,093
84.U215X080026	East Meets Southwest: Traditional American History for Mesa Public School Teachers, *Mesa Public Schools,* Contract # U215X080026	ASA	765
84.Unknown	DANTES Troops to Teachers	VSA	219,172
	Total Department of Education		$ 945,136,721
	SCHOLARSHIP AND FELLOWSHIP FOUNDATIONS		
85.LTR DTD 032612	Morris K. Udall Workplan FY 2012	UAA	$ 139,523
85.NNI001	Native Nations Institute for Leadership, Management, and Policy	UAA	421,594
85.UF111013	Morris K. Udall Workplan FY 2011	UAA	183,583
	Total Scholarship and Fellowship Foundations		$ 744,700
	NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		
89.003	National Historical Publications and Records Grants	STA	$ 27,058
89.003	National Historical Publications and Records Grants	UAA	2,977
	89.003 Subtotal		30,035
	Total National Archives and Records Administration		$ 30,035

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	ELECTION ASSISTANCE COMMISSION		
90.401	Help America Vote Act Requirements Payments	STA	$ 2,434,199
	Total Election Assistance Commission		$ 2,434,199
	DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Aging Cluster		
93.044	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	DEA	$ 9,691,821
93.045	Special Programs for the Aging—Title III, Part C—Nutrition Services	DEA	11,813,478
93.053	Nutrition Services Incentive Program	DEA	2,035,508
	Aging Cluster Subtotal		23,540,807
	Immunization Cluster		
93.268	Immunization Cooperative Agreements	HSA	88,763,221
93.712	ARRA—Immunization	HSA	786,989
	Immunization Cluster Subtotal		89,550,210
	Health Centers Cluster		
93.527	Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	HSA	13,599
	Health Centers Cluster Subtotal		13,599
	TANF Cluster		
93.558	Temporary Assistance for Needy Families	DEA	221,688,449
93.716	ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants	DEA	15,826,703
	TANF Cluster Subtotal		237,515,152
	CSBG Cluster		
93.569	Community Services Block Grant	DEA	6,457,861
	CSBG Cluster Subtotal		6,457,861
	CCDF Cluster		
93.575	Child Care and Development Block Grant	DEA	71,784,706
93.575	Child Care and Development Block Grant	GVA	243,470
93.575	Child Care and Development Block Grant	HSA	830,794
	93.575 Subtotal		72,858,970
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	DEA	50,269,326
	CCDF Cluster Subtotal		123,128,296
	Head Start Cluster		
93.600	Head Start	EDA	195,572
93.708	ARRA—Head Start	CDA	1,169,588
93.708	ARRA—Head Start	EDA	5,240
	Head Start Cluster Subtotal		1,370,400
	Medicaid Cluster		
93.720	ARRA—Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	HSA	15,813
93.775	State Medicaid Fraud Control Units	AGA	1,705,324
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	BNA	596,995
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	HSA	4,807,141
	93.777 Subtotal		5,404,136
93.778	Medical Assistance Program	DEA	99,844
93.778	Medical Assistance Program	HCA	5,956,216,000
93.778	ARRA—Medical Assistance Program	HCA	7,992,000
93.778	Medical Assistance Program, *Community Partnership of Southern Arizona,* Contract # L0901	UAA	1,047,635
	93.778 Subtotal		5,965,355,479
	Medicaid Cluster Subtotal		5,972,480,752

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	Other Department of Health and Human Services Programs		
93.008	Medical Reserve Corps Small Grant Program, *National Association of County & City Health Officials,* Contract # IMRCSG101005	ASA	5,000
93.018	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	HSA	303,610
93.041	Special Programs for the Aging—Title VII, Chapter 3—Programs for Prevention of Elder Abuse, Neglect, and Exploitation	DEA	99,278
93.042	Special Programs for the Aging—Title VII, Chapter 2—Long Term Care Ombudsman Services for Older Individuals	DEA	422,473
93.043	Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services	DEA	490,444
93.048	Special Programs for the Aging—Title IV—and Title II—Discretionary Projects	DEA	767,390
93.051	Alzheimer's Disease Demonstration Grants to States	DEA	457,975
93.052	National Family Caregiver Support, Title III, Part E	DEA	3,349,592
93.065	Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure, *Association of Public Health Laboratories,* Contract # 1U60HM000803	HSA	2,714
93.069	Public Health Emergency Preparedness	ADA	56,073
93.069	Public Health Emergency Preparedness	ASA	26,982
93.069	Public Health Emergency Preparedness	HSA	17,793,259
93.069	Public Health Emergency Preparedness	MAA	158,214
93.069	Public Health Emergency Preparedness	SPA	4,705
93.069	Public Health Emergency Preparedness	UAA	658,087
	93.069 Subtotal		18,697,320
93.070	Environmental Public Health and Emergency Response	HSA	294,014
93.072	Lifespan Respite Care Program	DEA	89,519
93.087	Enhance the Safety of Children Affected by Substance Abuse	DEA	130,315
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	HSA	382,023
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards	UAA	452,866
93.110	Maternal and Child Health Federal Consolidated Programs	ASA	13,977
93.110	Maternal and Child Health Federal Consolidated Programs	CDA	27,853
93.110	Maternal and Child Health Federal Consolidated Programs	HSA	66,665
93.110	Maternal and Child Health Federal Consolidated Programs	NAA	18,865
93.110	Maternal and Child Health Federal Consolidated Programs	UAA	1,373,835
93.110	Maternal and Child Health Federal Consolidated Programs, *University of Colorado-Denver, Health Sciences Center,* Contract # FY10003006H30MC00008	UAA	66,003
	93.110 Subtotal		1,567,198
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	HSA	1,384,714
93.127	Emergency Medical Services for Children	HSA	140,614
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	HSA	243,335
93.136	Injury Prevention and Control Research and State and Community Based Programs	ASA	96,618
93.136	Injury Prevention and Control Research and State and Community Based Programs	HSA	669,823
93.136	Injury Prevention and Control Research and State and Community Based Programs	UAA	46,205
	93.136 Subtotal		812,646
93.142	NIEHS Hazardous Waste Worker Health and Safety Training, *University of California-Los Angeles,* Contract # U45ES006173	ASA	254,973
93.145	AIDS Education and Training Centers, *University of California-San Francisco,* Contract # 6376SC	UAA	190,012
93.150	Projects for Assistance in Transition from Homelessness (PATH)	HSA	1,166,937
93.165	Grants to States for Loan Repayment Program	HSA	79,025
93.173	Research Related to Deafness and Communication Disorders	ASA	60,357
93.178	Nursing Workforce Diversity	UAA	379,978
93.184	Disabilities Prevention, *University of Colorado-Denver,* Contract # FY12003006	UAA	4,194
93.197	Childhood Lead Poisoning Prevention Projects—State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	HSA	19,758
93.211	Telehealth Programs	UAA	392,844
93.217	Family Planning—Services, *Arizona Family Planning Council,* Contract #s AGR 12/19/11, AGR 02/09/11	ASA	296,526
93.226	Research on Healthcare Costs, Quality and Outcomes, *Michigan Public Health Institute,* Contract # R18HS017191	ASA	11,001

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.234	Traumatic Brain Injury State Demonstration Grant Program	DEA	261,155
93.235	Affordable Care Act (ACA) Abstinence Education Program	HSA	1,079,876
93.236	Grants to States to Support Oral Health Workforce Activities	HSA	325,038
93.236	Grants to States to Support Oral Health Workforce Activities	NAA	16,827
	93.236 Subtotal		341,865
93.240	State Capacity Building	HSA	191,537
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	ASA	170,833
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	GVA	74,305
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	HSA	1,816,270
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	UAA	1,218,021
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, *Community Bridges,* Contract # H79 TI018924	ASA	8,335
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, *University of California-Los Angeles,* Contract # 2000GJG913	ASA	133,878
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance, *University of Missouri-Kansas City,* Contract # 3UD1TI013592-09S1	ASA	42,185
	93.243 Subtotal		3,463,827
93.247	Advanced Nursing Education Grant Program	ASA	3,156
93.247	Advanced Nursing Education Grant Program	UAA	349,852
	93.247 Subtotal		353,008
93.250	Geriatric Academic Career Awards	UAA	70,605
93.251	Universal Newborn Hearing Screening	HSA	217,277
93.251	Universal Newborn Hearing Screening	UAA	39,603
	93.251 Subtotal		256,880
93.253	Poison Center Support and Enhancement Grant Program	UAA	199,447
93.262	Occupational Safety and Health Program	UAA	588,619
93.265	Comprehensive Geriatric Education Program (CGEP)	ASA	146,888
93.265	Comprehensive Geriatric Education Program (CGEP)	NAA	10,453
93.265	Comprehensive Geriatric Education Program (CGEP)	UAA	13,272
	93.265 Subtotal		170,613
93.270	Adult Viral Hepatitis Prevention and Control	HSA	88,769
93.273	Alcohol Research Programs	ASA	29,422
93.275	Substance Abuse and Mental Health Services—Access to Recovery	GVA	444,773
93.279	Drug Abuse and Addiction Research Programs	ASA	34,790
93.282	Mental Health National Research Service Awards for Research Training	ASA	58,156
93.283	The Affordable Care Act: Centers for Disease Control and Prevention—Investigations and Technical Assistance	HSA	5,015,018
93.283	The Affordable Care Act: Centers for Disease Control and Prevention—Investigations and Technical Assistance	UAA	480,699
93.283	The Affordable Care Act: Centers for Disease Control and Prevention—Investigations and Technical Assistance, *University of Colorado,* Contract # FY09003005U01DD000198	UAA	10,702
	93.283 Subtotal		5,506,419
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	UAA	10,000
93.296	State Partnership Grant Program to Improve Minority Health	HSA	136,757
93.301	Small Rural Hospital Improvement Grant Program	UAA	98,444
93.307	Minority Health and Health Disparities Research	UAA	9,295
93.358	Advanced Education Nursing Traineeships	ASA	74,016
93.358	Advanced Education Nursing Traineeships	NAA	24,065
93.358	Advanced Education Nursing Traineeships	UAA	45,834
	93.358 Subtotal		143,915
93.359	Nurse Education, Practice Quality and Retention Grants	ASA	187,128
93.361	Nursing Research	ASA	140,568
93.389	National Center for Research Resources	ASA	470,695

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.389	National Center for Research Resources	UAA	194,309
	93.389 Subtotal		665,004
93.395	Cancer Treatment Research, *Gynecologic Oncology Group Administration,* Contract #s CA101165, CA2746930	UAA	159,190
93.396	Cancer Biology Research	UAA	8,892
93.396	Cancer Biology Research, *University of Utah,* Contract # 10008199-01	HSA	3,969
	93.396 Subtotal		12,861
93.411	ARRA—Equipment to Enhance Training for Health Professionals	UAA	4,563
93.414	ARRA—State Primary Care Offices	HSA	103,400
93.448	Food Safety and Security Monitoring Project	HSA	499,283
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	HSA	400,758
93.507	PPHF 2012 National Public Health Improvement Initiative	HSA	363,555
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	IDA	327,624
93.516	Affordable Care Act (ACA) Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support	UAA	768,237
93.517	Affordable Care Act—Aging and Disability Resource Center	DEA	265,295
93.518	Affordable Care Act—Medicare Improvements for Patients and Providers	DEA	235,191
93.520	Centers for Disease Control and Prevention—Affordable Care Act (ACA)—Communities Putting Prevention to Work	HSA	136,678
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	HSA	330,401
93.523	The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	HSA	628
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	GVA	735,701
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	IDA	359,442
	93.525 Subtotal		1,095,143
93.539	PPHF 2012—Prevention and Public Health Fund (Affordable Care Act)—Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	HSA	20,273
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	HSA	119,361
93.556	Promoting Safe and Stable Families	DEA	9,846,741
93.563	Child Support Enforcement	DEA	40,304,877
93.564	Child Support Enforcement Research, *Clark County District Attorney Family Support Division,* Contract # 4800004287016	UAA	12,920
93.566	Refugee and Entrant Assistance—State Administered Programs	DEA	11,122,538
93.566	Refugee and Entrant Assistance—State Administered Programs	HSA	89,207
	93.566 Subtotal		11,211,745
93.568	Low-Income Home Energy Assistance	DEA	28,610,472
93.568	Low-Income Home Energy Assistance	GVA	2,580,394
	93.568 Subtotal		31,190,866
93.576	Refugee and Entrant Assistance—Discretionary Grants	DEA	852,705
93.576	Refugee and Entrant Assistance—Discretionary Grants	EDA	595,060
93.576	Refugee and Entrant Assistance—Discretionary Grants, *International Rescue Committee, Inc.,* Contract #s 90RP006003, 90RP006002	UAA	5,718
	93.576 Subtotal		1,453,483
93.584	Refugee and Entrant Assistance—Targeted Assistance Grants	DEA	1,982,913
93.586	State Court Improvement Program	SPA	1,242,918
93.590	Community-Based Child Abuse Prevention Grants	DEA	337,589
93.597	Grants to States for Access and Visitation Programs	DEA	180,933
93.599	Chafee Education and Training Vouchers Program (ETV)	DEA	1,244,370
93.603	Adoption Incentive Payments	DEA	3,107,229
93.604	Assistance for Torture Victims, *International Rescue Committee,* Contract # 90ZT0092	UAA	11,030
93.617	Voting Access for Individuals with Disabilities—Grants to States	STA	228,626
93.630	Developmental Disabilities Basic Support and Advocacy Grants	DEA	1,284,802

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.630	Developmental Disabilities Basic Support and Advocacy Grants	UAA	77,526
	93.630 Subtotal		1,362,328
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	NAA	546,662
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	UAA	516,559
	93.632 Subtotal		1,063,221
93.643	Children's Justice Grants to States	GVA	387,300
93.645	Stephanie Tubbs Jones Child Welfare Services Program	DEA	5,594,067
94.648	Child Welfare Research Training or Demonstration	DEA	772,799
93.658	Foster Care—Title IV-E	ASA	4,551,655
93.658	Foster Care—Title IV-E	DEA	87,110,809
93.658	ARRA—Foster Care—Title IV-E	DEA	133,781
93.658	Foster Care—Title IV-E	SPA	306,137
	93.658 Subtotal		92,102,382
93.659	Adoption Assistance	DEA	87,192,524
93.659	ARRA—Adoption Assistance	DEA	227
	93.659 Subtotal		87,192,751
93.667	Social Services Block Grant	DEA	75,401,572
93.669	Child Abuse and Neglect State Grants	DEA	1,116,415
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters—Grants to States and Indian Tribes	HSA	1,907,503
93.674	Chafee Foster Care Independence Program	DEA	3,149,403
93.717	ARRA—Preventing Healthcare-Associated Infections	HSA	77,801
93.718	ARRA—Health Information Technology Regional Extension Centers Program*, Arizona Health E-Connection,* Contract # UA90RC0035	UAA	9,477
93.719	ARRA—State Grants to Promote Health Information Technology	ADA	1,108,589
93.719	ARRA—State Grants to Promote Health Information Technology	GVA	52,366
93.719	ARRA—State Grants to Promote Health Information Technology	HSA	20,321
	93.719 Subtotal		1,181,276
93.723	ARRA—Prevention and Wellness-State, Territories and Pacific Islands	HSA	685,704
93.723	ARRA—Prevention and Wellness-State, Territories and Pacific Islands	UAA	243,023
	93.723 Subtotal		928,727
93.724	ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	HSA	6,316
93.724	ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA), *Pima County, Arizona,* Contract # 0701A1430900310	UAA	3,873,912
	93.724 Subtotal		3,880,228
93.725	ARRA—Communities Putting Prevention to Work: Chronic Disease Self-Management Program	HSA	279,675
93.729	ARRA—Health Information Technology and Public Health	HSA	968,943
93.767	Children's Health Insurance Program	HCA	22,989,000
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	HCA	261,000
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	DEA	928,114
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	UAA	80,892
	93.779 Subtotal		1,009,006
93.822	Health Careers Opportunity Program	UAA	433,007
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	ASA	30,061
93.855	Allergy, Immunology and Transplantation Research	UAA	15,000
93.866	Aging Research	UAA	4,700
93.866	Aging Research, *Banner Research Institute,* Contract # 04320229903P30AG019610	UAA	74,311
	93.866 Subtotal		79,011

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.884	Grants for Primary Care Training and Enhancement	UAA	87,495
93.889	National Bioterrorism Hospital Preparedness Program	HSA	4,915,435
93.912	Rural Health Care Services Outreach, Rural Health Network Development Program, and Small Health Care Provider Quality Improvement Program	UAA	506,129
93.913	Grants to States for Operation of Offices of Rural Health	UAA	178,091
93.914	HIV Emergency Relief Project Grants	DCA	12,374
93.917	HIV Care Formula Grants	HSA	21,368,441
93.917	HIV Care Formula Grants	UAA	242,300
	93.917 Subtotal		21,610,741
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	UAA	222,748
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	HSA	2,569,869
93.928	Special Projects of National Significance	HSA	32,258
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	EDA	623,972
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	HSA	48,350
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	UAA	47,958
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems, *National 4H Club Foundation,* Contract # U58DP000456	UAA	22,674
	93.938 Subtotal		742,954
93.940	HIV Prevention Activities—Health Department Based	HSA	2,463,189
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	HSA	468,335
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	HSA	893,499
93.958	Block Grants for Community Mental Health Services	HSA	9,726,866
93.959	Block Grants for Prevention and Treatment of Substance Abuse	ASA	664,848
93.959	Block Grants for Prevention and Treatment of Substance Abuse	HSA	36,972,519
	93.959 Subtotal		37,637,367
93.969	PPHF—2012 Geriatric Education Centers	ASA	41,331
93.970	Health Professions Recruitment Program for Indians	ASA	330,930
93.970	Health Professions Recruitment Program for Indians	UAA	39,352
	93.970 Subtotal		370,282
93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants	HSA	1,290,879
93.991	Preventive Health and Health Services Block Grant	HSA	788,376
93.994	Maternal and Child Health Services Block Grant to the States	HSA	7,230,581
93.C08821	NDSS Block Grants and Special Projects Dept. Program Evaluation, *Navajo Nation—Division of Social Services,* Contract # C08821	ASA	81,334
93.D06RH216740100	Santa Cruz County Adolescent Wellness Network (SCC AWN), *Mariposa Community Health Center,* Contract # D06RH216740100	UAA	7,528
93.H79T1019911	Step Forward, *Codac Behavioral Health Services of Pima County, Inc.,* Contract # 1H79TI01991UOFASIROW01	UAA	118,332
93.H79TI021852	EMPOWR—Engaging, Motivating & Providing Options within Recovery for Veterans, *Old Pueblo Community Foundation,* Contract # H79TI021852	ASA	63,936
93.HHSN268201100016C	Sub-contract to RTI in Support of NHLBI, *Research Technologies, Inc.,* Contract # 13120212844	UAA	52,906
93.HHSN271201100092P	Outreach Partnership Program	ASA	3,906
93.HHSN276201100009C	National Network of Libraries of Medicine (NN/LM) Services Pacific Southwest Region, *University of California-Los Angeles,* Contract # 5415SPA036	UAA	24,997
93.HHSN276201100141P	NIH Sequence Data—Bioinformatics Service	ASA	30,000
93.HHSP23320082917YC	Native American Needs Assessment, *Association of University Centers on Disability,* Contract # HHSP23320082917YC	UAA	84,931
93.HHSP233201100049A	National Women's Leadership Institute, *Mariposa Community Health Center,* Contract # HHSP233201100049A	UAA	10,971
93.HP032097003	Evaluation of CPSA Programs, *Community Partnership of Southern Arizona,* Contract # P0615	UAA	23,087
93.II-ISA-11-1304-01	State Epidemiological Outcomes Workgroup (SEOW)	ASA	56,639

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.LTR 09/19/11	The Effect of Music on Motor, Cognitive and Affect Functions for People with Down Syndrome in Music-Based Exercise, *Special Olympics Inc.,* Contract # LTR 09/19/11	ASA	2,165
93.LTR DTD 052510	Intergovernmental Personnel Act	UAA	171,203
93.LTR DTD 061112	Indigenous Health Resource Workforce IPA for Teshia Solomon	UAA	1,805
93.LTR DTD 103111	Support for Knowledge River Library School Internships, *Center for Public Service Communications, LLC,* Contract # CK2312	UAA	58,795
93.R18HS017191	A Partnership for Clinician EHR Use and Quality of Care, *Michigan Public Health Institute,* Contract # R18HS017191	ASA	5,000
93.TI19593	Guiding Star Pregnant and Postpartum Women's Project, *Native American Connections, Inc.,* Contract # TI19593	UAA	1,896
93.Unknown	Act Early Ambassador, *Association of University Centers on Disability,* Contract # LTR DTD 121211	UAA	228
93.Unknown	Establishing Burkholderia Psudommaei Index Strains, *Battelle Memorial Institute,* Contract # L296389	NAA	518,362
	Total Department of Health and Human Services		$ 7,004,034,048
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
	Foster Grandparent/Senior Companion Cluster		
94.011	Foster Grandparent Program	NAA	$ 661,292
94.016	Senior Companion Program	NAA	615,305
	Foster Grandparent/Senior Companion Cluster Subtotal		1,276,597
	Other Corporation for National and Community Service Programs		
94.002	Retired and Senior Volunteer Program	NAA	97,898
94.003	State Commissions	GVA	370,383
94.004	Learn and Serve America—School and Community Based Programs	EDA	174,002
94.006	AmeriCorps	GVA	2,333,739
94.006	AmeriCorps	NAA	488,503
94.006	AmeriCorps	UAA	245,125
94.006	AmeriCorps, *Public Allies,* Contract # 09NDHWI0010001	ASA	449,349
	94.006 Subtotal		3,516,716
94.007	Program Development and Innovation Grants	GVA	55,873
94.007	Program Development and Innovation Grants	NAA	27,316
	94.007 Subtotal		83,189
94.009	Training and Technical Assistance	GVA	64,565
94.009	Training and Technical Assistance	UAA	238,479
	94.009 Subtotal		303,044
94.013	Volunteers in Service to America	UAA	1,332
	Total Corporation for National and Community Service		$ 5,823,161
	EXECUTIVE OFFICE OF THE PRESIDENT		
95.001	High Intensity Drug Trafficking Areas Program	AGA	$ 571,441
95.001	High Intensity Drug Trafficking Areas Program	PSA	2,337,217
	95.001 Subtotal		2,908,658
	Total Executive Office of the President		$ 2,908,658
	SOCIAL SECURITY ADMINISTRATION		
	Disability Insurance/SSI Cluster		
96.001	Social Security—Disability Insurance	DEA	$ 36,968,532
	Disability Insurance/SSI Cluster Subtotal		36,968,532
	Total Social Security Administration		$ 36,968,532
	DEPARTMENT OF HOMELAND SECURITY		
	Other Department of Homeland Security Programs		
97.001	Pilot Demonstration or Earmarked Projects	ADA	$ 174,744

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
97.001	Pilot Demonstration or Earmarked Projects	HLA	159,755
	97.001 Subtotal		334,499
97.008	Non-Profit Security Program	HLA	109,139
97.012	Boating Safety Financial Assistance	GFA	1,541,513
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	MAA	735
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	WCA	165,055
	97.023 Subtotal		165,790
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)	MAA	3,212,567
97.039	Hazard Mitigation Grant	MAA	363,944
97.041	National Dam Safety Program	WCA	89,695
97.042	Emergency Management Performance Grants	MAA	7,066,710
97.045	Cooperating Technical Partners	GSA	17,360
97.045	Cooperating Technical Partners	MAA	23,314
97.045	Cooperating Technical Partners	WCA	145,802
	97.045 Subtotal		186,476
97.047	Pre-Disaster Mitigation	GSA	26,732
97.047	Pre-Disaster Mitigation	MAA	336,004
	97.047 Subtotal		362,736
97.052	Emergency Operations Center	HLA	102,272
97.067	Homeland Security Grant Program	ADA	36,583
97.067	Homeland Security Grant Program	AHA	80,907
97.067	Homeland Security Grant Program	DCA	118,075
97.067	Homeland Security Grant Program	HLA	32,177,457
97.067	Homeland Security Grant Program	MAA	594,876
97.067	Homeland Security Grant Program	PSA	3,706,532
	97.067 Subtotal		36,714,430
97.075	Rail and Transit Security Grant Program	HLA	503,412
97.078	Buffer Zone Protection Program (BZPP)	HLA	494,185
97.082	Earthquake Consortium	GSA	41,532
97.086	Homeland Security Outreach, Education, and Technical Assistance	ASA	280,195
97.092	Repetitive Flood Claims	MAA	5,399
97.120	Border Interoperability Demonstration Project	HLA	5,107
	Total Department of Homeland Security		$ 51,579,601
	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT		
98.001	USAID Foreign Assistance for Programs Overseas	UAA	$ 30,444
98.001	USAID Foreign Assistance for Programs Overseas, *Georgetown University,* Contract #s UARRX205070510N1, UARRX205070511O12, UARRX205070511P6	UAA	512,141
98.001	USAID Foreign Assistance for Programs Overseas, *University of Texas A&M, Texas Agrilife Research,* Contract # 570689	UAA	13,674
	98.001 Subtotal		556,259
98.012	USAID Development Partnerships for University Cooperation and Development	ASA	485,018
98.012	USAID Development Partnerships for University Cooperation and Development, *Higher Education for Development (HED)* , Contract #s AGR 02/15/2007, 523A00060000900	ASA	108,191
	98.012 Subtotal		593,209
98.185A000900010100	Integrated Telemedicine and E-Health Program of Albania, *International Virtual E-Hospital Foundation,* Contract # 185A000900010100	UAA	37,634
98.AEGI18040001000	Farmer-to-Farmer Aquaculture Niche Project, *Weidemann Associates, Inc.,* Contract # 1071205023	UAA	11,826
98.AID-OAA-L-11-00005	Sustainable Energy Education Consortium (SEEC)	ASA	497,277
	Total United States Agency for International Development		$ 1,696,205

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	MISCELLANEOUS FEDERAL AGENCIES		
99.SJI10E016, SJI11E013	Develop Performance Measurement System for Appellate Courts, *State Justice Institute,* Contract #s SJI-10-E-016, SJI-11-E-013	SPA	$ 6,133
	Total Miscellaneous Federal Agencies		$ 6,133
	STUDENT FINANCIAL ASSISTANCE CLUSTER		
	Department of Education		
84.007	Federal Supplemental Educational Opportunity Grants	ASA	$ 1,581,308
84.007	Federal Supplemental Educational Opportunity Grants	NAA	444,970
84.007	Federal Supplemental Educational Opportunity Grants	UAA	625,838
	84.007 Subtotal		2,652,116
84.033	Federal Work-Study Program	ASA	3,013,635
84.033	Federal Work-Study Program	NAA	669,363
84.033	Federal Work-Study Program	UAA	1,670,718
	84.033 Subtotal		5,353,716
84.063	Federal Pell Grant Program	ASA	100,659,010
84.063	Federal Pell Grant Program	NAA	35,742,476
84.063	Federal Pell Grant Program	UAA	45,854,283
	84.063 Subtotal		182,255,769
84.375	Academic Competitiveness Grants	NAA	6,825
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	NAA	21,775
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	UAA	7,345
	84.376 Subtotal		29,120
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	ASA	4,175,688
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	NAA	165,000
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	UAA	359,150
	84.379 Subtotal		4,699,838
84.408	Postsecondary Education Scholarships for Veteran's Dependents	ASA	5,550
	Department of Education Subtotal		195,002,934
	Department of Health and Human Services		
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	ASA	445,075
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	NAA	212,685
	93.925 Subtotal		657,760
	Department of Health and Human Services Subtotal		657,760
	Total Student Financial Assistance Cluster		$ 195,660,694
	RESEARCH & DEVELOPMENT CLUSTER		
	Department of Agriculture		
10.RD	Department of Agriculture	ASA	142,602
10.RD	Forest Service	UAA	896,641
10.RD	Forestry Service	NAA	793,213
10.RD	National Institute of Food and Agriculture	ASA	1,132,539
10.RD	National Institute of Food and Agriculture	NAA	443,520
10.RD	United States Department of Agriculture	UAA	7,863,408
10.RD	USDA—Agricultural Research Service	UAA	3,200
10.RD	Vietnam Education Foundation	UAA	1,402
10.RD	*Arizona Department of Agriculture,* Contract #s 1085401044CA, SCBGP0809, SCBGPFB0905, SCBGPFB0907, SCBGPFB0910, SCBGPFB0913, SCBGPFB0915, SCBGPFB0916, SCBGPFB0917, SCBGPFB0919, SCBGPFB0924, SCBGPFB0925, SCBGFB0939, SCBGPFB1005, SCBGPFB1006, SCBGPFB1007, SCBGPFB1010, SCBGPFB1015, SCBGPFB1017, SCBGPFB1018, SCBGPFB1020, SCBGPFB1102, SCBGPFB1103, SCBGPFB1104, SCBGPFB1105, SCBGPFB1106, SCBGPFB1120, SCBGPFB1128, SCBGFB1129, SCBGPFB1137, SCBGPFB1140, SCGBP0803	UAA	481,391
10.RD	*Arizona Department of Health Services,* Contract # ADHS12-009788	ASA	26,607
10.RD	*Arizona State Forestry Division,* Contract #s SFA 09-003, WFHF 09-014, CSG 10-007	NAA	62,935
10.RD	*Arizona State Parks,* Contract # CCG10-001	ASA	345

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
10.RD	*Bat Conservation International,* Contract # CK9174	UAA	25,806
10.RD	*California Polytechnic State University,* Contract # 20106540020441	ASA	66,694
10.RD	*Center for Produce Safety,* Contract # 20112165201	UAA	10,259
10.RD	*Colorado State University,* Contract # 2009-51181-05739	ASA	819
10.RD	*Colorado State University,* Contract # G14741	UAA	14,623
10.RD	*Iowa State University,* Contract # 4162324C	UAA	44,167
10.RD	*Maricopa County Community College District,* Contract # 20083842219188	UAA	13,149
10.RD	*Michigan State University,* Contract # RC064684UA	UAA	5,691
10.RD	*Mississippi State University,* Contract # 19140032209402	UAA	4,383
10.RD	*National Renewable Energy Laboratory,* Contract # DE-AC36-08GO28308	ASA	307,143
10.RD	*New Mexico State University,* Contract #s Q01416, Q01431, Q01509	UAA	59,610
10.RD	*North Carolina State University,* Contract # 2011-68003-30395	ASA	179,265
10.RD	*North Carolina State University,* Contract # 2011160904	UAA	93,641
10.RD	*Oceanic Institute,* Contract # USMSFP201021115UAZ	UAA	13,807
10.RD	*Oklahoma State,* Contract # AB-5-67690-NAU	NAA	26,185
10.RD	*Oregon State University,* Contract #s 60025859, C0430AB	UAA	43,319
10.RD	*Portland State University,* Contract # 207JOH051	UAA	23,813
10.RD	*Purdue University,* Contract # 2010-65615-20672	ASA	25,107
10.RD	*Purdue University,* Contract #s 8000032985AG, 8000040009AG, 8000040172	UAA	123,922
10.RD	*Rutgers, The State University of New Jersey,* Contract #s 2011AZASBioMatheron, S1522449	UAA	90,857
10.RD	*Texas AgriLife Research,* Contract # 570686	UAA	2,773
10.RD	*Texas Technology University,* Contract # 2007-35100-18382	ASA	3,834
10.RD	*Tucson Community Food Bank,* Contract # LTR DTD 102309	UAA	10,149
10.RD	*University of Arizona,* Contract # SCBGP-FB11-29	ASA	9,754
10.RD	*University of Arizona,* Contract # Y554532	NAA	3,919
10.RD	*University of California-Davis,* Contract #s 200911201ARI11, 600158, 0700255801	UAA	24,050
10.RD	*University of California-Riverside,* Contract # S000522	UAA	309
10.RD	*University of Kentucky,* Contract # 304810436508396	UAA	27,816
10.RD	*University of Rhode Island,* Contract # 2007-51130-03873	ASA	45,837
10.RD	*University of Washington,* Contract # 688014	UAA	9,754
10.RD	*Utah State University,* Contract #s 100893036, 080861047, 080861049, 09092201	UAA	11,070
10.RD	*Washington State Fruit Commission,* Contract # FAA0901101	UAA	54,560
10.RD	*Washington State University,* Contract # 108493G002325	UAA	30,777
	Department of Agriculture Subtotal		13,254,665
	Department of Commerce		
11.RD	Department of Commerce	ASA	101,219
11.RD	National Institute of Standards and Technology	ASA	6,689
11.RD	ARRA—National Institute of Standards and Technology	ASA	322,211
11.RD	National Institute of Standards and Technology	UAA	1,559
11.RD	National Oceanic and Atmospheric Administration	ASA	300,026
11.RD	National Oceanic and Atmospheric Administration	UAA	1,803,283
11.RD	*Acellent Technologies, Inc.,* Contract # 70NANB9H9015	UAA	18,681
11.RD	*Arizona Manufacturing Extension Partnership and the Economic,* Contract #s 70NANB10H192, 70NANB10H102	ASA	27,604
11.RD	*Arizona State University,* Contract #12852	UAA	6,054
11.RD	*Columbia University,* Contract # NA08OAR4320912	ASA	50,883
11.RD	*Library Development Division,* Contract # LTR 06/06/11	ASA	8,264
11.RD	*Pacific States Marine Fisheries Commission,* Contract # NA08NMF4370485	ASA	20,620
11.RD	*ARRA—Purdue University,* Contract # 60NANB10D023	ASA	88,596
11.RD	*University of California-Irvine,* Contract # E214GNA107	NAA	14,297
11.RD	*University of Colorado,* Contract # 1547799	UAA	17,159
11.RD	*University of Maine,* Contract # UMS839	UAA	13,307
11.RD	*University of Maryland,* Contract # Z765204	UAA	19,812
11.RD	*University of Nebraska-Lincoln,* Contract # 2562380372002	UAA	619
	Department of Commerce Subtotal		2,820,883
	Department of Defense		
12.RD	Air Force Office of Scientific Laboratory	UAA	6,802,329
12.RD	Air Force Research Laboratory	UAA	215,316
12.RD	Army Corps of Engineers	UAA	768,708
12.RD	Army Medical Command	UAA	797,735
12.RD	Army Research Office	UAA	48,507
12.RD	Army Research Development and Engineering Command Public Communications Office	UAA	1,291,591
12.RD	Asian Office of Aerospace Research and Development	UAA	50,742
12.RD	Defense Advanced Research Projects Agency	ASA	608,922
12.RD	ARRA—Defense Advanced Research Projects Agency	ASA	181,638

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
12.RD	Defense Advanced Research Projects Agency	UAA	591,733
12.RD	Defense Threat Reduction Agency	NAA	285,675
12.RD	Defense Threat Reduction Agency	UAA	682,268
12.RD	Department of Defense	ASA	5,498,036
12.RD	Department of Defense	NAA	1,306,050
12.RD	Department of the Air Force	ASA	2,890,926
12.RD	Department of the Army	NAA	37,046
12.RD	Department of the Navy	ASA	5,181,139
12.RD	Maryland Procurement Office	UAA	16,379
12.RD	National Security Agency	ASA	331,303
12.RD	National Security Agency	UAA	73,786
12.RD	Naval Facilities Engineering Command Southwest	NAA	12,319
12.RD	Office of Naval Research	UAA	1,459,598
12.RD	Office of the Secretary	ASA	98,627
12.RD	Pacific Northwest National Laboratory	NAA	125,969
12.RD	SPAWAR Systems Center-San Diego	UAA	1,145,294
12.RD	The Missile Defense Agency	UAA	685
12.RD	U.S. Army Corp of Engineers	NAA	17,669
12.RD	U.S. Army Engineer District	NAA	51,098
12.RD	U.S. Army Material Command	ASA	12,302,995
12.RD	U.S. Army Medical Command	ASA	1,260,790
12.RD	U.S. Army Medical Research and Material Command	UAA	64,956
12.RD	U.S. Army Medical Research Institute Infectious Diseases	NAA	20,425
12.RD	U.S. Department of Army	UAA	106,670
12.RD	U.S. Department of Defense	UAA	428,362
12 RD	*Advanced Dynamics, Inc.,* Contract #12030523	ASA	43,073
12.RD	*Aptima, Inc.,* Contract # N00014-10-C-0442	ASA	84,434
12.RD	*Arizona State University,* Contract # 10407	UAA	109,822
12.RD	*ASR Corporation,* Contract # 09301101084	UAA	20,837
12.RD	*BAE Systems, Inc.,* Contract # 774692	UAA	71,668
12.RD	*Ball Aerospace Systems Division,* Contract # 07RDK00458	UAA	61,516
12.RD	*Banner Health,* Contract # W18XWH-08-2-0186	ASA	186,693
12.RD	*Barrows Neurological Institute (St. Josephs Hospital)* , Contract # W81XWH-11-1-0283	ASA	57,540
12.RD	*Battelle Columbus Division,* Contract # W911NF-07-D-0001	ASA	25,595
12.RD	*Biomedical Research & Education Fund of Southern Arizona,* Contract # W81XWH1010745	UAA	54,905
12.RD	*Boeing Company,* Contract #s HDTRA1-05-D-0001.DO-002, FA8650-10-C-7085	ASA	163,674
12.RD	*California Institute of Technology,* Contract #s 67C1090176, 67N1089127	UAA	161,227
12.RD	*Camp Dresser & McKee, Inc.,* Contract # W912HQ-10-C-0075	ASA	222,829
12.RD	*Conner Networks,* Contract # IARPA-BAA-12-01	ASA	45,577
12.RD	*Cornell University,* Contract # 632229760	UAA	33,199
12.RD	*Cortana Corporation,* Contract # 1851101	UAA	50,755
12.RD	*Duke University,* Contract # FA8650-09-C-2944	ASA	38,213
12.RD	*Duke University,* Contract # 10DARPA1099	UAA	721,607
12.RD	*Dynetics,* Contract # FA8650-08-D-1303	ASA	69,468
12.RD	*Engility Corporation,* Contract # 10121	UAA	1,769,822
12.RD	*Ethosgen, LLC,* Contract # LTR DTD 011510	UAA	10,902
12.RD	*FLIR EOC, LLC,* Contract #s 11049413, 10036206	ASA	129,357
12.RD	*G-CON, LLC,* Contract # 11039096	ASA	12,828
12.RD	*General Atomics,* Contract #s HR0011-09-C-0034, FA8650-10-C-1785, FA8650-09-D-5037, FA8650-09-D-5039	ASA	40,975
12.RD	*Georgia Institute of Technology,* Contract #s N00014-12-1-0443, FA23861014152	ASA	119,334
12.RD	*Georgia Institute of Technology,* Contract #s RA231GA, RB250G1, RB267G2	UAA	693,395
12.RD	*Global Engineering Research and Technologies,* Contract # FA955010C0104	UAA	13,454
12.RD	*Goodrich Corporation,* Contract # 415362	UAA	9,197,128
12.RD	*Harvard University,* Contract # 123572	UAA	120,697
12.RD	*Henry M Jackson Foundation for Advancement of Military Medicine,* Contract # 717737	UAA	48,725
12.RD	*Indiana University,* Contract # N00014-07-1-1049	ASA	156,829
12.RD	*Institute of International Education,* Contract #s U631040 4, NSEP-U631043, HQ0034-07-C-1010	ASA	507,547
12.RD	*Intelligent Automation, Inc. (IAI),* Contract #s FA9550-11-C-0006, FA9550-10-C-0026	ASA	286,483
12.RD	*IQE RF Sales* , Contract # 11121419	ASA	24,229
12.RD	*Jem Engineering,* Contract # N68335-12-C-0063	ASA	24,871
12.RD	*Lincoln Laboratories,* Contract # PO7000120435	UAA	9,981
12.RD	*Massachusetts Institute of Technology,* Contract #s 5710002102, 7000172185	UAA	81,527
12.RD	*Materials and Electrochemical Research Corp.,* Contract #s 91832, W911NF09C0112	UAA	34,203
12.RD	*Michigan State University,* Contract # FA8650-09-C-1619	ASA	143,696
12.RD	*Microbiosystems of Utah, LLC,* Contract # LTD DTD 081110	UAA	58,076

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
12.RD	*MITRE Corporation,* Contract # 78043	UAA	22,081
12.RD	*New York University,* Contract # N00014-09-1-0181	ASA	358
12.RD	*NextGen Aeronautics,* Contract # FA8651-12-M-0200	ASA	10,288
12.RD	*Northrop Grumman,* Contract #s HR0011-09-C-0132, HR0011-09-C-0062, H94003-04-D-0004	ASA	374,383
12.RD	*Northwestern University,* Contract #s N00014-11-1-0729, 10302059/N0014-09-1-1126	ASA	172,852
12.RD	*NP Photonics, Inc.,* Contract # LTR DTD 060210	UAA	51,901
12.RD	*Oregon State University,* Contract # W912HQ-12-C-0004	ASA	12,854
12.RD	*Palo Alto Research Center, Inc.,* Contract #s NNA11AB07C, FA8650-11-C-7130	ASA	90,407
12.RD	*Pennsylvania State University,* Contract # W911NF-09-1-0525	ASA	143,590
12.RD	*Princeton University,* Contract # FA9550-09-1-0643	ASA	164,017
12.RD	*Purdue University,* Contract # HDTRA1-10-1-0083	ASA	12,711
12.RD	*Purdue University,* Contract # 531089501	UAA	16,042
12.RD	*Radiation Monitoring Devices Inc.,* Contract # HDTRA1-11-1-0028	ASA	57,359
12.RD	*Raydiance, Inc.,* Contract # N0001410M0239	UAA	5,953
12.RD	*Raytheon Company,* Contract # 4200211223	UAA	250,838
12.RD	*Renaissance Sciences Corporation,* Contract #s N68335-11-C-0043, N61339-09-C-0031, N00014-12-M-0101	ASA	132,947
12.RD	*Rensselaer Polytechnic Institute (RPI),* Contract # N00014-09-1-1029	ASA	108,550
12.RD	*Rutgers, The State University of New Jersey,* Contract # 3796	UAA	48,089
12.RD	*SA Photonics,* Contract # 7086UAZ1010	UAA	72,800
12.RD	*Sandia Research Corporation,* Contract #s N00014-09-C-0138, N00014-11-M-0129	ASA	35,804
12.RD	*Science Applications International Corp.,* Contract # P010115724	UAA	19,555
12.RD	*SET Corporation,* Contract # FA9550-09-C-0173	ASA	4,323
12.RD	*SIFT Smart Information Flow Technologies,* Contract # W911NF-11-C-0037	ASA	32,557
12.RD	*SJT Micropower Inc.,* Contract # W31P4Q-10-C-0020	ASA	59,978
12.RD	*Space Computer Corporation,* Contract # 151TO02OFA001	UAA	29,513
12.RD	*Space Micro, Inc.,* Contract # ATP	ASA	17,645
12.RD	*SRI International,* Contract # N00014-09-C-0292	ASA	104,649
12.RD	*SRI International,* Contract # 27001328	UAA	101,941
12.RD	*State University of New York,* Contract # 1098964359361	UAA	101,566
12.RD	*TDA Research Inc.,* Contract # 1036-002-01	ASA	9,961
12.RD	*Texas Engineering Experiment Station,* Contract # A5931	UAA	348,134
12.RD	*The Henry Jackson Foundation,* Contract # 711946	NAA	345,453
12.RD	*The Nature Conservancy,* Contract # WA-S-100819-030-0	NAA	3,816
12.RD	*Tigerbrain Engineering Inc.,* Contract # W9128F-10-D-0065	ASA	14,057
12.RD	*Translational Genomics Research Institute,* Contract # KEIM-09-01	NAA	2,096
12.RD	*Universal Technology Corporation,* Contract # FA8650-10-D-3037	ASA	73,601
12.RD	*University of California-Berkeley,* Contract # W911NF-07-1-0314	ASA	216,462
12.RD	*University of California-Davis,* Contract # N00014-11-1-0108	ASA	30,702
12.RD	*University of California-Los Angeles,* Contract # 1295GNA114	UAA	318,765
12.RD	*University of California-San Diego,* Contract #s B9U564042, N00014-07-1-0739, N00014-07-1-0741	ASA	99,818
12.RD	*University of California-Santa Barbara,* Contract # N00014-10-1-0937	ASA	165,371
12.RD	*University of Central Florida,* Contract # N00014-06-1-0446	ASA	210,594
12.RD	*University of Central Florida,* Contract # 105755	UAA	88,329
12.RD	*University of Chicago,* Contract # W81XWH-11-2-0114	ASA	14,926
12.RD	*University of Florida,* Contract # UFEIES1005015UAZ	UAA	108,234
12.RD	*University of Hawaii,* Contract # FA9550-09-1-0261	ASA	73,565
12.RD	*University of Illinois-Champaign/Urbana,* Contract #s W911NF-10-1-0524, HR0011-07-1-0002, FA9550-09-1-0098	ASA	622,129
12.RD	*University of Maryland,* Contract #s N00014-12-1-0124, FA9550-08-1-0406	ASA	48,217
12.RD	*University of Michigan,* Contract #s W911NF-11-1-0391, N66001-07-1-2006	ASA	95,567
12.RD	*University of Minnesota,* Contract # A001650204	UAA	96,611
12.RD	*University of Oklahoma,* Contract # 201214	UAA	231,235
12.RD	*University of Oxford,* Contract # N66001-10-1-4061	ASA	87,812
12.RD	*University of Pennsylvania,* Contract # N00014-08-1-0696	ASA	56,662
12.RD	*University of South Carolina,* Contract # N00014-11-1-0925	ASA	44,804
12.RD	*University of Southern California,* Contract #s N00014-05-1-0630, HR0011-11-C-0067, HR0011-10-C-0034	ASA	194,488
12.RD	*University of Tennessee,* Contract #s 8500017317, R041303040	UAA	291,921
12.RD	*University of Texas-Austin,* Contract # UTA09000620	UAA	114,908
12.RD	*University of Virginia,* Contract # N00014-07-1-0723	ASA	84,922
12.RD	*Vanderbilt University,* Contract # HDTRA1-11-1-0033	ASA	51,989
12.RD	*VW International, Inc.,* Contract # 67-027A	ASA	80,941
12.RD	*Wyle Laboratories,* Contract # HC1047-05-D-4005	ASA	83,531
12.RD	*Zona Technology, Inc.,* Contract # FA9550-12-C-0026	ASA	29,484
	Department of Defense Subtotal		67,056,633

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	Department of Housing and Urban Development		
14.RD	Department of Housing and Urban Development	ASA	119,334
14.RD	*City of Phoenix Planning Department,* Contract # CCPAZ0044-11	ASA	10,940
14.RD	*International City/County Management Association,* Contract # H21624RG	ASA	38,832
14.RD	*ARRA —Pima County, Arizona,* Contract # 0170A1431780810	UAA	10,558
	Department of Housing and Urban Development Subtotal		179,664
	Department of the Interior		
15.RD	Bureau of Indian Affairs	UAA	129,298
15.RD	Bureau of Land Management	ASA	38,608
15.RD	Bureau of Land Management	NAA	531,733
15.RD	Bureau of Land Management	UAA	200,231
15.RD	Bureau of Reclamation	NAA	104,021
15.RD	Bureau of Reclamation	UAA	384,612
15.RD	Department of the Interior	ASA	511,749
15.RD	Fish and Wildlife Service	NAA	72,346
15.RD	Geological Survey	ASA	135,779
15.RD	National Park Service	ASA	144
15.RD	National Park Service	NAA	1,062,630
15.RD	National Park Service	UAA	1,313,540
15.RD	U.S. Fish and Wildlife Service	UAA	509,393
15.RD	U.S. Geological Survey	NAA	753,560
15.RD	ARRA—U.S. Geological Survey	NAA	4,798
15.RD	U.S. Geological Survey	UAA	2,565,034
15.RD	*Arizona Department of Agriculture,* Contract # AZE66	UAA	24,323
15.RD	*Arizona Game and Fish Department,* Contract #s 143403HQRU1580T0113, 143403HQRU1580TO111, 143403HQRU1580, LTR DTD 112911	UAA	10,609
15.RD	*Bat Conservation International Inc.,* Contract # L09AC15886	NAA	40,769
15.RD	*David Evans and Associates, Inc.,* Contract #s NAPSYOSE-2043, WBS ASU	ASA	30,164
15.RD	*Louisiana State University and Agricultural and Mechanics,* Contract # 50786	UAA	254,391
15.RD	*Nature Conservancy,* Contract #s AZFA110920, NMFO120511	UAA	50,535
15.RD	*Southern Arizona Buffelgrass Coordination Center,* Contract # L10AC20361	NAA	9,458
15.RD	*Southern California Earthquake Center,* Contract # 07HQAG0008	ASA	15,577
15.RD	*ARRA —SWCA Environmental Consultants,* Contract # LTR DTD 101410	UAA	62,962
15.RD	*University of Alaska-Fairbanks,* Contract # M07AC12496	ASA	2,611
15.RD	*University of Arizona,* Contract # Y561983	NAA	33,816
15.RD	*University of Arizona-Water Research Resources Center,* Contract # G11AP20065	ASA	3,864
15.RD	*University of Houston,* Contract #s R070077, R080140	UAA	15,307
15.RD	*University of Montana,* Contract #s PG116567201,PG126570502	UAA	79,041
15.RD	*University of Wyoming,* Contract # 1001202	UAA	14,529
	Department of the Interior Subtotal		8,965,432
	Department of Justice		
16.RD	Department of Justice	ASA	676,200
16.RD	Department of Justice	UAA	80,919
16.RD	National Institute of Justice	ASA	60,782
16.RD	ARRA—National Institute of Justice	ASA	684,602
16.RD	Office of Juvenile Justice and Delinquency Prevention	ASA	150,061
16.RD	*Glendale, City of-Police Department,* Contract #s 211-MU-BX-0024, 2009-DG-BX-0020	ASA	66,938
16.RD	*Johns Hopkins University,* Contract # 2008-WG-BX-0002	ASA	81,242
16.RD	*Phoenix Police Department,* Contract # 2011-DB-BX0018	ASA	40,123
16.RD	*Pima County, Arizona,* Contract # 0702A1406430208	UAA	17,595
16.RD	*Sam Houston State University,* Contract # 2010-DN-BX-0001	ASA	20,423
16.RD	*University of Pittsburgh,* Contract #s 2008-IJ-CX-0023, 2007-MU-FX-0002, 2000-MU-0007	ASA	529
16.RD	*Westat, Inc.,* Contract # 2010-NV-CX-K077	ASA	10,529
	Department of Justice Subtotal		1,889,943
	Department of Labor		
17.RD	Department of Labor	UAA	25,494
	Department of Labor Subtotal		25,494
	Department of State		
19.RD	*American Council of Learned Societies (ACLS),* Contract # Agmt 4/2/10	ASA	8,502
19.RD	*American Councils for International Education,* Contract # SECAPY-11-CA-134-sub1	ASA	12,127
19.RD	*National Academy of Science,* Contract # PGAP210853	UAA	7,116
19.RD	*National Council for Eurasian & East European Research,* Contract # 827-01	ASA	38,364
	Department of State Subtotal		66,109

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
	Department of Transportation		
20.RD	Department of Transportation	ASA	170,224
20.RD	Department of Transportation	UAA	184,643
20.RD	Federal Aviation Administration	ASA	73,221
20.RD	Federal Highway Administration	UAA	325,982
20.RD	*Arizona Department of Transportation,* Contract # IGA-10-004-CRO	ASA	1,837
20.RD	*Arizona Department of Transportation,* Contract # JPA-09-019T	NAA	3,513
20.RD	*Arizona Department of Transportation,* Contract #s JPA08009T, JPA08019M, JPA11002	UAA	124,202
20.RD	*Baltimore Metropolitan Council,* Contract # Agmt 11/8/10	ASA	24,087
20.RD	*Cambridge Systems, Inc.,* Contract #s 7661000, 8254001	UAA	256,875
20.RD	*Illinois Institute of Technology,* Contract # SA42102126629	UAA	4,135
20.RD	*Louis Berger Group, Inc.,* Contract # JA2806	UAA	109,576
20.RD	*NAS-TRB-National Cooperative Highway Research Program,* Contract # DTFH61-08-H-000035	ASA	284,485
20.RD	*Oregon State University,* Contract #s T0013GE, T0013GI, T0013G1TaskOrder#1	UAA	98,939
20.RD	*Resource Systems Group, Inc.,* Contract # DTFH61-11-C-00015	ASA	61,774
20.RD	*University of Arizona,* Contract # Y553600	ASA	76,752
20.RD	*University of California-Santa Barbara,* Contract # 09-031-C1	ASA	33,958
20.RD	*University of Virginia,* Contract # PO1207075	UAA	20,087
	Department of Transportation Subtotal		1,854,290
	Office of Personnel Management		
27.RD	Office of Personnel Management	ASA	15,740
	Office of Personnel Management Subtotal		15,740
	Federal Trade Commission		
36.RD	*University of Missouri,* Contract # 296522	UAA	63,057
	Federal Trade Commission Subtotal		63,057
	National Aeronautics and Space Administration		
43.RD	Jet Propulsion Laboratory	NAA	272,722
43.RD	NASA-Ames Research Center	ASA	1,487,450
43.RD	NASA Ames Research Center	UAA	110,890
43.RD	NASA-Goddard Space Flight Center	ASA	11,092,901
43.RD	NASA Goddard Space Flight Center	UAA	46,271,635
43.RD	NASA Headquarters	UAA	13,529,174
43.RD	NASA-John H. Glenn Research Center, Lewis Field	ASA	33,521
43.RD	NASA Johnson Space Center	UAA	153,892
43.RD	NASA Langley Research Center	UAA	207,929
43.RD	NASA-Lyndon B. Johnson Space Center	ASA	214,714
43.RD	NASA Marshall Space Flight Center	UAA	113,017
43.RD	National Aeronautics and Space Administration	NAA	450,751
43.RD	National Aeronautics and Space Administration	UAA	35,762
43.RD	*American Geological Institute,* Contract #s NNX10AD33A, PR# 420032242	ASA	183,042
43.RD	*Arizona Sonora Desert Museum,* Contract # LTR DTD 083110	UAA	3,196
43.RD	*Arizona State University,* Contract #s 10381, 10394, 7790, 8980	UAA	374,971
43.RD	*California Institute of Technology,* Contract # NNX09AC35G	ASA	123,984
43.RD	*California Institute of Technology,* Contract #s 21083117, 21089221, 21091253	UAA	140,855
43.RD	*Carnegie Institution of Washington,* Contract # NASW00002	ASA	419,480
43.RD	*Carnegie Institution of Washington,* Contract # 9-10307-01	NAA	120,769
43.RD	*Carnegie Institution of Washington,* Contract #s DTM325002, DTM325008 (PHASE E)	UAA	337,594
43.RD	*Colorado State University,* Contract #s G19581, G653701	UAA	33,092
43.RD	*Cornell University,* Contract # 393616455	ASA	59,840
43.RD	*Desert Research Institute,* Contract #s 65603011, 65604201	UAA	41,690
43.RD	*Jet Propulsion Laboratory,* Contract #s 711043, 1455718, 1444481, 1441564, 1412578, NAS703001, NAS71407, NMO710076, NMO710805, NMO710819, NMO710846, NMO710947, NMO711016, NM0711040, NMO711043, NMO711085	ASA	4,244,007
43.RD	*Jet Propulsion Laboratory,* Contract #s 1216369, 1226582, 1228726, 1254725, 1256318, 1270067, 1272218, 1306547, 1319248, 1350372, 1354929, 1406993, 1407200, 1407263, 1421891, 1422779, 1430662, 1431141, 1431372, 1433898, 1440265, 1446073	UAA	13,165,786
43.RD	*John Hopkins University Applied Physics Laboratory,* Contract #s NNN06AA01C, NNX09AN33G, NNX10AC6G	ASA	31,436
43.RD	*Lowell Observatory,* Contract # 2011-71262	NAA	24,239
43.RD	*Malin Space Science Systems, Inc.,* Contract # 11-0124	ASA	82,119
43.RD	*National Space Biomedical Research Institute,* Contract # NCC958166HPF01605	UAA	263
43.RD	*Northwest Research Laboratories,* Contract # NASA S047P	ASA	33,128
43.RD	*Oregon State University,* Contract # NNX10AP79G	ASA	1,518

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
43.RD	*Planetary Science Institute,* Contract # NNX10AM83G	ASA	1,559
43.RD	*Planetary Science Institute,* Contract # 595	UAA	23,082
43.RD	*Public Broadcasting Service (PBS),* Contract # NNX09AL84G	ASA	5,445
43.RD	*Rensselaer Polytechnic Institute,* Contract # B10554	UAA	77,690
43.RD	*SJT Micropower Inc.,* Contract # 11069984	ASA	25,346
43.RD	*Smithsonian Astrophysics Observatory,* Contract # NAS803060	ASA	12,163
43.RD	*Southwest Research Institute,* Contract #s 699051X, 699053X, D99004L, D99030L	UAA	166,636
43.RD	*Space Science Institute,* Contract # 433	UAA	4,535
43.RD	*Space Telescope Science Institute,* Contract #s HST-AR-12657.01-A, NAS526555	ASA	335,954
43.RD	*Space Telescope Science Institute,* Contract # HST-AR-11778.05-A	NAA	25,958
43.RD	*Space Telescope Science Institute,* Contract #s HSTAR1127901A, HSTAR1130301A, HSTAR1212101A, HSTAR1215501A, HSTAR1262401A, HSTEO1158706A, HSTG01169702A, HSTGO1041701A, HSTGO1084905A, HSTGO1085201A, HSTGO1115507A, HSTGO1115702A, HSTGO1157201A, HSTGO1157601A, HSTG01158503A, HSTGO1158701A, HSTGO1159101A, HSTGO1159806A, HSTG01160001A, HSTGO1162503A, HSTGO1164001A, HSTGO1164301A, HSTGO11665502A, HSTGO1167301A, HSTG01170207A, HSTG01206062A, HSTGO1217708A, HSTG01218112A, HSTGO1218401A, HSTG01218801A, HSTGO1222801A, HSTG01223902A, HSTGO1224805A, HSTG1228608A, HSTGO1229603A, HSTG1231404A, HSTGO1247301A, HSTGO1249812A, HSTGO1322901A, HSTHF5125001A, HSTHF5129901A	UAA	1,108,790
43.RD	*Stinger Ghaffarian Techologies, Inc.,* Contract # NNA08CG83C	ASA	20,315
43.RD	*Stony Brook University,* Contract # 54347	UAA	4,030
43.RD	*United Negro College Fund Special Program,* Contract #s CK013008, CK17978	UAA	6,284
43.RD	*Universities Space Research Association,* Contract # NNJ06JG25A	ASA	13,679
43.RD	*Universities Space Research Association,* Contract #s 0217301, 0804101	UAA	127,008
43.RD	*University Corporation for Atmospheric Research,* Contract # Z1293566	UAA	10,943
43.RD	*University of Akron,* Contract # NNC08CA35C	ASA	1,517
43.RD	*University of Arizona,* Contract #s NNG05GE72H, NNG12PK37C, NNM10AA11C, NNS10AI41H	ASA	578,034
43.RD	*University of California-Los Angeles,* Contract # 1000SKC673	UAA	21,308
43.RD	*University of California-Santa Cruz,* Contract # S0183244	UAA	50,865
43.RD	*University of Colorado-Boulder,* Contract # NNA09DB30A	ASA	76,433
43.RD	*University of Colorado-Boulder,* Contract # 1000008166	UAA	2,368
43.RD	*University of Maryland,* Contract # NNX11AB42G	ASA	96,115
43.RD	*University of Maryland,* Contract # Z649502	UAA	86,356
43.RD	*University of New Mexico,* Contract # NNX11AB30G	ASA	2,745
43.RD	*University of Tennessee,* Contract # OR14020-001.02	NAA	15,424
43.RD	*Xinetics Incorporated,* Contract # 5044S001	UAA	11,330
43.RD	*Zona Technology, Inc.,* Contract #s NNX08CD34P, NNX09CB19C	ASA	96,526
	National Aeronautics and Space Administration Subtotal		96,403,805
	National Endowment for the Humanities		
45.RD	National Endowment for the Humanities	ASA	129,036
45.RD	National Endowment for the Humanities	NAA	62,767
45.RD	National Endowment for the Humanities	UAA	195,189
45.RD	*American Council of Learned Societies,* Contract # LTR DTD 021611	UAA	60,000
45.RD	*Arizona Humanities Council,* Contract #s OA08-5541-2011, GG25-5606-2011	ASA	5,528
45.RD	*Dance Heritage Coalition*	ASA	6,759
	National Endowment for the Humanities Subtotal		459,279
	Institute of Museum and Library Services		
45.RD	Institute of Museum and Library Services	UAA	200,155
45.RD	*Arizona Department of Library, Archives and Public Records,* Contract # LTR DTD 060910	UAA	781
	Institute of Museum and Library Services Subtotal		200,936
	National Science Foundation		
47.RD	National Science Foundation	ASA	40,997,272
47.RD	ARRA—National Science Foundation	ASA	3,126,014
47.RD	National Science Foundation	NAA	2,635,421
47.RD	ARRA—National Science Foundation	NAA	286,494
47.RD	National Science Foundation	UAA	52,576,893
47.RD	ARRA—National Science Foundation	UAA	7,359,783
47.RD	*Advanced Diamond Technologies Inc.,* Contract # 945935	UAA	34,231

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
47.RD	*Arizona State University,* Contract #s 11428, 12728, 12877, 12923, F11UR061F2011UR0075, KM2005111601SUB11UR, KMA99511160SUBF11UR023, KMS00191149SUBS08UR017, KMS00191157SUBF10UR005, KMS00191157SUBF10UR007, KMS00191158SUB, KMS00191158SUB, KMS00191158SUBS11UR005, KMS00191158SUBS11UR006, KMS00191158SUBS11UR015, KMS00191159, KMS00191159SUBV11UR007, KMS00511160SUB, KMS00511160SUBF11UR009, KMS00511160SUBF11UR010, KMS00511160SUBF11UR008, KMS00511160SUBF11UR011, KMS00511160SUBF11UR037, KMS00511161SUB, KMS00511161SUBS12UR026, KMS00511161SUBS12UR043, KMS00511161SUBS12UR025, KMS00511161SUBS12UR029, KMS00511161SUBS12UR036, KMS00511161SUBS12UR039, KMS00511161SUBS12UR044, KMS00571106SUBF11URO	UAA	263,456
47.RD	*Aura, Inc.,* Contract #s C10527A, C10563N, C10566A, C10593T, C10646A, N04035CA	UAA	160,040
47.RD	*ARRA—Aura, Inc.,* Contract # C22026SB	UAA	2,094,732
47.RD	*BBN Technologies Corp.,* Contract # 9500009455	UAA	55,318
47.RD	*Bermuda Institute of Ocean Sciences, Inc.,* Contract # 072050	UAA	2,734
47.RD	*Boston University,* Contract # 4500000655	NAA	58,427
47.RD	*ARRA—Brown University,* Contract # 0917668	ASA	331,927
47.RD	*ARRA —California Institute of Technology,* Contract # 0905990	ASA	96,597
47.RD	*California State University-San Bernardino,* Contract # GT90960	UAA	9,097
47.RD	*ARRA —Cal Poly Pomona Foundation, Inc.,* Contract # AST0847170	UAA	89,054
47.RD	*Carnegie Institution of Washington,* Contract #s GMTO041208A, GMTO070213A, GMTO100313A	UAA	2,028,354
47.RD	*Carnegie Mellon University,* Contract # 0836012	ASA	205,128
47.RD	*Center for Engineering Logistics and Distribution,* Contract # 09/20/10	ASA	9,987
47.RD	*Colorado State University,* Contract #s G30628, G30881	UAA	16,801
47.RD	*Computing Research Association,* Contract #s 0937060, 1019343	ASA	135,193
47.RD	*Computing Research Association,* Contract #s CIF443, CIFA443	UAA	19,150
47.RD	*Consortium for Ocean Leadership,* Contract # BA50/Exp.342	UAA	4,982
47.RD	*Consortium of Universities for Advancement of Hydrologic Science, Inc.,* Contract # EAR0753521	UAA	26,052
47.RD	*Cornell University,* Contract # 0335765	ASA	537,723
47.RD	*Dahl Natural LLC,* Contract # 1047444	ASA	119
47.RD	*Georgia Institute of Technology,* Contract #s 1200925, 0654275	ASA	2,056
47.RD	*Idaho State University,* Contract # 1142A	UAA	18,533
47.RD	*Indiana University,* Contract # 0855852	ASA	112,334
47.RD	*Inter-American Institute for Global Change Research,* Contract #s SGPCRA005, SGPHD005	UAA	17,467
47.RD	*Internet2,* Contract # 1032468	UAA	63,108
47.RD	*Iowa State University,* Contract # 4202803B	UAA	15,594
47.RD	*ARRA—Johns Hopkins University,* Contract # 2001328850	UAA	47,354
47.RD	*LG Synoptic Survey Telescope Corp.,* Contract #s C44007L, C44022L, C44064L	UAA	210,709
47.RD	*Louisiana State University,* Contract # 0907261	ASA	9,038
47.RD	*Lowell Observatory,* Contract # 2010-74721	NAA	25,210
47.RD	*Loyola Marymount University,* Contract # 15-2-26115-65457	ASA	1,474
47.RD	*Maricopa Community Colleges,* Contract # 053469	ASA	171
47.RD	*Massachusetts Institute of Technology,* Contract # 5710002812	UAA	73,955
47.RD	*Mathematical Association of America,* Contract # 0910240	ASA	59,475
47.RD	*Medipacs LLC,* Contract # LTR DTD 043009	UAA	62,059
47.RD	*Membrane Technology and Research, Inc.,* Contract # 1127395	ASA	15,221
47.RD	*Michigan State University,* Contract # RC101209UA	UAA	81,844
47.RD	*Miox Corporation,* Contract # IIP1058239	UAA	100,707
47.RD	*NanoVoltaix, Inc.,* Contract # 10128292	ASA	13,387
47.RD	*National Academy of Engineering,* Contract # 1043289	ASA	82,655
47.RD	*National Radio Astronomy Observatory,* Contract #s 330653, 333830, LTR DTD 082211	UAA	58,832
47.RD	*New Jersey Institute of Technology,* Contract # CNS-0844972	ASA	25,535
47.RD	*New Mexico State University,* Contract # Q01298	UAA	34,495
47.RD	*North Carolina State University,* Contract #s 0941421, 0812121	ASA	473,278
47.RD	*Northwestern University,* Contract # SP0011313PROJ0003099	UAA	20,831
47.RD	*Pacific Ecoinformatics and Computational Ecology Lab,* Contract # LTR DTD 040110	UAA	79,342
47.RD	*Past Global Changes—Switzerland,* Contract # LTR DTD 092711	UAA	4,707
47.RD	*Pennsylvania State University,* Contract # DBI-0850013	ASA	33,655
47.RD	*Protein Genomics, Inc.,* Contract # 945065	UAA	5,494
47.RD	*ARRA—Purdue University,* Contract # 0846358	ASA	73,416
47.RD	*Rice University,* Contract # 0830391	ASA	4,909
47.RD	*Social Science Research Council,* Contract # 682202	UAA	74,544
47.RD	*South Dakota State University,* Contract # 1010465	ASA	24,511
47.RD	*Stanford University,* Contract # 0936421	ASA	65,557
47.RD	*SUNY-Stony Brook,* Contract # 0808678	ASA	21,479
47.RD	*Syracuse University,* Contract # 1118302	ASA	22,164
47.RD	*Temple University,* Contract # 0822308	ASA	18,413

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
47.RD	*University Corporation for Atmospheric Research,* Contract #s S0971499, Z1174494	UAA	63,415
47.RD	*ARRA—University of Arizona,* Contract # 0724958	ASA	52,331
47.RD	*University of Arkansas,* Contract # SA1107011	UAA	6,537
47.RD	*University of California-Riverside,* Contract # S0000334	UAA	136,229
47.RD	*University of California-San Diego,* Contract # CMMI-1036870	ASA	16,409
47.RD	*University of California-San Diego,* Contract # 103201122SUB	UAA	1,000
47.RD	*University of California-Santa Barbara,* Contract # 0826871	ASA	13,634
47.RD	*University of Chicago,* Contract # 417527	UAA	7,581
47.RD	*University of Georgia,* Contract # RR 104-317/4895586	ASA	16,377
47.RD	*University of Georgia,* Contract # RC3981134787086	UAA	156,443
47.RD	*University of Houston,* Contract # 0824215	ASA	8,528
47.RD	*University of Illinois-Champaign/Urbana* , Contract #s 1047916, 1043050, 0911205	ASA	196,048
47.RD	*University of Maine,* Contract # 0817282	ASA	4,135
47.RD	*University of Maryland,* Contract # DRL1157534	ASA	177,370
47.RD	*University of Maryland,* Contract # Z313801	UAA	14,744
47.RD	*University of Massachusetts-Amherst,* Contract # 0931237	ASA	6,073
47.RD	*University of Michigan,* Contract # 0729709	ASA	57,089
47.RD	*ARRA —University of Missouri,* Contract # 22329	UAA	6,591
47.RD	*University of Montana,* Contract # PG116603302	UAA	40,891
47.RD	*University of Nevada-Las Vegas,* Contract # 0968421	ASA	21,610
47.RD	*University of Nevada-Las Vegas,* Contract # OISE-0968421	NAA	78,252
47.RD	*University of New Hampshire,* Contract # 12029	UAA	9,376
47.RD	*University of New Mexico,* Contract # 707474873W	UAA	158,282
47.RD	*University of North Carolina at Chapel Hill,* Contract # 537024	UAA	13,761
47.RD	*University of Notre Dame,* Contract # 0822648	ASA	72,506
47.RD	*University of South Carolina,* Contract # 1119655	UAA	7,291
47.RD	*University of Southern California,* Contract #s 0529922, 1033462	ASA	25,104
47.RD	*University of Southern California,* Contract # 119519	UAA	14,612
47.RD	*ARRA —University of Texas-Pan American,* Contract # 41BIOL01002	UAA	18,806
47.RD	*University of Virginia,* Contract # GA107501311846	UAA	14,634
47.RD	*University of Washington,* Contract # 594594	UAA	464,792
47.RD	*University of Wisconsin,* Contract #s DRL1138114, 1012124	ASA	100,445
47.RD	*U.S. Civilian Research and Development Foundation (CRDF),* Contract # RUG1-2968-MO-10	ASA	16,000
47.RD	*U.S. Civilian Research and Development,* Contract # RUG12950K209	UAA	2,646
47.RD	*Vanderbilt University,* Contract # 0822370	ASA	11,822
47.RD	*Virginia Polytechnic Institute,* Contract # 47799119101	UAA	34,071
47.RD	*Virginia Tech,* Contract # 0938047	ASA	87,435
47.RD	*Washington State University,* Contract # IOS1044821	UAA	140,545
	National Science Foundation Subtotal		117,487,907
	Smithsonian Institution		
60.RD	Smithsonian Astrophysical Observatory	UAA	912,499
	Smithsonian Institution Subtotal		912,499
	Department of Veterans Affairs		
64.RD	Department of Veterans Affairs	ASA	49,338
64.RD	Veterans Administration	UAA	90,860
	Department of Veterans Affairs Subtotal		140,198
	Environmental Protection Agency		
66.RD	Environmental Protection Agency	ASA	173,917
66.RD	Environmental Protection Agency	NAA	198,666
66.RD	Environmental Protection Agency	UAA	223,653
66.RD	*Arizona Department of Agriculture,* Contract # PRRFFY1101	UAA	4,589
66.RD	*Arizona Department of Environmental Quality,* Contract # EV12004	UAA	36,419
66.RD	*Border Environment Cooperative Commission,* Contract # TAA10042	UAA	15,091
66.RD	*Metropolitan Water District of Southern California,* Contract # EM-83484801	ASA	7,417
66.RD	*Michigan State University,* Contract # 61-3383C	NAA	35,815
66.RD	*Michigan State University,* Contract # 613383D	UAA	98,361
66.RD	*San Diego State University,* Contract #s EM 83395501, 55573A-7801	ASA	525
66.RD	*University of Texas-El Paso,* Contract # 83486101	ASA	122,628
66.RD	*Water Research Foundation,* Contract #s CR83419201, 04374	ASA	116,345
66.RD	*Watershed Management Group,* Contract # LTR DTD 020912	UAA	2,911
	Environmental Protection Agency Subtotal		1,036,337
	Department of Energy		
81.RD	Department of Energy	ASA	6,135,392

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81.RD	ARRA—Department of Energy	ASA	6,710,318
81.RD	Department of Energy	NAA	779,400
81.RD	ARRA—Department of Energy	NAA	3,083
81.RD	Department of Energy	UAA	3,919,358
81.RD	ARRA—Department of Energy	UAA	2,402,406
81.RD	National Nuclear Security Administration	UAA	14,100
81.RD	*Argonne National Laboratory,* Contract # DE-AC02-06CH11357	ASA	136,480
81.RD	*ARRA —Argonne National Laboratory,* Contract # DE-AC02-06CH11357	ASA	21,617
81.RD	*Argonne National Laboratory,* Contract # 6F00866	UAA	6,254
81.RD	*ARRA—Arizona Game and Fish,* Contract # 30232AZ	UAA	20,855
81.RD	*Arizona Public Service (APS),* Contract # DE-EE-0002060	ASA	102,526
81.RD	*Aspen Aerogels, Inc.,* Contract # R-10011	ASA	70,010
81.RD	*Battelle Energy Alliance,* Contract #s 90304, 95573	UAA	50,315
81.RD	*Battelle Memorial Institute,* Contract #s 110080, 38318	UAA	56,578
81.RD	*Battelle Memorial Institute, Pacific Northwest National Lab,* Contract # DE-AC05-76RL01830	ASA	3,301
81.RD	*Bechtel Corporation,* Contract # 24590CMHC9W00000257	UAA	4,402
81.RD	*Brookhaven National Laboratory,* Contract #s 101340, 107946, 184712, 193823, 74201	UAA	630,142
81.RD	*Brookhaven Science Associates, LLC,* Contract # 221044	UAA	1,055
81.RD	*Carnegie Institution of Washington,* Contract #s DE-SC0001057, DE-FC03-03NA00144, DE-FC52-08NA28554	ASA	118,880
81.RD	*Carnegie Institution of Washington,* Contract # 4325308	UAA	3,353
81.RD	*ARRA —City of Phoenix,* Contract # EMCBC-00622-10	ASA	1,246,799
81.RD	*ARRA —Donald Danforth Plant Science Center,* Contract # 28302Q	UAA	645,082
81.RD	*Fermi National Accelerator Lab,* Contract #s 557734, 602563, 603647	UAA	62,332
81.RD	*Georgia Institute of Technology,* Contract # DE-FC26-08NT01580	ASA	139,680
81.RD	*Governor's Office of Energy Policy,* Contract # DE-EE0005693	ASA	20,300
81.RD	*Indiana University,* Contract # DE-EE0005379	ASA	8,416
81.RD	*Lawrence Berkeley National Laboratory,* Contract # DE-AC02-05CH11231	ASA	31,417
81.RD	*ARRA —Lawrence Berkeley National Laboratory,* Contract # DE-AC02-05CH11231	ASA	45,190
81.RD	*Lawrence Livermore National Laboratory,* Contract #s B581027, B593749, B597543	UAA	399,914
81.RD	*Lawrence Livermore National Security, LLC,* Contract # B599675	UAA	27,526
81.RD	*Los Alamos National Laboratories,* Contract # DE-AC52-06NA25396	ASA	294,929
81.RD	*Los Alamos National Laboratories,* Contract #s 1086041, 131481, 7360500109, 8668400110119310	UAA	197,557
81.RD	*Mississippi State University,* Contract # 3881436296401	UAA	50,270
81.RD	*National Renewable Energy Laboratory,* Contract # DE-AC36-08GO28308	ASA	112,973
81.RD	*National Security Technologies, LLC,* Contract # 133917	UAA	4,902
81.RD	*Navajo Technical College,* Contract # DE-ED0000129	ASA	16,625
81.RD	*Nevada System of Higher Education,* Contract # DE-FG02-03ER63651	ASA	3,258
81.RD	*Northern Arizona University,* Contract # DE-FC02-06ER64159	ASA	179,201
81.RD	*Northern Arizona University,* Contract # FUND35WW-MPC35WX	UAA	112,532
81.RD	*Pennsylvania State University,* Contract # DE-FG02-98ER20314	ASA	160,047
81.RD	*Pennsylvania State University,* Contract # 3594UAUSDOE4157	UAA	35,618
81.RD	*PowerMark Corporation,* Contract # DE-FC36-07GO17034	ASA	52,775
81.RD	*Radiation Monitoring Devices, Inc.,* Contract #s C1012, C1127	UAA	10,429
81.RD	*Rutgers University,* Contract # DE-SC0005468	ASA	54,155
81.RD	*Sandia National Laboratories,* Contract #s 1111357, 1144250, DE-AC04-94AL85000, PO 1177845	ASA	288,912
81.RD	*Sandia National Laboratories,* Contract #s 1094391, 1117664, 1203436, 1246768, A03341114171, A03341154924, A03341156627, A0334677767, A03341059838, A03341092632, A03341097960, A0334870642	UAA	728,555
81.RD	*S.M. Stoller Corporation,* Contract # 6012	UAA	4,325
81.RD	*Stanford University,* Contract # 85948	UAA	3,498
81.RD	*TDA Research Inc.,* Contract # DE-SC0006198	ASA	37,055
81.RD	*Texas Engineering Experiment Station,* Contract # DE-AR00000220	ASA	19,569
81.RD	*University of California-Davis,* Contract # DE-FGS2-09NA29451	ASA	5,102
81.RD	*University of Cincinnati,* Contract # DE-FG36-05GO15043	ASA	221,764
81.RD	*University of Colorado-Boulder,* Contract # 1548804	UAA	4,700
81.RD	*University of Massachusetts-Amherst,* Contract # 12006793A00	UAA	17,548
81.RD	*University of Michigan,* Contract # DE-SC0002644	ASA	13,007
81.RD	*University of Michigan,* Contract # 3001376450	UAA	48,964
81.RD	*University of North Carolina-Chapel Hill,* Contract # DE-FCO2-06ER64156	ASA	18,205
81.RD	*University of Wisconsin-Milwaukee,* Contract # DE-SC0002141	ASA	7,442
81.RD	*University of Wyoming,* Contract #s DE-FG02-05ER46235, DE FOA 0000287	ASA	16,658
81.RD	*US Solar Thermal Storage, LLC,* Contract # LTR DTD 071609	UAA	18,369
81.RD	*UT-Battelle Oak Ridge National Laboratory,* Contract # DE-AC05-00OR22726	ASA	76,434
81.RD	*UT-Battelle LLC,* Contract # 4000086575	UAA	15,280

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81.RD	*Vanderbilt University,* Contract # 19067S5	UAA	169,638
81.RD	*Versatilis LLC,* Contract # DE-PS02-09ER09-27	ASA	55,469
81.RD	*Vista Clara, Inc.,* Contract # LTR DTD 020810	UAA	19,724
81.RD	*Washington State University,* Contract #s 112789G002576, 113354G002583	UAA	73,903
81.RD	*ARRA —Western Electricity Coordinating Council,* Contract # DE-OE0000423	ASA	934,939
	Department of Energy Subtotal		27,900,812
	Department of Education		
84.RD	Department of Education	ASA	3,771,994
84.RD	Department of Education	UAA	1,533,598
84.RD	*Arizona Department of Education,* Contract # E8PD3273	ASA	152,362
84.RD	*Arizona Department of Education,* Contract #s 11-32-ED, 12-10-ED	UAA	528,650
84.RD	*ARRA —Arizona State University,* Contract # 11527	UAA	83,425
84.RD	*Boulder Language Technologies,* Contract # R305A110811	ASA	90,535
84.RD	*Educational Testing Service,* Contract # R305F100005	ASA	75,097
84.RD	*Lunar and Planetary Institute,* Contract # NNX08AC28A	ASA	94,358
84.RD	*Ohio State University,* Contract # 60023887	ASA	1,032,312
84.RD	*Research Triangle Institute,* Contract # 24-312-0209234	NAA	19,485
84.RD	*Salt River Pima-Maricopa Indian Community,* Contract # Q215F070078	ASA	431
84.RD	*Salus University,* Contract # 83401	UAA	51,084
84.RD	*ARRA —Science Foundation of Arizona,* Contract # OER-11-CON-GS-45	ASA	148,376
84.RD	*ARRA —Science Foundation of Arizona,* Contract #s OER11CONGS45, SRG044010	UAA	365,549
84.RD	*Southwest Institute for Families & Children with Disabilities,* Contract #s S35B90048, S359B070029	ASA	171,756
84.RD	*Thomas Jefferson University,* Contract # H327X070003	ASA	175,472
84.RD	*University of California-Los Angeles,* Contract # R305C080015	ASA	15,402
84.RD	*University of New Mexico,* Contract # P116N070002	ASA	10,365
84.RD	*University of Oregon,* Contract #s R324C110004, R324A090111	ASA	587,721
84.RD	*University of Texas-El Paso,* Contract # P116B080100	ASA	40,145
84.RD	*Vanderbilt University,* Contract # H373X070026	ASA	28,161
84.RD	*WestEd,* Contract # 5814S09052	UAA	81,735
84.RD	*Western Michigan University,* Contract # 6840	UAA	6,630
	Department of Education Subtotal		9,064,643
	National Archives and Records Administration		
89.RD	National Historical Publications and Records Commission	UAA	45,887
89.RD	*ARRA—Ceres Incorporated,* Contract # 20100903	UAA	15,459
	National Archives and Records Administration Subtotal		61,346
	Department of Health and Human Services		
93.RD	Agency for Healthcare Research and Quality	UAA	204,002
93.RD	ARRA—Agency for Healthcare Research and Quality	UAA	387,700
93.RD	Centers for Disease Control and Prevention	UAA	2,591,433
93.RD	Department of Health and Human Services	ASA	4,593,370
93.RD	ARRA—Department of Health and Human Services	ASA	69,920
93.RD	Department of Health and Human Services	UAA	303,078
93.RD	Fogarty International Center	UAA	324,519
93.RD	Food and Drug Administration	UAA	153,036
93.RD	Health Resources & Services Administration	UAA	468,498
93.RD	National Cancer Institute	UAA	23,853,197
93.RD	ARRA—National Cancer Institute	UAA	305,109
93.RD	National Center for Complementary & Alternative Medicine	UAA	903,503
93.RD	ARRA—National Center for Complementary & Alternative Medicine	UAA	408,387
93.RD	ARRA—National Center for Research Resources	UAA	2,747,334
93.RD	National Center on Minority Health and Health Disparities	UAA	675,780
93.RD	National Eye Institute	UAA	3,202,524
93.RD	ARRA—National Eye Institute	UAA	202,002
93.RD	National Heart, Lung, & Blood Institute	UAA	11,411,089
93.RD	ARRA—National Heart, Lung, & Blood Institute	UAA	830,131
93.RD	National Human Genome Research Institute	UAA	663,149
93.RD	National Institute of Allergy & Infectious Diseases	UAA	7,816,403
93.RD	ARRA—National Institute of Allergy & Infectious Diseases	UAA	174,090
93.RD	National Institute of Arthritis and Musculoskeletal Skin Diseases	UAA	927,569
93.RD	National Institute of Biomedical Imaging and Bioengineering	UAA	3,309,889
93.RD	ARRA—National Institute of Biomedical Imaging and Bioengineering	UAA	412,619
93.RD	National Institute of Child Health and Human Development	UAA	5,361,984
93.RD	National Institute of Dental & Craniofacial Research	UAA	430,183

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93.RD	ARRA—National Institute of Dental & Craniofacial Research	UAA	71,712
93.RD	National Institute of Diabetes and Digestive and Kidney Diseases	UAA	3,968,298
93.RD	ARRA—National Institute of Diabetes and Digestive and Kidney Diseases	UAA	209,381
93.RD	National Institute of Environmental Health Sciences	UAA	4,919,047
93.RD	ARRA—National Institute of Environmental Health Sciences	UAA	331,333
93.RD	National Institute of General Medical Services	UAA	7,288,247
93.RD	ARRA—National Institute of General Medical Services	UAA	429,507
93.RD	National Institute of Mental Health	UAA	535,326
93.RD	National Institute of Neurological Disorders and Stroke	UAA	4,114,995
93.RD	National Institute of Nursing Research	UAA	1,332,002
93.RD	National Institute of Occupational Safety and Health	UAA	892,499
93.RD	National Institute on Aging	UAA	3,239,517
93.RD	ARRA—National Institute on Aging	UAA	233,025
93.RD	National Institute on Alcohol Abuse and Alcoholism	UAA	215,632
93.RD	National Institute on Deafness and Other Communication Disorders	UAA	3,857,148
93.RD	ARRA—National Institute on Deafness and Other Communication Disorders	UAA	49,671
93.RD	National Institute on Drug Abuse	UAA	3,086,852
93.RD	National Institutes of Health	ASA	42,725,441
93.RD	ARRA—National Institutes of Health	ASA	2,314,625
93.RD	National Institutes of Health	NAA	2,338,034
93.RD	ARRA—National Institutes of Health	NAA	315,545
93.RD	National Institutes of Health	UAA	1,271,634
93.RD	National Library of Medicine	UAA	226,037
93.RD	Substance Abuse and Mental Health Administration	UAA	162,456
93.RD	*4D Technology Corporation,* Contract # 2R44RR02817002	UAA	26,104
93.RD	*Albert Einstein College of Medicine,* Contract # 95265310	UAA	69,643
93.RD	*American College of Radiology,* Contract #s 4701, U10CA216614701	UAA	1,822
93.RD	*American Lung Association,* Contract #s LTR DTD 111009, LTR DTD 111009	UAA	7,602
93.RD	*Arizona Alzheimer's Disease Core Center (ADCC),* Contract # P30 AG019610	ASA	9,181
93.RD	*Arizona Department of Health Services,* Contract #s ADHS11-006155, HG953296, HG958299	ASA	47,473
93.RD	*Arizona Department of Health Services,* Contract #s ADHS11003274, HS160052, HS861132	UAA	185,397
93.RD	*Arizona Governor's Council on Developmental Disabilities,* Contract # 2011G994902	ASA	50,540
93.RD	*ARRA —Arizona Health-e Connection,* Contract # 90RC0035	ASA	352,872
93.RD	*ARRA—Arizona Health-e Connection,* Contract # UA290RC0035	UAA	15,340
93.RD	*Arizona State University,* Contract #s 10221, 10230, 10375, 10383, 10418, 11457, 11588, 12756, 12763, 9062	UAA	636,961
93.RD	*Association of American Medical Colleges,* Contract # MM10640909	UAA	59,253
93.RD	*Association of University Centers On Disability,* Contract # 447	UAA	45,507
93.RD	*Banner Health,* Contract # P30 AG019610	ASA	44,419
93.RD	*Banner Health Research Institute,* Contract # P30 AG019610	ASA	146,492
93.RD	*Banner Health System,* Contract # 4350310006	UAA	90,168
93.RD	*Banner Research Institute,* Contract #s LMS043202299905, LMS043202299082P30AG019, LMS0432029907, P30AG019610, P30AG019610AHERN, P30AG019610RAPSCAK, P30AG019610KASZNIAK	UAA	150,328
93.RD	*Barrows Neurological Institute (St. Josephs Hospital),* Contract #s R21 DC009871, R21 NS074226	ASA	84,983
93.RD	*Baylor College of Medicine,* Contract # 101085376	UAA	11,091
93.RD	*Beth Israel Deaconess Medical Center,* Contract # 1024796	UAA	89,931
93.RD	*Boston University Medical Campus,* Contract # 9500241361	UAA	18,819
93.RD	*Bowling Green State University,* Contract # 10450045ARIZ	UAA	3,299
93.RD	*Brigham and Women's Hospital,* Contract #s 103122, 105109, 106613	UAA	236,936
93.RD	*ARRA —Brigham and Women's Hospital,* Contract # 105109	UAA	211,042
93.RD	*BrightOutcome Inc.,* Contract # LTR DTD 062712	UAA	30,330
93.RD	*Caracal Incorporated,* Contract #s 1R44CA144322, HHSN261200700046C	UAA	159,366
93.RD	*Carnegie Mellon University,* Contract #s 1090143189596, 1090324267420	UAA	112,750
93.RD	*Caucaseco Scientific Research Center,* Contract # U19 AI089702	ASA	50,340
93.RD	*Children's Hospital of Philadelphia,* Contract # 950930RSUB	UAA	4,111
93.RD	*Cincinnati Children's Hospital Medical Center,* Contract # 102243	UAA	13,369
93.RD	*ARRA —Cincinnati Children's Hospital Medical Center,* Contract # 106569	UAA	8,465
93.RD	*Claremont Graduate University,* Contract # U01 HL097839	ASA	123,904
93.RD	*Columbia University,* Contract #s 530332, 9ACCT539311, U01NS043975140, U01NS04397580	UAA	72,058
93.RD	*Community Bridges,* Contract # 1H79TI023892	ASA	20,805
93.RD	*Cornell University,* Contract # 595439252	UAA	50,759
93.RD	*Critical Path Institute (THE),* Contract #s CP1700101, LTR DTD 082409, LTR DTD 070910	UAA	104,061
93.RD	*DMETRIX, Inc.,* Contract # LTR DTD 061111	UAA	58,545
93.RD	*Duke University,* Contract #s 3034320, 3035292	UAA	522,594
93.RD	*ARRA —Duke University,* Contract # 173530	UAA	20,397

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93.RD	*Eden Medical, Inc.,* Contract # 1R43DK08843101	UAA	341
93.RD	*Emory University,* Contract # S391810	UAA	140,366
93.RD	*ARRA —Emory University,* Contract # S496154	UAA	62,238
93.RD	*Engineering Arts,* Contract # R42RR031446	ASA	63,211
93.RD	*Florida International University,* Contract # 800001205-01	ASA	99,422
93.RD	*Genefluidics, Inc.,* Contract #s LTD DTD 101110, R43AI088756	UAA	159,331
93.RD	*Giner, Incorporated,* Contract # R44DK070400	UAA	135,199
93.RD	*Group Health Cooperative,* Contract #s 2010101624, 2011102816, 2011102816	UAA	92,921
93.RD	*Gynecologic Oncology Group Administrative,* Contract # CA101165	UAA	242,164
93.RD	*H. Lee Moffitt Cancer Center & Research Institute,* Contract #s 10154839901G2, 10154859901G1, 10158719901G1	UAA	695,042
93.RD	*Harvard University,* Contract # R01 GN081533	ASA	15,591
93.RD	*Harvard University,* Contract #s 1482512101, 23590-114324	UAA	188,110
93.RD	*Hawaii Pacific University,* Contract # R34 DA031306	ASA	7,893
93.RD	*High Throughput Genomics, Inc.,* Contract # R43AI078577	UAA	59,685
93.RD	*Hispanic Serving Health Professions Schools,* Contract #s CDC-U50/CC325128-AZ-PUBH-01, CDCU50CC325128UAMED05, OMH-5-MPCMP101048-UAMED-02	UAA	20,208
93.RD	*Hualapai Tribe,* Contract # LTR DTD 100509	UAA	26,075
93.RD	*Indiana University,* Contract # IN4685522UA	UAA	17,459
93.RD	*Inter Tribal Council of Arizona, Inc.,* Contract #s CK58713, U26IHS300283	UAA	219,305
93.RD	*ARRA —Inter Tribal Council of Arizona, Inc.,* Contract # U01CA114696	UAA	42,127
93.RD	*ARRA —International Genomics Consortium,* Contract # HHSN261201000059C	UAA	70,050
93.RD	*Iogenetics, LLC,* Contract # 2R44AI056944	UAA	291,957
93.RD	*Jackson State University,* Contract # 9N01HC95170	UAA	58,998
93.RD	*John Hopkins Medical Institutions,* Contract # R21 A1085380	ASA	9,551
93.RD	*Johns Hopkins University,* Contract #s 1R01 MH085641, P01TP000288, U54 CA143868	ASA	176,197
93.RD	*Johns Hopkins University Bloomberg School of Public Health,* Contract # U90PR000004	ASA	1,299
93.RD	*Kaiser Foundation Research Institute,* Contract # R02AT005896	UAA	132,001
93.RD	*Kaiser Permanente, Center for Health Research,* Contract # HHSA 290-2007-10057-I	ASA	30,423
93.RD	*Los Alamos National Laboratory,* Contract # 142544-1	NAA	102,687
93.RD	*Louisiana State University and Agricultural and Mechanical College,* Contract # 38251	UAA	7,122
93.RD	*Maricopa County,* Contract # 1H79TI021549-01	ASA	72,265
93.RD	*Massachusetts General Hospital,* Contract #s 5U01A1077883-03, U01 A1077883	ASA	168,416
93.RD	*Mayo Clinic-Rochester,* Contract # DP1 DA031340	ASA	176,303
93.RD	*Medical College of Georgia Research Institute,* Contract # 2049735	UAA	26,778
93.RD	*Medical College of Wisconsin,* Contract # R01HL095410	UAA	606
93.RD	*ARRA —MIT: Massachusetts Institute of Technology,* Contract # U01AI082204	ASA	4,737
93.RD	*Nanotherapeutics, Inc.,* Contract # 1R44AI094919-01	ASA	28,665
93.RD	*Nanotherapeutics, Inc.,* Contract # COA1	UAA	45,407
93.RD	*National Childhood Cancer Foundation,* Contract # 18568	UAA	34,829
93.RD	*Navajo Nation-Division of Social Services,* Contract # C09521	ASA	115,225
93.RD	*New England College of Optometry,* Contract # LTR DTD 102510	UAA	51,717
93.RD	*New York University,* Contract #s F646901, F690601	UAA	197,617
93.RD	*New York University Langone Medical Center,* Contract # U01 CA086137-12	ASA	109,294
93.RD	*Northern Arizona University,* Contract # IHD31CP	UAA	36,889
93.RD	*Northwestern University,* Contract # SP0004560PROJ0001555	UAA	143,207
93.RD	*NSABP Foundation, Incorporated,* Contract # PFED26ARZ01	UAA	29,897
93.RD	*Ohio State University,* Contract # R01AT005216-04	ASA	124,754
93.RD	*Oligomerix, Inc.,* Contract # R44AG029777	ASA	146,496
93.RD	*Oregon Health & Science University (OHSU),* Contract # R01 OH009676	ASA	26,103
93.RD	*ARRA —Oregon Health & Science University (OHSU),* Contract # R01 NR11793	ASA	10,067
93.RD	*Oregon Health & Science University,* Contract #s AVGT1099, AVGTI0101	UAA	346,835
93.RD	*Oregon Research Institute,* Contract #s 1R21CA131461, R01AA019671, R01CA098555	UAA	151,846
93.RD	*Palo Alto Institute of Research and Education Inc.,* Contract # LIA001201	UAA	236,841
93.RD	*Pennsylvania State University,* Contract #s R01 HD032336, R21 DA024266	ASA	116,049
93.RD	*Pennsylvania State University,* Contract #s 5U10HL064313, UAZHL098115	UAA	338,210
93.RD	*Radiation Effects Research Foundation,* Contract # HHSN272200900059C	UAA	206,255
93.RD	*Radiation Monitoring Devices, Inc.,* Contract #s C1036, C1128	UAA	216,233
93.RD	*Research Foundation, The State University of New York,* Contract # 5892210980232	UAA	158,387
93.RD	*SAIC-Frederick Inc.,* Contract #s HHSN261200800001E, 1112412X	ASA	236,050
93.RD	*SJT Micropower Inc.,* Contract # R44 EB0077453	ASA	20,440
93.RD	*Stanford University,* Contract # 2650584050957A	UAA	252,212
93.RD	*State of Nevada Aging and Disability Services Division,* Contract # 18-040-45-AM-10	ASA	51,955
93.RD	*Sun Health Research Institute,* Contract #s P30 AG019610, U01 AG016976	ASA	25,970
93.RD	*Temple University,* Contract # 360544261	UAA	15,857
93.RD	*Texas A & M University,* Contract # R01 HD039367	ASA	70,131
93.RD	*Thomson Reuters,* Contract # HHSA290200900022I	ASA	11,212

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93.RD	*Translational Genomics Research Institute,* Contract # 1R01NS059873-01A1	ASA	66,270
93.RD	*Translational Genomics Research Institute,* Contract # KEIM-07-01	NAA	217,785
93.RD	*Translational Genomics Research Institute,* Contract #s VONHOFF0503, VONHOFF0702	UAA	63,171
93.RD	*ARRA —Translational Genomics Research Institute,* Contract # MEURICE0902	UAA	983,225
93.RD	*Tucson Indian Center,* Contract # LTR DTD 121610	UAA	21,044
93.RD	*University of Akron,* Contract # 532803-NAU	NAA	43,405
93.RD	*University of Alabama,* Contract # T0902240027	UAA	200,754
93.RD	*University of Arizona,* Contract #s U19AT02023, R01 DK033351, R01 CA140285, R01 AG025526, 7K23NR011460, 1R01DA026451-01A1	ASA	176,645
93.RD	*University of Arizona,* Contract #Y562157	NAA	22,931
93.RD	*University of Arizona-Cancer Center,* Contract # 1R01CA151708-01A1	ASA	34,866
93.RD	*University of Arizona-College of Medicine,* Contract # R01MH073930	ASA	5,561
93.RD	*University of Arkansas for Medical Sciences,* Contract # 90YD0254-01	ASA	33,542
93.RD	*University of British Columbia,* Contract # F0904852	UAA	28,178
93.RD	*University of California,* Contract # 20122284401	UAA	8,031
93.RD	*University of California-Berkeley,* Contract # U54 CA143836-03	ASA	70,317
93.RD	*ARRA —University of California-Davis,* Contract # P01 AG022500	ASA	52,032
93.RD	*University of California-Davis,* Contract #s 20101596201, SUB0600020	UAA	16,778
93.RD	*University of California-Irvine,* Contract # 2009-2157	NAA	331,043
93.RD	*University of California-Irvine,* Contract #s 20092154, 20092155, 20092317	UAA	371,448
93.RD	*University of California-Los Angeles,* Contract # R01 HD057164	ASA	37,835
93.RD	*University of California-Los Angeles,* Contract #s 1930GNA874, 1930GPA482, 2000GPM600	UAA	165,728
93.RD	*ARRA —University of California-Los Angeles,* Contract # 2000GME793	UAA	114,840
93.RD	*University of California-Riverside,* Contract # U01 ES016026	ASA	2,982
93.RD	*University of California-San Diego,* Contract # R01 DC011422	ASA	60,883
93.RD	*University of California-San Diego,* Contract # 16071	UAA	7,327
93.RD	*University of California-San Francisco,* Contract #s R25 DA028567, N01 AI015416	ASA	27,631
93.RD	*University of California-San Francisco,* Contract # 5712SC	UAA	99,429
93.RD	*University of Cincinnati,* Contract # 6883	UAA	145,303
93.RD	*University of Colorado-Denver,* Contract # FY12583001UAZ	UAA	30,932
93.RD	*University of Colorado-Denver, Health Sciences Center,* Contract # FY11219007	UAA	16,805
93.RD	*University of Connecticut Health Center,* Contract # R33 CA143531	ASA	40,558
93.RD	*ARRA —University of Florida,* Contract # LTR DTD 092310	UAA	554
93.RD	*University of Georgia,* Contract # RR1666144784716	UAA	29,329
93.RD	*ARRA —University of Georgia,* Contract # 3P1 RR005351	ASA	26,834
93.RD	*University of Illinois-Champaign/Urbana,* Contract # 1R01HD061584-01A1	ASA	35,788
93.RD	*University of Illinois-Chicago,* Contract #s R01 AA13328-05A2, R01 AA13328, 5P30AG022849, 1R18DP001140, 1P60MD003424-01	ASA	21,242
93.RD	*University of Iowa,* Contract #s 1000945888, W000228447	UAA	118,194
93.RD	*University of Louisville,* Contract # 09047301	UAA	22,876
93.RD	*University of Massachusetts,* Contract # 12006752A00	UAA	48,121
93.RD	*University of Massachusetts Worcester,* Contract # 6135844RFS2012024	UAA	10,075
93.RD	*University of Medicine & Dentistry of New Jersey,* Contract #s 99705, LTR DTD 013008	UAA	10,291
93.RD	*ARRA—University of Miami,* Contract # 66755L	UAA	925
93.RD	*University of Michigan,* Contract #s R03-HD-061438, R01 GM096194, 1R01NR009691	ASA	129,253
93.RD	*University of Michigan,* Contract #s 2U10CA3210232, 3001745805, 3001922370BPT, 5000002949300069150 3RPT07, 5000002949300077047 6ALIAS, 5000002949300130004 9PIII, 5000002949300141308 4PNT, F025187,F025189, F027440, F027973, U10CA32102	UAA	517,498
93.RD	*ARRA —University of Michigan,* Contract # 5000002949300141308 4P	UAA	22,900
93.RD	*University of Minnesota,* Contract #s B6636074301, B6636294201, P002078601	UAA	96,284
93.RD	*University of Mississippi,* Contract # 5500101UA	UAA	30,556
93.RD	*University of Missouri,* Contract # C00006984	UAA	19,835
93.RD	*University of Missouri-St. Louis,* Contract # 24009	UAA	181
93.RD	*University of New Mexico,* Contract #s N01AI50040, N266200500040C, R03 DA025992	ASA	36,366
93.RD	*University of New Mexico,* Contract # 3R60M	UAA	10,823
93.RD	*University of North Carolina,* Contract # 531229	UAA	13,056
93.RD	*University of North Carolina-Chapel Hill,* Contract #s 90YR0041/03P01, 5R01NR003149-09, P01 HD039667	ASA	114,502
93.RD	*University of North Carolina-Chapel Hill,* Contract # U54AI057157	UAA	143,044
93.RD	*University of North Texas Health Science Center,* Contract # R01 DA023957	ASA	104,845
93.RD	*University of Oregon,* Contract # R01 DA016110-09	ASA	95,874
93.RD	*University of Pennsylvania,* Contract # 553062	UAA	19,449
93.RD	*ARRA —University of Pennsylvania,* Contract # 555494	UAA	44,022
93.RD	*University of Pittsburgh,* Contract #s R01 MH065368, R01 DA023245-05, R01 DA019697, 5R01NS050256	ASA	75,667
93.RD	*University of Pittsburgh,* Contract #s 3375, 6476	UAA	121,077
93.RD	*University of Rochester,* Contract #s R24 GM084917, R01 NR009691-06	ASA	18,860

CFDA/Identifying Number	Federal Grantor/Program Title/*Pass-Through Grantor* /Contract Number	Grantee (Appendix)	Expenditures
93.RD	*University of Rochester,* Contract #s 414440G, 414441G, 414442G, 414443G, 414444G, 415580G	UAA	694,193
93.RD	*University of South Carolina,* Contract # 122003	UAA	94,355
93.RD	*University of Southern California,* Contract # U54 CA143907	ASA	281,951
93.RD	*University of Southern California,* Contract #s H47329, H48494, H50658	UAA	118,911
93.RD	*University of Texas-Austin,* Contract # 5R01NS056839-10	ASA	35,181
93. RD	*University of Texas-Austin,* Contract # UTA09000869	UAA	32,479
93.RD	*University of Texas-Dallas,* Contract # R01dc010494	ASA	12,887
93.RD	*University of Texas-Galveston,* Contract # U54 AI057156	ASA	512
93.RD	*ARRA —University of Texas Health Science Center-Houston,* Contract # 90TR0004-01	ASA	248,332
93.RD	*University of Texas-Houston, Health Science Center,* Contract # 0008027H	UAA	65,347
93.RD	*University of Texas MD Anderson Center,* Contract #s 2790398012715, 2869298018020	UAA	5,176
93.RD	*University of Texas-San Antonio, Health Science Center,* Contract # RN00132009001	UAA	65,442
93.RD	*University of Texas Southwestern Medical,* Contract # GMO110311	UAA	75,339
93.RD	*University of Utah,* Contract # 230200407AZ	UAA	130,892
93.RD	*ARRA —University of Vermont,* Contract # RC4 HL106625	ASA	396,591
93.RD	*University of Washington,* Contract #s U19 AI089688, R01 AI078229	ASA	140,513
93.RD	*ARRA —University of Washington,* Contract # R01 AI078229	ASA	6,823
93.RD	*University of Wisconsin-Madison,* Contract # R01 MH059785	ASA	102,037
93.RD	*University of Wisconsin-Milwaukee,* Contract # R03 NR012802	ASA	32,851
93.RD	*Vala Sciences, Inc.,* Contract # HHSN261201100111C	UAA	59,158
93.RD	*Vanderbilt University,* Contract #s VUMC35128, VUMC38448	UAA	92,687
93.RD	*ARRA —Vanderbilt University,* Contract # VUMC35934	UAA	10,614
93.RD	*Washington University,* Contract # P60 AA011998	ASA	35,380
93.RD	*Yale University,* Contract #s R01 AA016662, U01 NS044876	ASA	17,726
93.RD	*Yale University,* Contract #s A06961M08135, A07593M10A10552, A08094M11A10894, M12A11387	UAA	287,512
	Department of Health and Human Services Subtotal		176,454,736
	Department of Homeland Security		
97.RD	Department of Homeland Security	ASA	650,983
97.RD	Department of Homeland Security	NAA	2,833,436
97.RD	Department of Homeland Security	UAA	2,817,894
97.RD	Federal Emergency Management Agency	UAA	642,116
97.RD	*Intelesense Technologies,* Contract # LTR DTD 030311	UAA	68,136
97.RD	*Kansas State University,* Contract # S10204	UAA	33,476
97.RD	*Los Alamos National Laboratory,* Contract # HSHQDC-09 X00644	NAA	69,778
97.RD	*Translational Genomics Research Institute,* Contract # KEIM-10-12	NAA	144,459
97.RD	*University of Arizona,* Contract # 2008-ST-061-BS0002	ASA	9,629
97.RD	*University of Maryland,* Contract # Z957001	UAA	102,677
97.RD	*Virginia Polytechnic Institute,* Contract # 44843319101	UAA	24,438
	Department of Homeland Security Subtotal		7,397,022
	Agency for International Development		
98.RD	*American Council on Education,* Contract # AEGA00050000700	UAA	22,955
98.RD	*Colorado State University,* Contract # EEMA001000001	ASA	37,110
98.RD	*Council of State Governments,The,* Contract # 523A000800010000	ASA	76,525
98.RD	*North Carolina State University,* Contract # 2007120004	UAA	4,882
98.RD	*Oregon State University,* Contract # RD011GA	UAA	214,470
98.RD	*Virginia Polytechnic Institute,* Contract # 42597619101	UAA	6,795
	Agency for International Development Subtotal		362,737
	Total Research and Development Cluster		$ 534,074,167
	TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 13,620,237,481

See accompanying notes to schedule.

State of Arizona
Notes to Schedule of Expenditure of Federal Awards
Year Ended June 30, 2012

Note 1 - Significant Accounting Policies

Basis of Presentation—The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Reporting Entity—The schedule includes all federal awards activity administered by the State of Arizona and its component units.

Basis of Accounting—The federal awards reported in the schedule were presented in the State's governmental and proprietary funds and discretely presented component units on the basic financial statements of the State of Arizona for the year ended June 30, 2012, and were accounted for using the modified accrual and full accrual basis of accounting, as applicable, in conformity with generally accepted accounting principles.

Expenditures—Certain transactions relating to expenditures of federal awards may appear in the records of more than one state grantee agency. To avoid duplication and the overstatement of the aggregate level of federal awards expended by the State of Arizona, the following policies have been adopted:

1. When monies are received by one state grantee agency and distributed to another state grantee agency, the federal monies are reported in the accounts of the state grantee agency that expends the monies.

2. Purchases of services between state grantee agencies using federal monies are recorded as expenditures on the purchasing agency's records and as revenues for services rendered on the providing agency's records. Therefore, the receipt of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

Note 2 - Catalog of Federal Domestic Assistance (CFDA)/Identifying Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "Unknown" were used. For programs within the Research and Development Cluster, the two-digit federal agency identifier, a period, and the letters "RD" were used.

Note 3 - Research and Development Cluster

As provided by OMB Circular A-133, the research and development cluster of programs is summarized by federal agency subdivision or pass-through entity.

Note 4 - Pass-through Grantor Contract Numbers

For federal awards received by the State from a pass-through grantor, the pass-through grantor contract number is included, if available, immediately following the pass-through grantor's name. Pass-through grantors are italicized.

Note 5 - Loan Programs

Only administrative costs incurred for loan and loan guarantee programs are included in the schedule. However, OMB Circular A-133, Subpart B, §205(b), requires that the current year administrative costs and loan distributions, and the balances of the previous year's outstanding student loans and loan guarantees, also be included in these programs when determining federal awards expended for single audit purposes. Further, Subpart B, §310(b)(6), requires that loans or loan guarantees outstanding at year-end be included in either the schedule or a note to the schedule. Loans and loan guarantees outstanding at June 30, 2012, are described below:

Student Loan Programs

The universities administer the following seven federal student loan programs. The current-year loan distributions and the balances of loans outstanding at year-end are shown below:

Loan Program	CFDA Number	Loans Distributed During the Year	Loan Balances Outstanding at June 30, 2012
Education and Human Resources	47.076	$ 0	$ 304,200
ARRA—Trans-NSF Recovery Act Research Support	47.082	125,800	183,300
Federal Perkins Loan Program—Federal Capital Contributions	84.038	3,644,303	28,143,549
Nurse Faculty Loan Program (NFLP)	93.264	1,249,988	3,478,119
Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students	93.342	222,520	2,427,469
Nursing Student Loans	93.364	203,583	1,367,859
ARRA—Nurse Faculty Loan Program	93.408	0	512,568

In addition, the universities distribute loans from a federal loan program that is administered by an independent third party. For the year ended June 30, 2012, the universities distributed $849,506,872 of Federal Direct Student Loans (CFDA number 84.268).

Housing Program

The Department of Housing administers the Home Investment Partnerships Program (CFDA number 14.239), which provides loans to municipalities, nonprofit organizations, and individuals to purchase homes and rental properties. The Department distributed $3,052,596 in loans during fiscal year 2012 and had $25,954,517 in loan balances outstanding at June 30, 2012.

Note 6 - Food Commodities

Food commodities received by the State are disbursed through distributing agencies. Such commodities are included in the definition of federal awards when distributed and, accordingly, are included in the amounts presented on the schedule. The State's food commodity distributions during fiscal year 2012 totaled $42,886,117, and the amounts, by CFDA number, are presented as follows:

CFDA Number	Program Title	Amount
10.555	National School Lunch Program	$29,521,902
10.565	Commodity Supplemental Food Program	3,167,179
10.569	Emergency Food Assistance Program (Food Commodities)	10,197,036

Note 7 - Donation of Federal Surplus Personal Property

The value of the Donation of Federal Surplus Personal Property program (CFDA number 39.003) reported on the schedule is based on a "market basket formula" developed by the U.S. General Services Administration. This market basket formula represents 23.68 percent of the original federal acquisition cost, totaling $1,634,880 for the year ended June 30, 2012.

Note 8 - Immunization Cluster

The Immunization Cluster (CFDA number 93.268 and CFDA number 93.712) expenditures of $89,550,210 include $81,941,440 worth of vaccines. Vaccines administered by the Department of Health Services are included in the definition of federal awards and, accordingly, are included in the amount presented on the schedule.

Note 9 - Unemployment Insurance (CFDA No. 17.225)

The unemployment compensation system is a unique federal-state partnership, founded upon federal law, but implemented through state law. As prescribed by the U.S. Department of Labor in consultation with the Office of Management and Budget, certain state monies, in addition to federal monies, were considered federal awards for determining Type A programs, and were included in the Schedule of Expenditures of Federal Awards.

The amount presented on the schedule consists of the following:

Regular unemployment compensation benefits	$1,037,616,757
ARRA—Federal Additional Compensation (FAC) Recoupment	7,933,367
Unemployment compensation for federal employees	6,741,164
Unemployment compensation for ex-service members	5,887,871
Administrative costs	56,131,352
ARRA—Administrative costs	3,632,608
Total expenditures	$1,117,943,119

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

	Yes	No
Internal control over financial reporting:		
Material weaknesses identified?	X	
Significant deficiencies identified?	X	
Noncompliance material to the financial statements noted?		X

Federal Awards

Internal control over major programs:		
Material weaknesses?	X	
Significant deficiencies?	X	

Type of auditors' report issued on compliance for major programs:
Unqualified for all major programs except for the Military Construction, National Guard program; Vocational Rehabilitation Cluster; and TANF Cluster, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553/10.555/10.556/10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
10.568/10.569	Emergency Food Assistance Cluster
12.400	Military Construction, National Guard
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.195	Section 8 Project-Based Cluster
14.239	Home Investment Partnerships Program
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
20.205/20.219	Highway Planning and Construction Cluster
81.041	State Energy Program

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

CFDA Numbers	Name of Federal Program or Cluster
84.007/84.033/84.038/ 84.063/84.268/84.375/84.376/ 84.379/84.408/93.264/93.342/ 93.364/93.408/93.925	Student Financial Assistance Cluster
84.010/84.389	Title I, Part A Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.048	Career and Technical Education—Basic Grants to States
84.126/84.390	Vocational Rehabilitation Cluster
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
84.394/84.397	State Fiscal Stabilization Fund Cluster
84.410	Education Jobs Fund
93.558/93.716	TANF Cluster
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.575/93.596	CCDF Cluster
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.720/93.775/93.777/93.778	Medicaid Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse
R&D	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

	Yes	No
Auditee qualified as low-risk auditee?	___	X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	X	___

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Financial Statement Findings

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.

Federal Award Findings and Questioned Costs

12-101
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
CFDA No.: 10.558 **Child and Adult Care Food Program**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
U.S. Department of Agriculture

CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Period: Various
Award Numbers: Various
U.S. Department of Defense

CFDA No.: 14.239 **Home Investment Partnerships Program**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: M10-SG040100 and M11-SG040100
U.S. Department of Housing and Urban Development

CFDA No.: 16.575 **Crime Victim Assistance**
Award Period: October 1, 2007 through September 30, 2011
October 1, 2008 through September 30, 2012
March 1, 2009 through September 30, 2012
October 1, 2009 through September 30, 2013
October 1, 2010 through September 30, 2014

Award Numbers: 2008-VA-GX-0014, 2009-VA-GX-0060, 2009-SG-B9-0090, 2010-VA-GX-0064, and 2011-VA-GX-0019
U.S. Department of Justice

CFDA No.: 17.225 **Unemployment Insurance**
17.225 **ARRA—Unemployment Insurance**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: UI-18007-09-55, UI-19569-10-55, UI 21086-11-55, and UI-22261-12-55
U.S. Department of Labor

Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Award Period: Various
Award Numbers: Various
U.S. Department of Transportation

CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Award Period: April 21, 2009 through April 30, 2012
July 1, 2010 through June 30, 2015
Award Numbers: DE-EE0000106 and DE-EE003872
U.S. Department of Energy

Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Award Period: February 17, 2009 through September 30, 2011
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S010A090003, S010A100003, S010A110003, and S389A090003A
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Award Period: February 17, 2009 through September 30, 2011
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012

Award Numbers: H027A090007A, H027A100007, H027A110007, H173A090003, H173A100003, H173A110003, H391A090007A, and H392A090003

Vocational Rehabilitation Cluster:

CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**

Award Period: February 17, 2009 through September 30, 2010
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012

Award Numbers: H126A100002, H126A110002, H126A120002, and H390A090002

State Fiscal Stabilization Fund Cluster:

CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**

Award Period: June 4, 2009 through September 30, 2011

Award Numbers: S394A09003, S394A09003A, S397A09003, and S397A09003A

CFDA No: 84.048 **Career and Technical Education—Basic Grants to States**

Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012

Award Numbers: V048A090003, V048A100003, and V048A110003

CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**

Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012

Award Numbers: S287C090003, S287C090003A, S287C100003, S287C100003–10A, S287C110003, and S287C110003–11A

CFDA No.: 84.367 **Improving Teacher Quality State Grants**

Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012

Award Numbers: S367A090049, S367B090003, S367A100049, S367B100003A, S367A110049, and S367B110003

U.S. Department of Education

CCDF Cluster:

CFDA No.: 93.575 **Child Care and Development Block Grant**
93.596 **Child Care Mandatory and Matching Funds of the Child Care and Development Fund**

Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012

Award Numbers: G1001AZCCDFD, G1101AZCCDFD, G1201AZCCDFD, G1001AZCCDF, G1101AZCCDF, G1201AZCCDF, G11AZCCDFADM, G10AZCCDFADM, and G12AZCCDFADM

Medicaid Cluster:

CFDA No.: 93.720 **ARRA—Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative**
93.775 **State Medicaid Fraud Control Units**
93.777 **State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare**
93.778 **Medical Assistance Program**
93.778 **ARRA—Medical Assistance Program**

Award Period: Various
Award Numbers: Various

CFDA No.: 93.767 **Children's Health Insurance Program**
Award Period: Various
Award Numbers: Various

CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 2B08TI010004-10, 3B08TI010004-10S1, 2B08TI010004-11, 3B08TI010004-11S1, and 2B08TI010004-12

U.S. Department of Health and Human Services

Allowable Costs/Cost Principles

Questioned Cost: $559,162

Criteria: In accordance with 2 Code of Federal Regulations (CFR) §225, Appendix A, C.1.b and 3.a, costs charged to federal programs should be based on the relative benefits received.

Condition and context: The State of Arizona did not comply with the allowable costs/cost principles requirements with respect to the general agency counsel service costs provided by the Office of the Attorney General that were charged to federal programs administered by various state agencies. A.R.S. §41-191.09 created the Attorney General Legal Services Cost Allocation Fund (Fund) to reimburse the Attorney General's Department of Law for general agency counsel services. Beginning on July 1, 2006, all state agency funds, except those specifically exempted by the statute, were required to reimburse the Fund for the costs of general agency counsel services. Reimbursements were obtained by charging 0.675 percent of each applicable agency's total payroll expenditures, including those paid with federal monies, each pay period. Legislation during fiscal year 2012 changed the statute to reflect that the funding sources may not include federal monies. This change will be effective the first quarter of fiscal year 2013.

Effect: During fiscal year 2012, these charges totaled $559,162, including $217,187 for the major federal programs listed above and $341,975 for all other federal programs. This amount is still subject to review and approval by the U.S. Department of Health and Human Services. This finding could potentially affect all federal programs administered by the affected state agencies that incurred payroll costs.

Cause: The noncompliance resulted from a statutory requirement that these programs be charged for general agency counsel service costs and, therefore, was not caused by the federal programs' administration.

Recommendation: The Department of Administration should continue to monitor bills being considered in the Arizona State Legislature to help ensure that unallowable costs to federal programs will not be incurred in the future if a bill is enacted into law.

This finding is similar to a prior-year finding.

12-102
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
CFDA No.: 10.558 **Child and Adult Care Food Program**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
Emergency Food Assistance Cluster:
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Number: 7AZ810AZ8
U.S. Department of Agriculture

CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Period: Various
Award Numbers: Various
U.S. Department of Defense

CFDA No.: 14.239 **Home Investment Partnerships Program**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012

Award Numbers: M10-SG040100 and M11-SG040100
U.S. Department of Housing and Urban Development

CFDA No.: 16.575 **Crime Victim Assistance**
Award Period: October 1, 2007 through September 30, 2011
October 1, 2008 through September 30, 2012
March 1, 2009 through September 30, 2012
October 1, 2009 through September 30, 2013
October 1, 2010 through September 30, 2014
Award Numbers: 2008-VA-GX-0014, 2009-VA-GX-0060, 2009-SG-B9-0090, 2010-VA-GX-0064, and 2011-VA-GX-0019
U.S. Department of Justice

CFDA No.: 17.225 **Unemployment Insurance**
17.225 **ARRA—Unemployment Insurance**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: UI-18007-09-55, UI-19569-10-55, UI 21086-11-55, and UI-22261-12-55
U.S. Department of Labor

Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Award Period: Various
Award Numbers: Various
U.S. Department of Transportation

CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Award Period: April 21, 2009 through April 30, 2012
July 1, 2010 through June 30, 2015
Award Numbers: DE-EE0000106 and DE-EE003872
U.S. Department of Energy

Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Award Period: February 17, 2009 through September 30, 2011
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S010A090003, S010A100003, S010A110003, and S389A090003A

Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Award Period: February 17, 2009 through September 30, 2011
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: H027A090007A, H027A100007, H027A110007, H173A090003, H173A100003, H173A110003, H391A090007A, and H392A090003

Vocational Rehabilitation Cluster:
CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: H126A100002, H126A110002, H126A120002, and H390A090002

State Fiscal Stabilization Fund Cluster:
CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**
Award Period: June 4, 2009 through September 30, 2011
Award Numbers: S394A09003, S394A09003A, S397A09003, and S397A09003A

CFDA No.: 84.048 **Career and Technical Education—Basic Grants to States**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: V048A090003, V048A100003, and V048A110003

CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S287C090003, S287C090003A, S287C100003, S287C100003-10A, S287C110003, and S287C110003-11A

CFDA No.: 84.367 **Improving Teacher Quality State Grants**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S367A090049, S367B090003, S367A100049, S367B100003A, S367A110049, and S367B110003

CFDA No.: 84.410 **Education Jobs Fund**
Award Period: August 10, 2010 through September 30, 2012
Award Number: S410A100003
U.S. Department of Education

TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
CCDF Cluster:
CFDA No.: 93.575 **Child Care and Development Block Grant**
93.596 **Child Care Mandatory and Matching Funds of the Child Care and Development Fund**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G1001AZCCDFD, G1101AZCCDFD, G1201AZCCDFD, G1001AZCCDF, G1101AZCCDF, G1201AZCCDF, G10AZCCDFADM, G11AZCCDFADM, and G12AZCCDFADM
Medicaid Cluster:
CFDA No.: 93.720 **ARRA—Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative**
93.775 **State Medicaid Fraud Control Units**
93.777 **State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare**
93.778 **Medical Assistance Program**
93.778 **ARRA—Medical Assistance Program**
Award Period: Various
Award Numbers: Various
CFDA No.: 93.563 **Child Support Enforcement**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G1104AZ4004 and G1204AZ4004
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 10B1AZLIEA, G11B1AZLIEA, and G12B1AZLIEA
CFDA No.: 93.659 **Adoption Assistance**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012

Award Numbers: 1001AZ1407AD, 1101AZ1405, 1101AZ1407AD, 1101AZ1407AP, 1201AZ1407AD, and 1201AZ1407AP
CFDA No.: 93.667 **Social Services Block Grant**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: G1001AZSOSR, G1101AZSOSR, and G1201AZSOSR
CFDA No.: 93.767 **Children's Health Insurance Program**
Award Period: Various
Award Numbers: Various
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 2B08TI010004-10, 3B08TI010004-10S1, 2B08TI010004-11, 3B08TI010004-11S1, and 2B08TI010004-12
U.S. Department of Health and Human Services

Allowable Costs/Cost Principles

Questioned Cost: $308,724

Criteria: In accordance with 2 CFR §225, Appendix A, C.1.b and 3.a, costs charged to federal programs should be based on the relative benefits received.

Condition and context: The State of Arizona (State) did not comply with the allowable costs/cost principles requirements with respect to information technology service costs provided by the Arizona Strategic Enterprise Technology (ASET) Office, formerly the Government Information Technology Agency (GITA), that were charged to federal programs administered by various state agencies. A.R.S. §41-3505 created the Information Technology Fund (Fund) for ASET to provide information technology services. Beginning on July 1, 1997, all state agency funds were required to contribute to the Fund for the costs of information technology services. These contributions were obtained by charging 0.2 percent of each applicable agency's total payroll expenditures, including those paid with federal monies, each pay period. The information technology services ASET provided included information technology coordination, strategic planning, information security and privacy, technology project oversight services for all information technology projects costing more than $25,000, and digital government services. The technology project oversight services were performed through a Project Investment Justification process, which allowed ASET to implement its strategic vision by requiring agencies to comply with state-wide policies and standards along with the strategic direction in the state-wide plan. The digital government services included developing strategies and deploying accessible, reliable, and cost-effective digital government services through the State's web portal, such as application website development, hosting and support services. The costs of these technology project oversight services and digital government services were determined to be unallowable because the services involved were not chargeable in accordance with relative benefits received.

Effect: During fiscal year 2012, these charges totaled $308,724, including $170,477 for the major federal programs listed above and $138,247 for all other federal programs. This amount is still subject to review and approval by the U.S. Department of Health and Human Services. This finding could potentially affect all federal programs administered by the affected state agencies that incurred payroll costs.

Cause: The noncompliance resulted from a statutory requirement that these programs be charged for information technology service costs and digital government services, and therefore, was not caused by the federal programs' administration.

Recommendation: The State should ensure that technology project oversight services and digital government services are not charged to federal programs unless treated as direct costs or allocated using an equitable allocation basis, such as each agency's direct usage of technology project oversight services. In addition, the Department of Administration should monitor bills being considered in the Arizona State Legislature to help ensure that unallowable costs to federal programs will not be incurred in the future if the bill is enacted into law.

This finding is similar to a prior-year finding.

12-103
CFDA No.: **Various**
Award Period: Various
Award Numbers: Various

Allowable Costs/Cost Principles

Questioned Cost: $6,844,114

Criteria: In accordance with 2 CFR §225, Appendix A, C.1.b and 3.a, costs charged to federal programs should be based on the relative benefits received.

Condition and context: Senate Bill 1612 of the 50th Legislature, First Regular Session 2011, Chapter 24, §§108, 129, and 138, mandated transfers of fund balances from various state agencies to the State of Arizona's (State) General Fund to help provide adequate support and maintenance for the agencies of the State. A portion of the balances transferred included federal monies and was therefore unallowable since the transfers were not based on the relative benefits received. The Department of Administration has determined the federal portion of the transfers to be $6,844,114 during fiscal year 2012. However, the Department has not compiled the information by federal agency and program. In addition, this amount is still subject to review and approval by the U.S. Department of Health and Human Services.

Effect: The State is responsible for reimbursing the federal agencies the amount of unallowable costs. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding or to identify all the federal programs that were affected by this finding. This finding could potentially affect all federal programs administered by state agencies that had legislatively mandated transfers of fund balances.

Cause: The noncompliance resulted from legislatively mandated transfers of fund balances, and therefore, was not caused by the federal programs' administration.

Recommendation: The State should ensure that legislatively mandated transfers of fund balances to its General Fund do not include federal program monies. In addition, the Department of Administration should monitor bills being considered in the Arizona State Legislature to help ensure that unallowable costs to federal programs will not be incurred in the future.

This finding is similar to a prior-year finding.

12-104
Vocational Rehabilitation Cluster:
CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: H126A100002, H126A110002, H126A120002, and H390A090002
U.S. Department of Education

Eligibility

Questioned Cost: None

Criteria: In accordance with 29 U.S. Code 722(a)(6), the Department of Economic Security (Department) must determine whether an individual is eligible for vocational rehabilitation services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for services, unless exceptional and unforeseen circumstances exist beyond the Department's control and the Department and the applicant agree to a specific extension of time or the Department is exploring the individual's abilities, capabilities, and capacity in order to be able to make the eligibility determination or close the case.

Condition and context: The Department of Economic Security, Division of Employment and Rehabilitation Services, Rehabilitation Services Administration (Administration), did not always follow its policies and procedures to document a specific extension of time signed by both the Administration and applicant or to document the Administration's continued exploration of the applicant's abilities, capabilities, and capacity to perform in work situations. Specifically, for 23 of 40 applications tested, it took the Administration between 61 and 377 days, or an average of 168 days, to determine eligibility. For 6 of the 23 applications, the Administration prepared a properly signed extension letter within the 60-day period, but it did not determine eligibility within the requested extension period. For 13 of the 23 applications, the Administration included an extension letter in the applicant's case file; however, it lacked the applicant's signature evidencing that the individual agreed to a specific time extension. Finally, for the 4 remaining applications, the extension letter was prepared and signed after the 60-day period ended.

Effect: Failure to make eligibility determinations in a timely manner may result in a delay of services provided.

Cause: The Administration did not react to system alerts that open applications were close to the 60-day eligibility determination requirement.

Recommendation: The Administration should provide adequate supervision of its caseworkers and enforce the following policies and procedures to help ensure compliance with eligibility requirements:

- Determine an applicant's eligibility within 60 days of the application submission date.
- Prepare a letter before the end of the 60-day eligibility period to establish a specific extension of time and to justify exceeding the 60-day period. This letter should be signed by both the Administration and the applicant.
- Determine an applicant's eligibility within the requested extension period.
- Document the Administration's continued exploration of the applicant's abilities, capabilities, and capacity to perform in work situations.

Further, the Administration should establish a control system, such as a checklist, to ensure that all documentation to determine eligibility is retained in the applicant's case file.

This finding is similar to a prior-year finding.

12-105
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
U.S. Department of Health and Human Services

Reporting

Questioned Cost: None

Criteria: In accordance with 45 CFR §265.7(a), reporting for the *ACF-196 TANF Financial Report* and *ACF-199 TANF Data Report* must be complete and accurate. Also, in accordance with 45 CFR §265.9(c)(5) and (6), reporting for the *ACF-204 Annual Report*, each state must provide the average monthly total number or the total number of eligible families served for which the state claims Maintenance of Effort (MOE) expenditures as of the fiscal year-end and the eligibility criteria for the families served under each program.

Condition and context: The Department of Economic Security (Department) did not accurately prepare various reports submitted during fiscal year 2012 for the TANF program. Auditors noted errors in three of the four reports tested. Specifically, auditors noted the following:

Financial Services Administration (FSA)

- For the December 31, 2011, quarterly *ACF-196 TANF Financial Report* for award fiscal year 2011, the FSA misreported $20,786,593 of administrative expenditures within the 2-Parent Family Information and Maintenance reporting line. These expenditures should have been reported in the Administration reporting line. This error was corrected in the following quarter.

Family Assistance Administration (FAA)

- For the March 31, 2012, quarterly *ACF-199 TANF Data Report*, for two of the eight case files examined, the FAA understated the reported number of months countable towards the federal time limit by 1 month each.

Division of Aging and Adult Services (DAAS)

- For the fiscal year *2011 ACF-204 Annual Report* including the *Annual Report on State Maintenance-of-Effort Programs*, the DAAS understated the number of families served by 210 families for the Coordinated Homeless Program.

Division of Business and Finance (DBF)

- For the fiscal year 2011 *ACF-204 Annual Report* including the *Annual Report on State Maintenance-of-Effort Programs*, the DBF reported that for the Domestic Violence Program there were no financial eligibility criteria for receiving MOE-funded program benefits when the program did in fact require participants to meet the TANF financial eligibility requirements.

Division of Employment and Rehabilitation Services (DERS)

- For the March 31, 2012, quarterly *ACF-199 TANF Data Report*, the FAA automatically reported a zero for the Number of Deemed Core Hours for Overall Rate and the Number of Deemed Core Hours for the Two-Parent Rate questions for all cases involving work participation activities.

Effect: Incorrect financial and nonfinancial data was submitted to the federal grantor that may result in potential errors in analysis or other determinations. This finding did not result in questioned costs since the reports were not used to request reimbursement of federal expenditures.

Cause: The Department did not have adequate controls in place over the preparation and submission of program reports in order to prevent or detect errors within their reports. In addition, the computer information system used to generate the quarterly *ACF-199 TANF Data Report* was programmed to report zero for each participant's deemed core hours.

Recommendation: The Department should establish policies and procedures to help ensure compliance with reporting requirements. Specifically, the Department should establish sufficient procedures to identify how to accumulate data for federal reports, and supervisors should perform a follow-up review over

federal reports to ensure accurate amounts are reported. In addition, the Department should program the computer information system used to generate the quarterly *ACF-199 TANF Data Report* to report each participant's deemed core hours.

This finding is similar to a prior-year finding.

12-106
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
U.S. Department of Health and Human Services

Eligibility

Questioned Cost: $2,460

Criteria: In accordance with 45 CFR §206.10(a)(8), each decision regarding eligibility or ineligibility must be supported by facts in the applicant's or recipient's case record.

Condition and context: The Department of Economic Security, Division of Benefits and Medical Eligibility, Family Assistance Administration (FAA), provided cash assistance to applicants who did not meet all of the Temporary Assistance for Needy Families (TANF) eligibility requirements. Specifically, auditors noted the following:

- For 1 of the 40 cases tested, the FAA issued benefits to an adult student who was not expected to graduate before their 19th birthday. Because the FAA did not obtain written verification of the expected graduation date from the student's educational institution, benefits were inappropriately issued for 10 months after the student's 18th birthday. This resulted in a questioned cost of $1,640.
- For 1 of the 40 cases tested, the FAA issued benefits to a participant who had received cash assistance for more than 5 years. After 5 years, the participant applied for an extension of benefits because of a hardship that was not properly supported and verified. Therefore, the FAA provided unallowable benefits for 11 months, 5 of which were during the audit period. This resulted in a questioned cost of $820.

Effect: Benefits were issued to recipients who were not eligible. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding.

Cause: FAA employees did not follow policies and procedures to ensure recipients of cash assistance qualified for additional assistance when their benefits originally expired. Furthermore, the FAA did not follow its policies and procedures to ensure that each decision regarding eligibility or ineligibility was supported by facts in the applicant's or recipient's case record.

Recommendation: The FAA should provide adequate supervision of its employees and enforce the following policies and procedures to help ensure compliance with eligibility requirements:

- Monitor families who continue to receive cash assistance after the child turns 18.
- Obtain and verify the documentation supporting a hardship extension.
- Ensure that each decision regarding eligibility or ineligibility is supported by facts in the applicant's or recipient's case record.

12-107
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
U.S. Department of Health and Human Services

Subrecipient Monitoring

Questioned Cost: None

Criteria: In accordance with the OMB Circular A-133 §.210(e), the Department of Economic Security (Department) is responsible for establishing requirements to ensure compliance by for-profit subrecipients. Additionally, in accordance with the Department's Subrecipient Contract Monitoring policy number 1-16-03, §VI, part D.2.g., divisions are required to notify the Office of Procurement in writing immediately upon determination of potential compliance issues with a contract. Furthermore, in accordance with the Department's policy, §VI, part D.2.a., the contract initiator is required to complete all required contract monitoring forms at contract initiation, the start of each new fiscal year, and at any other time as is determined necessary.

Condition and context: The Department of Economic Security, Division of Employment and Rehabilitation Services (DERS), contracts with two for-profit subrecipients to carry out the TANF program. Even though the subrecipients are not subject to the audit requirements of OMB Circular A-133, they receive audits and the DERS obtains copies of their reports annually. In December 2011, the DERS received the audit report for one of the subrecipients for the year ended December 31, 2010, which included a finding related to unallowable costs within the TANF program. The DERS did not contact the subrecipient to inquire about the finding or request a corrective action plan. Additionally, the Office of Procurement was not notified that there was a potential compliance issue with the TANF contract.

Furthermore, the DERS is responsible for using subrecipient forms to sufficiently monitor TANF subrecipients throughout the life of the contract. These forms were not prepared at the start of fiscal year 2012 as policy required.

Effect: Potentially unallowable expenditures could be paid for with TANF program monies. No questioned costs were associated with this finding since the DERS contacted the subrecipient in January 2013 and determined that the finding was not related to the Arizona TANF contract.

Cause: The DERS did not have adequate policies and procedures in place to ensure TANF findings from subrecipient audit reports were addressed and that the subrecipient took appropriate corrective action in a timely manner. Also, the DERS did not assign monitoring responsibilities to ensure the subrecipient monitoring forms were completed in a timely manner.

Recommendation: The DERS should establish policies and procedures to ensure subrecipient audit findings are addressed and that subrecipients take appropriate corrective action in a timely manner. In addition, the DERS should follow current policies to notify the Office of Procurement of any potential compliance issues with the TANF contract and complete subrecipient monitoring forms when a subrecipient contract is created and at the start of each new fiscal year.

12-108
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
U.S. Department of Health and Human Services

Special Tests and Provisions

Questioned Cost: None

Criteria: In accordance with 45 CFR §§205.55(a) and 205.60(a), income and benefit information must be requested from other federally assisted programs and federal agencies through automated data exchanges and used for identifying ineligible recipients. In addition, the information used in supporting wage and unemployment compensation verification through the data exchange must be retained.

Condition and context: The Department of Economic Security, Division of Benefits and Medical Eligibility (Division), recorded and stored eligibility information and supporting documents for participants on a documentation management system, including the support obtained from using the Income Eligibility and Verification System (IEVS). Auditors selected 40 case files to test; however, after noting that no documentation was retained to evidence that the IEVS was used when determining eligibility for 9 of the first 30 case files tested, auditors did not test the remaining 10 case files for this special test and provision requirement.

Effect: Assistance may be granted to ineligible recipients, or incorrect benefit determinations may result in over- or underpayments. This finding did not result in questioned costs since the Division was able to provide documentation to support its eligibility determinations.

Cause: The Division did not follow its policies and procedures to use the IEVS to determine eligibility; or, if it was used, documentation was not retained to support its use.

Recommendation: The Division should ensure that employees request and use income and benefit information from the IEVS when determining eligibility for all applicants applying for cash assistance. Additionally, employees should retain support in the documentation management system to evidence the review.

This finding is similar to a prior-year finding.

12-109
Emergency Food Assistance Cluster:
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Number: 7AZ810AZ8
U.S. Department of Agriculture

Subrecipient Monitoring

Questioned Cost: None

Criteria: In accordance with 7 CFR §3052.400(d)(5) and OMB Circular A-133, §400(d)(5), the Department of Economic Security is responsible for issuing management decisions on audit findings within 6 months after receiving the subrecipient's A-133 single audit report and ensuring that the subrecipient takes appropriate corrective action.

Condition and context: The Department of Economic Security, Division of Benefits and Medical Eligibility (Division), required each of its subrecipients to submit A-133 audit reports. However, internal control procedures were not adequate to ensure all findings were reviewed and resolved in a timely manner. Specifically, for one out of four subrecipients selected for test work, the Division did not send an initial or final management decision letter within 6 months after receiving the subrecipient's single audit report.

Effect: There is an increased risk of noncompliance with program requirements because the Division did not perform adequate monitoring procedures to review the subrecipient's single audit reports and issue management decision letters in a timely manner.

Cause: Audit Management Services (AMS) did not follow its policies to notify the Division of the audit report findings in order for the Division to ensure management decision letters were issued within 6 months of receiving the reports.

Recommendation: The AMS should follow its policies to review single audit reports when received and promptly notify the Division of any federal audit findings so that the Division may issue management decision letters within 6 months of receiving the reports.

12-110
Emergency Food Assistance Cluster:
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Number: 7AZ810AZ8
U.S. Department of Agriculture

TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Award Period: October 1, 2008 through September 30, 2009
October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G0902AZTANF, G1002AZTANF, G1102AZTANF, and G1202AZTANF
CFDA No.: 93.563 **Child Support Enforcement**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G1104AZ4004 and G1204AZ4005
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: G10B1AZLIEA, G11B1AZLIEA, and G12B1AZLIEA
CFDA No.: 93.667 **Social Services Block Grant**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: G1001AZSOSR, G1101AZSOSR, and G1201AZSOSR
U.S. Department of Health and Human Services

Reporting

Questioned Cost: N/A

Criteria: In accordance with 2 CFR §170 Appendix A and the Federal Funding Accountability and Transparency Act of 2006 (FFATA), for grant awards beginning on October 1, 2010, or later, the Department of Economic Security must report each subaward to a subrecipient that amounts to $25,000 or more not including subawards of American Recovery and Reinvestment Act monies. Each subaward action must be reported no later than the end of the month following the month in which the obligation was made.

Condition and context: The Department of Economic Security, Financial Services Administration (Administration), did not submit any reports of subawards related to current year programs. Auditors could not determine the number of monthly reports that should have been submitted for each program. The Administration did not provide evidence it communicated with the awarding agencies or the General Services Office to sufficiently demonstrate it made a "good faith" effort to comply with the FFATA requirements. Additionally, the Administration did not request or obtain permission from the Office of Management and Budget to deviate from this requirement.

Effect: Obligations to subrecipients were not posted to the federal FSRS.gov Web site, resulting in a lack of information on USASpending.gov.

Cause: The Administration did not develop and follow policies and procedures to ensure compliance with the FFATA reporting requirements. In addition, the Administration could not identify all subawards made to subrecipients from individual awards.

Recommendation: The Administration should establish the following procedures to help ensure compliance with the FFATA reporting requirements:

- Develop internal control policies and procedures to identify all subawards made to subrecipients from individual awards.
- Develop internal control policies and procedures to ensure the required reports are accurately compiled, reviewed, and submitted in a timely manner.

This finding is similar to a prior-year finding.

12-111
CFDA No.: 93.563 **Child Support Enforcement**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G1104AZ4004 and G1204AZ4005
U.S. Department of Health and Human Services

Activities Allowed or Unallowed

Questioned Cost: Unknown

Criteria: In accordance with 45 CFR §74.21(b)(3), the Department of Economic Security's (Department) financial management system should provide effective accountability for all funds and ensure they are used solely for authorized purposes.

Condition and context: The Department's Division of Child Support Enforcement (Division) distributed $816,593 in Child Support Enforcement program monies to contracted collection vendors in fiscal year 2012. The Division compensated vendors for the receipt of child support payments that were a result of their collection activities; however, a portion of the payments to vendors under the Division's Debt Collection and Locate services contracts were improper due to vague contract language, system

weaknesses, and lack of controls within the Division's invoice payment process. Specifically, the contracts in place during fiscal year 2012 for the six vendors did not include specific performance requirements and criteria for compensation, the computer information system used to track collection activity by vendor had limitations that allowed for the inclusion of cases that were excluded from the contracts, and the invoice payment process often included very little or no review prior to payment to ensure the vendors were being paid based on their actual collection activity.

Effect: Failure to ensure contract vendors are accurately paid based on their collection efforts may result in federal monies being spent for unauthorized purposes. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The Division did not have adequate policies and procedures in place to ensure that the contract language was specific with respect to vendor payments and to ensure that contracted vendor invoices were thoroughly reviewed and approved prior to payment. In addition, the computer information system was not set up to accurately identify case collection activities.

Recommendation: To help ensure compliance with activities allowed and unallowed requirements, the Division should clarify contract language to add specific performance requirements and criteria for compensation in the vendor contracts. In addition, the Division should establish adequate policies and procedures to thoroughly review and approve vendor invoices prior to payment. Finally, to ensure the vendors are paid based on their actual collection activity, specific case collection activities should be identified in the computer information system.

12-112
CFDA No.: 93.563 **Child Support Enforcement**
Award Period: October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
Award Numbers: G1104AZ4004 and G1204AZ4005
U.S. Department of Health and Human Services

Subrecipient Monitoring

Questioned Cost: Unknown

Criteria: In accordance with OMB Circular A-133, §.400(d)(3), the Department of Economic Security (Department) must monitor the activities of its subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. Additionally, in accordance with OMB Circular A-133, §.400(d)(5), the Department is responsible for issuing management decisions on audit findings within 6 months after receiving the subrecipient's A-133 single audit report and ensuring that the subrecipient takes appropriate corrective action.

Condition and context: During fiscal year 2012, the Department's Division of Child Support Enforcement (Division) distributed approximately $6.8 million in Child Support Enforcement program monies to subrecipients. However, division employees did not thoroughly review the subrecipients' monthly Certified

Public Expenditure Statements (CPES) to ensure that federal awards were used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements. For one of five subrecipients tested, the Division reimbursed the subrecipient for $188,654 in expenditures with no supporting documentation to determine that they were for actual activities performed to carry out the federal program objectives. Additionally, for the same subrecipient, the Division did not issue a management decision letter on its audit findings within 6 months after receiving the subrecipient's A-133 single audit report or ensure that the subrecipient took appropriate corrective action.

Effect: Potentially unallowable expenditures were paid to the subrecipient with Child Support Enforcement program monies. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. In addition, there is an increased risk of noncompliance with program requirements because the Division did not perform adequate monitoring procedures to review the subrecipient's single audit reports and issue management decision letters in a timely manner.

Cause: The Division did not have adequate policies and procedures in place to ensure that reimbursement documentation was thoroughly reviewed and approved. Further, Audit Management Services (AMS) did not follow its policies to notify the Division of the audit report findings in order for the Division to ensure management decision letters were issued within 6 months of receiving the reports.

Recommendation: To help ensure compliance with subrecipient monitoring requirements, the Division should establish the following policies and procedures:

- Require that the monthly CPES reports are accompanied by documentation supporting the reported expenditures.
- Perform a detailed review of the monthly CPES reports and supporting documentation to ensure that the expenditures were for actual activities performed to carry out the federal program objectives prior to approving the reimbursement.

In addition, AMS should follow its policies to review single audit reports when received and promptly notify the Division of any federal audit findings so that the Division may issue management decision letters within 6 months of receiving the reports.

12-113
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: G10B1AZLIEA, G11B1AZLIEA, and G12B1AZLIEA
U.S. Department of Health and Human Services

Reporting

Questioned Cost: None

Criteria: In accordance with 45 CFR §96.82(b) and action transmittal number LIHEAP-AT-2011-6 and the attached instructions, the Department of Economic Security must submit an accurate annual *LIHEAP Household Report*, which includes data on the number of households that were assisted with program monies and the number of households that applied for program assistance.

Condition and context: The Department of Economic Security, Division of Aging and Adult Services (Division), reported inaccurate amounts for the number of assisted and applicant households on its annual *LIHEAP Household Report* for the year ended September 30, 2011. Specifically, out of the 31 discretely presented figures on Part 1 of the report, 15 amounts were erroneous. Discrepancies ranged from 1 unit to 3,818 units. In addition, out of the 18 discretely presented figures on Part II, 8 amounts were erroneous. Discrepancies ranged from 1 unit to 24 units. Additionally, the Division did not retain documentation to support reported amounts. Further, there was no evidence indicating that the report was independently reviewed for accuracy and approved prior to submitting it to the U.S. Department of Health and Human Services.

Effect: Incorrect nonfinancial data was submitted to the federal grantor that may result in potential errors in analysis or other determinations and in the LIHEAP Report to Congress. This finding did not result in questioned costs since the reports were not used to request reimbursement of federal expenditures.

Cause: The Division had not implemented procedures to ensure that accurate amounts were reported and supported.

Recommendation: The Division should establish the following procedures to help ensure compliance with reporting requirements:

- Require documentation to be retained to support reported amounts.
- Establish a detailed review process to help ensure federal reports are complete and accurate before they are submitted to the U.S. Department of Health and Human Services.

This finding is similar to a prior-year finding.

12-114
Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S010A090003, S010A100003, S010A110003, and S389A090003A
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: H027A090007A, H027A100007, H027A110007, H173A090003, H173A100003, H173A110003, H391A090007A, and H392A090003
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S367A090049, S367B090003, S367A100049, S367B100003A, S367A110049, and S367B110003
U.S. Department of Education

Cash Management and Subrecipient Monitoring

Questioned Cost: None

Criteria: As required by 34 CFR §80.21, state educational agencies should have procedures in place to minimize the time elapsing between the transfer of monies to and disbursement by the local educational agencies (LEAs). LEAs may be paid in advance if they are able to minimize the time elapsing between the receipt of the monies and their disbursement so that they do not accumulate excess cash balances of federal monies.

Condition and context: The Department of Education (Department) requires that LEAs request monies for federal grants by submitting monthly cash management reports through its Grants Management System. At the end of the award period, the Department requires LEAs to submit completion reports, which are considered the projects' final cash management reports. Auditors tested a sample of LEAs' monthly cash management reports and completion reports for each of the major federal programs administered through the Grants Management System and noted the following deficiencies related to the Department's monitoring of LEAs:

- The Department did not always ensure that prior-year completion reports were submitted and approved before disbursing current year monies, which resulted in some LEAs' having cash balances. Specifically, this was noted for 2 of 40 LEAs tested for the Special Education Cluster and for 10 of 40 LEAs tested for the Title I, Part A Cluster and the Improving Teacher Quality State Grants program.
- The Department did not always review and approve completion reports in a timely manner. This was noted for 9 of 40 LEAs tested for the Special Education Cluster.

Effect: The Department disbursed monies for the subsequent period's grant award when LEAs had excess cash balances from the previous grant award. Auditors were able to extend auditing procedures to determine that interest earned on excess cash balances was properly calculated and remitted to the U.S. Department of Education; therefore, no questioned costs resulted from this finding. This finding could also potentially affect other federal programs that the Department administered.

Cause: The Department has adequate policies and procedures to address LEAs that fail to submit monthly cash management reports or continue to maintain excess amounts of program cash from month to month. In addition, the Grants Management System automatically places a hold on a subsequent year's funding if the LEA does not submit a completion report within 90 days after the end of the current program year, or if the LEA does not resubmit a completion report within 30 days of rejection as a result of the Department's review. However, these controls do not preclude the disbursement of a subsequent period's grant award when completion reports have not yet been reviewed and approved by the Department. Further, the Department has no specific policy addressing when completion reports should be reviewed; therefore, the Department was not always timely in its review of LEAs' completion reports.

Recommendation: To help ensure compliance with its major federal programs' requirements related to cash management and subrecipient monitoring, the Department should improve its policies and procedures for monitoring LEAs' submission of their completion reports. For example, each program area could maintain a log of communications with the LEA based on monthly reports generated from the Grants Management System indicating which LEAs have not submitted their completion reports. Further, improved monitoring and more timely reviews of submitted completion reports would help the Department to better enforce its existing policies to ensure that future grant awards are placed on hold until the LEA submits a complete and accurate completion report.

This finding is similar to a prior-year finding.

12-115
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
CFDA No.: 10.558 **Child and Adult Care Food Program**
Award Period: October 1, 2009 through September 30, 2010
October 1, 2010 through September 30, 2011
October 1, 2011 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 7AZ300AZ3 and 7AZ300AZ4
U.S. Department of Agriculture

Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S010A090003, S010A100003, S010A110003, and S389A090003A
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Award Period: February 17, 2009 through September 30, 2010
July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: H027A090007A, H027A100007, H027A110007, H173A090003, H173A100003, H173A110003, H391A090007A, and H392A090003
CFDA No.: 84.048 **Career and Technical Education—Basic Grants to States**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: V048A090003, V048A100003, and V048A110003
CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**

Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S287C090003, S287C090003A, S287C100003, S287C100003–10A, S287C110003, and S287C110003–11A
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
Award Period: July 1, 2009 through September 30, 2010
July 1, 2010 through September 30, 2011
July 1, 2011 through September 30, 2012
Award Numbers: S367A090049, S367B090003, S367A100049, S367B100003A, S367A110049, and S367B110003
U.S. Department of Education

Cash Management, Eligibility, Reporting, Subrecipient Monitoring, and Special Tests and Provisions
Questioned Cost: Unknown

Criteria: The Arizona Department of Education's (Department) Grants Management System (GMS) and Child Nutrition Program (CNP) Web application are vital for approving and disbursing federal awards, and for subrecipient reporting and monitoring. Consequently, the Department should have effective policies and procedures in place to prevent and detect unauthorized access to its major information systems. In addition, the Department should have an updated and fully tested disaster recovery plan to provide for the continuity of operations and ensure that data can be recovered in the event of a system or equipment failure or other interruption.

Condition and context: Auditors tested the Department's controls over this system and application and noted the following deficiencies related to access and recovery controls:

- *Access controls*—The Department did not always maintain documentation for access granted to employees and external users, and granted access for several users without proper approval. Specifically, for 2 of 82 users tested for the GMS and for 2 of 73 users for the CNP Web application, access granted to users was not authorized and supported by an authorization form. In addition, for 1 of 2 users tested for GMS and for 9 of 20 users tested for the CNP Web application, the Department did not remove the user's access rights in a timely manner. Approximately half of the users whose access was not removed in a timely manner were former department employees.

- *Recovery controls*—The Department did not have an up-to-date and tested disaster recovery plan for the GMS, CNP Web application, and other major systems and applications.

Effect: There is a risk of noncompliance with federal requirements and of theft, manipulation, or misuse of confidential or sensitive data due to unauthorized access or changes. Additionally, the Department may not be able to recover data or materially comply with compliance requirements in the event of system or equipment failure or other interruption. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. In addition, this finding could potentially affect other federal programs, including American Recovery and Reinvestment Act programs, that the Department administered.

Cause: The Department did not consistently follow its policies and procedures for granting access to users and making changes to its information systems and applications. Additionally, the Department had not updated and tested the disaster recovery plan for its major systems and applications due to a lack of resources.

Recommendation: To strengthen internal controls over its systems and applications, and to help ensure compliance with federal requirements for the programs it administers, the Department should:

- Ensure that system access granted to all users is documented and authorized, and immediately revoke access for terminated employees.
- Periodically perform a comprehensive review of user access granted to all of its applications and systems, and remove inappropriate access.
- Update and test its disaster recovery plan annually.

This finding is similar to a prior-year finding.

12-116
CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Award Period: April 21, 2009 through April 30, 2012
July 1, 2010 through June 30, 2015
Award Numbers: DE-EE0000106 and DE-EE0003872
U.S. Department of Energy

Suspension and Debarment

Questioned Cost: N/A

Criteria: In accordance with 2 CFR §180 and 10 CFR §600.113, the School Facilities Board (Board) and the State Land Department (Department) must not make any subaward to or contract with any party that has been suspended or debarred or is otherwise excluded from or ineligible for participation in federal assistance programs. This may be accomplished by checking the Excluded Parties List System maintained by the General Services Administration, obtaining vendor certifications, or adding clauses or conditions to the contracts.

Condition and context: The Board did not follow and the Department did not establish internal control policies and procedures over suspension and debarment compliance requirements. Specifically, the Board established procedures over suspension and debarment but did not verify that 7 of its 93 subrecipients had not been suspended or debarred. Further, the Department did not have policies and procedures and, as a result, did not ensure its vendors who received $25,000 or more in federal monies had not been suspended or debarred, or otherwise excluded from entering into federal contracts. Auditors performed additional audit procedures and determined no payments were made to suspended or debarred parties.

Effect: Payments could be made to suspended or debarred parties. This finding could affect other federal programs that the Board and Department administered.

Cause: The Board did not ensure that its policies and procedures over suspension and debarment of subrecipients were followed by its employees, whereas the Department was unaware of the suspension and debarment requirements until the prior year audit.

Recommendation: The Board should ensure that employees follow its policies and procedures to verify that all subrecipients awarded contracts are not suspended or debarred. In addition, the Department should establish procedures to verify that all vendors awarded in excess of $25,000 are not suspended or debarred. Documentation of this verification must be retained.

This finding is similar to a prior-year finding.

12-117
State Fiscal Stabilization Fund Cluster:
CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**
Award Period: June 4, 2009 through September 30, 2011
Award Numbers: S394A09003, S394A09003A, S397A09003, and S397A09003A
U.S. Department of Education

Eligibility and Subrecipient Monitoring

Questioned Cost: $250,000

Criteria: Federal award recipients should maintain internal controls over federal programs to provide reasonable assurance that they are managing federal awards in compliance with laws and regulations as required by OMB Circular A-133, §.300(b). Specifically, when awarding federal monies to subrecipients, there should be adequate due diligence performed on the application and supporting documentation to determine eligibility, reasonableness, and validity of the expenditure documentation received prior to disbursing federal award monies.

Condition and context: The Governor's Office of Economic Recovery (GOER) did not exercise an appropriate level of oversight and due diligence to verify that a for-profit subrecipient receiving federal monies from its internal program called the Job Creation Fund was located outside the State of Arizona and was a valid company. In addition, the GOER received allegations that the same subrecipient falsified documentation to receive reimbursement for the award but did not note anything unusual when it performed an on-site visit to address the allegation. Auditors investigated the allegation further and noted that the subrecipient falsified documentation to indicate that the company originally was located in a different state. Further, auditors determined that the subrecipient also falsified payroll records to support reimbursement of $250,000 in program monies.

Effect: The GOER paid $250,000 to a for-profit subrecipient that falsified documentation and used the federal monies for unauthorized purposes.

Cause: The GOER relied on another entity to perform due diligence on the subrecipient instead of reviewing the subrecipient's validity itself.

Recommendation: The GOER no longer exists because the majority of the State's American Recovery and Reinvestment Act monies has been spent. The State should establish written policies and procedures to outline its award process to subrecipients for federal monies. These procedures should include which documentation in the application should be verified to outside sources. For example, the State should validate a subrecipient's mailing address, business license, financial documentation, and background. In addition, applications should be reviewed for inconsistent or missing documentation, and when necessary, follow-up documentation should be requested from the subrecipient.

12-118
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 2B08TI010004-10, 3B08TI010004-10S1, 2B08TI010004-11, 3B08TI010004-11S1, and 2B08TI010004-12
Department of Health and Human Services

Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Cost: Unknown

Criteria: In accordance with 2 CFR §225, Appendix B, Section 8(h), the Department of Health Services (Department) should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to the federal program represents a reasonable distribution of employees' actual time and effort worked on the program. The records supporting salaries and wages should be signed by the employee and approved by a supervisor having firsthand knowledge of the work the employee performed.

Condition and context: During the fiscal year, the Department spent over $36 million of program monies, and $1.5 million was spent on salaries and wages. Salaries and wages were charged to the program using distribution percentages that were determined before the services were performed. However, the distribution percentages were not compared to actual costs or revised to reflect actual time spent working on the program. In addition, the Department did not require certifications for employees who worked solely on the program or documentation for employees working on multiple federal and nonfederal programs reflecting an after-the-fact distribution of the actual activities performed.

Effect: The employee salaries and wages charged to the program did not reflect an accurate after-the-fact distribution of hours and activities worked, which could result in unallowed costs being charged to the program. It was not practical to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding. This finding could potentially affect other federal programs that the Department administered.

Cause: The Department did not have policies and procedures in place to ensure that salaries and wages reflect the actual time spent working on the program. Specifically, the Department's procedures were to assign payroll distribution percentages before services were performed without comparing those percentages to reflect actual time worked. In addition, the actual time worked on an activity by employees was not always documented. Further, the Department did not have procedures in place to require certifications for those employees who worked solely on this program.

Recommendation: The Department should develop policies and procedures to help ensure that salaries and wages reflect actual time spent working on the federal program. The procedures should require that certifications for employees working solely on the program be prepared at least semiannually. For employees that work on multiple activities, documentation should be prepared at least monthly reflecting an after-the-fact distribution of the hours and activities worked. The records supporting salaries and wages should be signed by the employee and reviewed and approved by a supervisor having firsthand knowledge of the work the employee performed. Further, if the Department continues to use distribution percentages that were determined before the services were performed, it should compare the distribution percentages to the actual time worked, and make any necessary correcting adjustments to the amounts charged to the program.

12-119
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Award Period: October 1, 2009 through September 30, 2011
October 1, 2010 through September 30, 2012
October 1, 2011 through September 30, 2013
Award Numbers: 2B08TI010004-10, 3B08TI010004-10S1, 2B08TI010004-11, 3B08TI010004-11S1, and 2B08TI010004-12
Department of Health and Human Services

Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 45 CFR §92.35, the Department of Health Services (Department) must not make any subaward to or contract with any party that has been suspended or debarred or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition and context: The Department did not establish adequate internal control policies and procedures over suspension and debarment compliance requirements. Specifically, for 3 of the 15 subrecipients of federal monies, the Department did not include a suspension and debarment certification in contracts with subrecipients or verify its subrecipients had not been suspended or debarred, or otherwise excluded from entering into federal contracts. Auditors performed additional audit procedures and determined no payments were made to suspended or debarred parties.

Effect: Payments could be made to suspended or debarred parties. This finding could affect other federal programs that the Department administered.

Cause: The Department did not have policies and procedures in place to ensure that contracts with subrecipients contained the appropriate clause or perform additional procedures to determine the subrecipients were not suspended or debarred.

Recommendation: The Department should establish procedures to ensure all contracts contain suspension and debarment certifications or perform procedures to verify that all subrecipients are not suspended or debarred. Documentation of this verification should be retained.

12-120
CFDA No.: 12.400 **Military Construction, National Guard**
Award Period: October 1, 2006 through September 30, 2011
February 1, 2008 through March 31, 2013
June 1, 2009 through December 31, 2014
August 1, 2010 through March 31, 2013
October 26, 2010 through October 31, 2013
October 1, 2010 through October 31, 2013
Award Numbers: W912L2-06-2-2007, W912L2-08-2-2012, W912L2-09-2-2103, W912L2-09-2-2104, W912L2-09-2-2105, W912L2-10-2-2001, W912L2-10-2-2002, and W912L2-10-2-2003
U.S. Department of Defense

Cash Management

Questioned Cost: Unknown

Criteria: In accordance with National Guard Regulation 5-1, effective May 28, 2010, grantees should limit the time elapsing between the transfer of monies from the U.S. Treasury and their disbursement to 45 days or less.

Condition and context: The Department of Emergency and Military Affairs (Department) did not have effective internal control procedures in place to minimize the time elapsing between the transfer of monies from the U.S. Treasury and their disbursement. Specifically, auditors analyzed the program's cash balance for the entire fiscal year and determined that the Department exceeded its allowable cash balance by an amount ranging between $583,168 and $3,095,547 from October 2011 to April 2012.

Effect: The Department could incur an interest liability on cash balances that exceed the required time frames. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The Department did not minimize the time elapsing between the transfer of monies and their disbursement due to a lack of adequate procedures.

Recommendation: The Department should develop adequate internal control procedures to minimize the time elapsing between the transfer of monies from the U.S. Treasury and their disbursement in accordance with program regulations.

12-121
CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Period: Various
Award Numbers: Various
U.S. Department of Defense

Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 2 CFR §§180.220 and 180.300, the Department of Emergency and Military Affairs (Department) must not contract with any party that has been suspended or debarred or is otherwise excluded from or ineligible for participation in federal assistance programs. This may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, obtaining vendor certifications, or adding clauses or conditions to the contracts.

Condition and context: For contracts greater than $5,000 but less than $50,000, the Department stated that it reviewed the EPLS website to verify that vendors providing goods and services paid with federal monies had not been suspended or debarred or otherwise excluded from federal contracts. However, the Department did not document or otherwise evidence that this procedure was performed. Specifically, for one of seven vendors tested who were paid over $25,000 in federal monies, auditors were unable to determine whether the Department performed procedures to ensure that the contracted vendors were not suspended or debarred. Auditors performed additional audit procedures and noted no instances of payments made to suspended or debarred individuals or organizations.

Effect: Payments could be made to suspended or debarred parties. This finding could affect other federal programs that the Department administered.

Cause: The Department did not have policies that required employees to document or otherwise evidence the review of the EPLS website.

Recommendation: The Department should document its determination that vendors being paid over $25,000 in federal monies have not been suspended or debarred from doing business with governmental entities.

This finding is similar to a prior-year finding.

12-122
CFDA No.: 16.575 **Crime Victim Assistance**
Award Period: October 1, 2007 through September 30, 2011
October 1, 2008 through September 30, 2012
March 1, 2009 through September 30, 2012
October 1, 2009 through September 30, 2013
October 1, 2010 through September 30, 2014
Award Numbers: 2008-VA-GX-0014, 2009-VA-GX-0060, 2009-SG-B9-0090, 2010-VA-GX-0064, and 2011-VA-GX-0019
U.S. Department of Justice

Subrecipient Monitoring

Questioned Cost: N/A

Criteria: In accordance with 31 U.S. Code §7502(f)(2)(C) and OMB Circular A-133 §400(d), the Department of Public Safety (Department) must ensure that subrecipients expending $500,000 or more in federal awards have obtained the required audits within 9 months of the end of the subrecipients' audit periods. In addition, the Department must review the audits, issue management decisions on audit findings within 6 months after the receipt of the audit report, and ensure prompt and appropriate corrective action has been taken with respect to audit findings.

Condition and context: During the fiscal year, the Department disbursed approximately $7.7 million in program monies to 71 subrecipients; however, the Department did not ensure that all subrecipients expending $500,000 or more in federal awards obtained the required audits within 9 months of the end of the subrecipients' audit periods. Specifically, for the 8 subrecipients selected for test work, 6 were subject to the audit requirements. However, for 4 of the 6, the Department did not obtain the required audits, review the audits, issue management decisions on audit findings within 6 months, or ensure prompt and appropriate corrective action was taken with respect to the findings.

Effect: The Department's subrecipients may not have had single audits completed, or a subrecipient's single audit may not have been reviewed so that the Department could issue management decisions on findings. This could potentially affect other federal programs that the Department administers.

Cause: The Department's application for funds required subrecipients to submit the most recent single audit, and if the audit disclosed findings or recommendations, the corrective action plan must also be submitted. In addition, the Department had procedures in place to review any audits received during the year, whether obtained from a site visit or voluntarily submitted. However, the Department did not have a process in place to determine which subrecipients were subject to the single audit requirements or ensure every subrecipient subject to the audit requirements submitted the most recent single audit and a corrective action plan when applicable.

Recommendation: The Department should establish adequate procedures to ensure all subrecipients expending $500,000 or more in federal awards have obtained the required audits within 9 months of the end of the subrecipients' audit periods.

12-123
Research & Development Cluster
University of Arizona Research and Development grants and contracts
CFDA No.: Various
Award Period: Various
Award Number: Various

Cash Management

Questioned Cost: N/A

Criteria: As required by 2 CFR part 215, nonfederal entities receiving federal awards must establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. An independent review and approval of significant transactions such as cash reimbursement requests are an important part of this system of internal control.

Condition and context: The University of Arizona's (University) internal control policies and procedures over its research and development programs did not require an independent review and approval of cash reimbursement requests and related accounting transactions. This control is important because the University received approximately $328 million during the fiscal year for its research and development programs.

Effect: Without an independent review and approval of reimbursement requests, the University could request reimbursement for improper amounts causing the University to receive excess cash in violation of their grant agreements. In addition, the cash received could be incorrectly recorded, causing further errors and noncompliance during the preparation of future reimbursement requests.

Cause: The University implemented a new financial reporting system during the fiscal year. During this process an accountant responsible for most of the cash reimbursement requests was allowed to process cash reimbursement requests and related transactions without requiring an independent review and approval.

Recommendation: In order to ensure compliance with federal regulations for its research and development programs, the University should implement procedures that require an independent review and approval of significant cash reimbursement requests and related accounting transactions.

Other auditors' findings:

The other auditors who audited the Arizona Department of Transportation (ADOT) reported the following significant deficiencies in internal control over compliance and noncompliance:

12-124
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Award Period: Various
Award Numbers: Various
U.S. Department of Transportation

Allowable Costs/Cost Principles
Questioned Cost: N/A

Criteria: A State DOT may submit an Indirect Cost Rate Proposal (ICRP) indicating a proposed indirect rate calculated by the DOT under the provisions of 2 CFR 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87) for approval by the Federal Highway Administration. This circular establishes principles and standards over the calculation of the proposed indirect cost rate indicted in the ICRP.

Condition and context: During the audit it was noted the rate was not correctly calculated in accordance with principles of 2 CFR 225 *Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87).* ADOT submitted a rate of 5.16% which was approved by the Federal Highway Administration and utilized by ADOT during fiscal year 2012. ADOT subsequently determined the rate should have been 6.62%.

Effect: The application of an incorrect indirect cost rate did not result in any effects to the total amount of Federal Funds received and available to ADOT during the fiscal year. However, the incorrect rate resulted in ADOT recovering fewer funds for indirect costs with those potential recoverable costs going towards direct construction expenditures.

Cause: ADOT has not formally documented policies and procedures over the calculation of the indirect cost rate for the ICRP.

Recommendation: ADOT should implement policies and procedures to consistent with the requirements of 2 CFR 225 *Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)* to facilitate the correct and consistent calculation of the indirect cost rate for the ICRP submitted to the Federal Highway Administration for approval.

12-125
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Award Period: Various
Award Numbers: Various
U.S. Department of Transportation

Subrecipient Monitoring

Questioned Cost: N/A

Criteria: As a pass-through entity, the Arizona Department of Transportation (ADOT) must have adequate controls in place to ensure all aspects of subrecipient monitoring are in compliance with federal requirements. Prior to the award of a grant ADOT must determine whether the subrecipient has an adequate project delivery system and accounting controls (23 USC 106(g)(4)(A)). At the time of the award the ADOT must identify the CFDA title and number, award name and number, and the name of the awarding agency. Additionally, ADOT must identify ARRA allocations in the award and that the subrecipient is required to identify ARRA funds in their Schedule of Expenditures of Federal Awards (SEFA). Once the grant is awarded ADOT must design and perform monitoring procedures to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that those performance goals are achieved.

These requirements are outlined in OMB Circular A-133 Compliance Supplement under the Subrecipient Monitoring section for the Department of Transportation, Highway Planning and Construction Grant.

Condition and context: The following conditions were noted during the audit:

- ADOT does not have a set of policies in place that require recertification of certified accepted entities at regular intervals as required by the agreement between ADOT and the Federal Highway Administration (FHWA).
- ADOT does not explicitly identify the CFDA number, grant name, and ARRA allocation (if any) in the award letter to subrecipients.
- ADOT does not have a formal set of policies and procedures in place or perform any procedures for monitoring subrecipients after the award has been made, including the determination of subrecipients expending $500,000 or more in Federal awards received a timely single audit.

Effect: There is increased risk of noncompliance with applicable compliance requirements by the subrecipients of Federal Highway Administration administered by ADOT. There was no specific questioned cost noted related to this control deficiency.

Cause: ADOT has not formally documented subrecipient monitoring policies and procedures.

Recommendation: ADOT should draft and adopt a set of written policies and procedures that ensure that subrecipient monitoring procedures are performed as required by Federal requirements.

This finding is similar to a prior-year finding.

12-126
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Award Period: Various
Award Numbers: Various
U.S. Department of Transportation

Special Tests and Provisions

Questioned Cost: N/A

Criteria: A State DOT or LPA must have a quality assurance (QA) program, approved by FHWA, for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State DOT, or by its designated agent, excluding the contractor. (23 CFR sections 637.201, 637.205, and 637.207) Samples must fall within prescribed ranges determined by the Arizona Department of Transportation Standard Specifications for Road and Bridge Construction 2008 and the ADOT Materials Quality Assurance Program to be acceptable.

Condition and context: For two of the 25 quality assurance samples reviewed, the individual taking the sample was an employee of the subcontractor and did not note the presence of an ADOT technician to observe the sample.

Effect: Substandard materials may have been used in the construction of roads and/or highways.

Cause: The approved Quality Assurance Program was not followed due to insufficient manpower and training.

Recommendation: The materials lab should hire additional engineers and technicians to ensure that workload demands are met. The materials lab should also ensure that all construction administration personnel are adequately trained.

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Appendix

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State of Arizona
Appendix
State of Arizona Agency Codes
Year Ended June 30, 2012

Agency Code	Agency
ADA	Arizona Department of Administration
AEA	Arizona Radiation Regulatory Agency
AFA	Governor's Office of Equal Opportunity
AGA	Office of the Attorney General
AHA	Arizona Department of Agriculture
ASA	Arizona State University
BNA	Arizona State Board of Nursing
BRA	Arizona Board of Regents
CCA	Arizona Corporation Commission
CDA	Arizona Early Childhood Development and Health Board
DCA	Arizona Department of Corrections
DEA	Arizona Department of Economic Security
DJA	Arizona Department of Juvenile Corrections
DTA	Arizona Department of Transportation
EDA	Arizona Department of Education
EVA	Arizona Department of Environmental Quality
FOA	Arizona State Forestry Division
GFA	Arizona Game and Fish Department
GHA	Arizona Governor's Office of Highway Safety
GSA	Arizona Geological Survey
GVA	Office of the Arizona Governor
HCA	Arizona Health Care Cost Containment System
HDA	Arizona Department of Housing
HLA	Arizona Department of Homeland Security
HSA	Arizona Department of Health Services
HUA	Arizona Commission on the Arts
ICA	Industrial Commission of Arizona
IDA	Arizona Department of Insurance
JCA	Arizona Criminal Justice Commission
LDA	Arizona State Land Department
LLA	Arizona Department of Liquor Licenses and Control
MAA	Arizona Department of Emergency and Military Affairs
MIA	Arizona State Mine Inspector
MMA	Department of Fire, Building and Life Safety
NAA	Northern Arizona University
PEA	Arizona Commission for Postsecondary Education
PRA	Arizona State Parks
PSA	Arizona Department of Public Safety
SBA	Office of Pest Management
SDA	Arizona State Schools for the Deaf and the Blind

State of Arizona
Appendix
State of Arizona Agency Codes
Year Ended June 30, 2012

Agency Code	Agency
SFA	School Facilities Board
SPA	Arizona Supreme Court
STA	Office of the Secretary of State
TOA	Arizona Office of Tourism
UAA	University of Arizona
VSA	Arizona Department of Veterans' Services
WCA	Arizona Department of Water Resources
WFA	Water Infrastructure Finance Authority of Arizona

State of Arizona
Corrective Action Plan
Year Ended June 30, 2012

Federal Award Findings and Questioned Costs

12-101
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
CFDA No.: 10.558 **Child and Adult Care Food Program**
CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
CFDA No.: 14.239 **Home Investment Partnerships Program**
CFDA No.: 16.575 **Crime Victim Assistance**
CFDA No.: 17.225 **Unemployment Insurance**
17.225 **ARRA—Unemployment Insurance**
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Vocational Rehabilitation Cluster:
CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**
State Fiscal Stabilization Fund Cluster:
CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**
CFDA No.: 84.048 **Career and Technical Education—Basic Grants to States**
CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
CCDF Cluster:
CFDA No.: 93.575 **Child Care and Development Block Grant**
93.596 **Child Care Mandatory and Matching Funds of the Child Care and Development Fund**

Medicaid Cluster:
CFDA No.: 93.720 **ARRA—Survey Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative**
93.775 **State Medicaid Fraud Control Units**
93.777 **State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare**
93.778 **Medical Assistance Program**
93.778 **ARRA—Medical Assistance Program**
CFDA No.: 93.767 **Children's Health Insurance Program**
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Agency: Department of Administration
Contact person: Clark Partridge, State Comptroller, (602) 542-5405
Anticipated completion date: August 2012

Agency Response: Concur

Agency Corrective Action Plan: We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and is appropriately being addressed with the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA), for the payment and appropriate resolution of the questioned costs.

12-102
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
CFDA No.: 10.558 **Child and Adult Care Food Program**
Emergency Food Assistance Cluster
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
CFDA No.: 14.239 **Home Investment Partnerships Program**
CFDA No.: 16.575 **Crime Victim Assistance**
CFDA No.: 17.225 **Unemployment Insurance**
17.225 **ARRA—Unemployment Insurance**
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**

20.219 **Recreational Trails Program**
CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
Vocational Rehabilitation Cluster:
CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**
State Fiscal Stabilization Fund Cluster:
CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**
CFDA No.: 84.048 **Career and Technical Education—Basic Grants to States**
CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
CFDA No.: 84.410 **Education Jobs Fund**
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
CCDF Cluster:
CFDA No.: 93.575 **Child Care and Development Block Grant**
93.596 **Child Care Mandatory and Matching Funds of the Child Care and Development Fund**
Medicaid Cluster:
CFDA No.: 93.720 **ARRA—Survey Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative**
93.775 **State Medicaid Fraud Control Units**
93.777 **State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare**
93.778 **Medical Assistance Program**
93.778 **ARRA—Medical Assistance Program**
CFDA No.: 93.563 **Child Support Enforcement**
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
CFDA No.: 93.659 **Adoption Assistance**
CFDA No.: 93.667 **Social Services Block Grant**
CFDA No.: 93.767 **Children's Health Insurance Program**

CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Agency: Department of Administration
Contact person: Clark Partridge, State Comptroller, (602) 542-5405
Anticipated completion date: Unknown

Agency Response: Concur

Agency Corrective Action Plan: We have an established process in place for monitoring legislation. Although the majority of the fund is used for allowable purposes, we have advised that this specific portion was, in our opinion, not consistent with established federal cost principles and may be disallowed. However, this item is controlled by statute and cannot be resolved without a legislative change. Until the methodology is acceptably modified, there will likely continue to be disallowed costs which will require repayment with applicable interest. We will continue efforts to develop a solution to this issue.

This issue is a cross-cutting finding and is appropriately being addressed with the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA), for the payment and appropriate resolution of the questioned costs. We agree and commit to continue to work with DHHS-DCA, to the best of our ability, to find a resolution which ensures that the federal programs will be properly charged for these costs.

12-103
CFDA No.: **Various**
Agency: Department of Administration
Contact person: Clark Partridge, State Comptroller, (602) 542-5405
Anticipated completion date: Unknown

Agency Response: Concur

Agency Corrective Action Plan: We have requested authority to pay the federal government its corresponding pro-rata share related to the transferred monies. This resolution is pending legislative authorization.

We have an established process in place for monitoring legislation. On multiple occasions we have advised that these transfers were, in our opinion, not consistent with established federal cost principles and would probably result in an obligation to the federal government. Until the State changes its approach to the transfer of monies, there will likely continue to be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and is appropriately being addressed with the DHHS-DCA, for the payment and appropriate resolution of the questioned costs. We agree and commit to continue to work with DHHS-DCA and appropriate bodies within the State, to the best of our ability, to find an equitable resolution to this issue.

12-104
Vocational Rehabilitation Cluster:
CFDA No.: 84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
84.390 **ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act**
Agency: Department of Economic Security
Contact person: Katharine Levandowsky, RSA Administrator, (602) 542-3332
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: To ensure the Department of Economic Security Rehabilitation Services Administration (RSA) follows its own policies and procedures to determine eligibility for vocational rehabilitation services within 60 days unless the RSA and the applicant agree to a specific extension of time, the RSA will complete the following corrective actions.

- Provide Eligibility Determination Training to all Rehabilitation Supervisors, Rehabilitation Counselors, and Rehabilitation Technicians. The anticipated completion date is May 30, 2013.
- Implement electronic signature policy and procedures to allow clients to sign and approve eligibility extensions via email. The anticipated completion date is June 30, 2013.
- Install digital signature pads as an attachment to RSA computers, to assist staff with obtaining client signatures in a timely manner. The anticipated completion date is June 30, 2013.

12-105
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Agency: Department of Economic Security
Contact persons: Debra Peterson, DES Chief Financial Officer, (602) 542-3786; Liz Steele, DBME Program & Project Specialist, (602) 542-7596; Melanie Starns, DAAS Assistant Director, (602) 542-2591; Greg Wetz, DES Policy Chief, (602) 542-0212; Patrick Birmingham, DERS Management Analyst III, (602) 364-4465
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: To ensure the Department of Economic Security (DES) accurately prepares Temporary Assistance for Needy Families (TANF) program reports the following corrective actions have been or will be completed.

Division of Benefits and Medical Eligibility (DBME)
A unique circumstance in which a reduction in payment caused an erroneous reduction to the months countable caused this issue. To ensure the DBME provides accurate information for the ACF-100 TANF Data Report in the future, the Systems Interface Program section researched and identified the programming issue. DBME systems will update the programming logic to properly account for this

circumstance and verify the correction through case testing to ensure that the error does not reoccur. DBME anticipates completing these corrective actions by April 30, 2013. This issue did not affect client benefits.

Financial Services Administration (FSA)
As of February 2013, the FSA formalized a quality assurance step within its three-level review process for TANF federal reporting to prevent similar entry errors from occurring in the future. After the established review process, but prior to submission of the TANF ACF-196 to the Department of Health and Human Services federal reporting system, the responsible grant analyst will print a copy of the report as entered into the system. Reviewers will crosscheck the copy of the report draft submission with the original report spreadsheet prior to certification by the manager. Reviewers will return any errors to the responsible analyst for correction; otherwise, reviewers will initial the report route slip, indicating readiness for certification.

Division of Aging and Adult Services (DAAS)
The Coordinated Homeless Program reporting error was the result of deficiencies in filing and maintaining the contracts and quarterly reports in the Contracts Library. To ensure DAAS accurately reports information for the ACF-204 Annual Report, the DAAS Coordinated Homeless program instituted a new process. Effective January 2013, the quarterly reports are monitored and reviewed by the Program Specialist each quarter and entered into a spreadsheet to count the number of reported TANF families for state and federal fiscal years. The Program Specialist will remind Contract Specialists to contact contractors who have not submitted a report by the due date. A copy of the report will be forwarded to the Program Specialist when it is received. By April 2013, the Coordinated Homeless Office and the Contract Manager will develop a procedure containing the above actions as well as a process for notifying the Program Specialist if a contractor submits an amended report that may require a change in the number of TANF families served.

Division of Business and Finance (DBF)
The DBF will submit a revised ACF-204 report no later than July 1, 2013. DBF will review all future reports to ensure that programs related to TANF goals one and two include an income eligibility standard.

Division of Employment and Rehabilitation (DERS)
To ensure the DERS reports accurate information for the ACF-199 TANF Data Report, DERS anticipates completing the following corrective actions by September 30, 2013:

- Adding a field in the Jobs Automated System (JAS) database files to capture deemed hours;
- Creating a batch job to identify cases with deemed hours (this includes testing on-line screens and batch jobs and validating the jobs program);
- Modifying the program that captures JAS data to include deemed hours; and
- Modifying the program to include deemed hours for each month for the ACF-199 TANF Data Report.

12-106
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Agency: Department of Economic Security
Contact person: Liz Steele, DBME Program & Project Specialist, (602) 542-7596
Anticipated completion date: June 2013

Agency Response: Concur

Agency Corrective Action Plan: To ensure recipients of cash assistance qualify for additional assistance when their original benefits expire and that the facts in the applicant or recipient case record support the eligibility decisions, the DES Division of Benefits and Medical Eligibility (DBME) completed or will complete the following corrective actions.

DBME issued a Flash Bulletin on July 31, 2012 to remind all employees to obtain school attendance verification for students 18 years or older prior to TANF approval. In September 2012, DBME management reviewed this finding with the local office manager, supervisor, and responsible employee. In addition, during the quality control process reviewers check this data field in a sample of randomly selected cases.

DBME developed a new intermediate training course that includes the subject of hardship extensions. DBME started training staff in August 2012 and expect to complete the training in June 2013.

12-107
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Agency: Department of Economic Security
Contact person: Daniel Heidinger, Assistant Financial Manager, (602) 542-7966
Anticipated completion date: February 22, 2013

Agency Response: Concur

Agency Corrective Action Plan: The DES Division of Employment and Rehabilitation (DERS) will follow existing policies and procedures to ensure subrecipients address audit findings and take appropriate corrective action in a timely manner. In addition, the DERS will follow existing policies to notify the DES Office of Procurement of any potential compliance issues with the TANF contract and complete subrecipient monitoring forms when a subrecipient contract is created, at the start of each new fiscal year and at any other time as deemed necessary.

12-108
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
Agency: Department of Economic Security
Contact person: Liz Steele, DBME Program & Project Specialist, (602) 542-7596
Anticipated completion date: October 1, 2013

Agency Response: Concur

Agency Corrective Action Plan: To ensure employees use the DHHS Income Eligibility and Verification System (IEVS) to determine eligibility and the IEVS supporting documentation is retained, the Division of Benefits and Medical Eligibility (DBME) and the document-imaging vendor are upgrading and stabilizing the document management system. DBME expects these improvements to increase the availability of the system and simplify the maintenance of supporting documentation. DBME and the Arizona Health Care Cost Containment System are implementing a new system that will automatically retain this documentation.

12-109
Emergency Food Assistance Program Cluster:
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
Agency: Department of Economic Security
Contact person: Elizabeth Shoemaker, DES Chief Auditor, (602) 920-3975
Anticipated completion date: April 2013

Agency Response: Concur

Agency Corrective Action Plan: DES Audit and Management Services will follow DES policy regarding the review of single audit reports. DES divisions will be notified of federal audit findings in time to issue management decision letters within six months of receiving the single audit reports.

12-110
Emergency Food Assistance Program Cluster:
CFDA No.: 10.568 **Emergency Food Assistance Program (Administrative Costs)**
10.569 **Emergency Food Assistance Program (Food Commodities)**
TANF Cluster:
CFDA No.: 93.558 **Temporary Assistance for Needy Families**
93.716 **ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants**
CFDA No.: 93.563 **Child Support Enforcement**
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
CFDA No.: 93.667 **Social Services Block Grant**
Agency: Department of Economic Security
Contact person: Jonathan Lucke, FSA Principal Managing Analyst, (602) 542-3787
Anticipated completion date: October 1, 2013

Agency Response: Concur

Agency Corrective Action Plan: The DES Financial Services Administration (FSA) continues to seek additional clarification on reporting requirements from federal representatives for the FFATA Subaward Reporting System (FSRS). As of February 2013, the FSA has not found a successful channel for adequate communication. Recently, the FSRS added additional resources for help. The FSA will investigate these other avenues of communication in order to address the complexities of reporting on a diverse pool of grants.

The FSA also contacted individual federal award agencies to learn about reporting parameters from their perspective. In every case, the FSA was given no clarification and referred back to FSRS staff. The FSA continues to work with DES client programs and the DES Office of Procurement to develop a robust set of internal controls and procedures for the identification of subawards and subrecipients applicable to FFATA as well, for accurate and timely reporting.

Proposed DES actions include:

- Developing enhanced guidelines to assist DES in identifying subrecipient relationships
- Providing applicable subrecipients with universal FFATA reporting forms and instructions when associated contracts or agreements are executed
- Developing and monitoring a subrecipient database in order to assist with the FFATA reporting requirements
- Developing universal material backup requirements for all grants
- Working with other state agencies to explore FFATA reporting best practices.

12-111
CFDA No.: 93.563 **Child Support Enforcement**
Agency: Department of Economic Security
Contact person: Mary Schumacher, DCSE Finance Administrator, (602) 771-8326
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: To help ensure effective accountability for all funds and that funds are used solely for authorized purposes the DES Division of Child Support Enforcement (DCSE) has completed or will complete the following corrective actions.

- DCSE minimized overpayments for invoices received for September 1, 2011 through July 28, 2012 by completing a manual review process and adjusting the vendor payments based on the internal audit findings.
- Effective July 28, 2012, the DCSE terminated all six vendor contracts for assistance with the collection of child support. If DCSE contracts for debt collection in the future, DCSE will strengthen contract language to include specific performance requirements and criteria for compensation and vendor collection activities will be accurately identified in the computer information system (ATLAS).

State of Arizona
Corrective Action Plan
Year Ended June 30, 2012

12-112
CFDA No.: 93.563 **Child Support Enforcement**
Agency: Department of Economic Security
Contact person: Mary Schumacher, DCSE Finance Administrator, (602) 771-8326
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below

Agency Response: Concur

Agency Corrective Action Plan: To help ensure compliance with sub-recipient monitoring requirements, the Department of Economic Security has established the following policies and procedures.

As of February 1, 2013, the DES Division of Child Support Enforcement (DCSE) began requiring monthly Certified Public Expenditure Statements (CPES) to be accompanied by additional documentation supporting the reported expenditures. In addition, DCSE now performs detailed reviews of monthly CPES reports and the supporting documentation to ensure that the expenditures were for actual activities performed to carry out the federal program objectives prior to approving the reimbursement.

DES Audit and Management Services (AMS) will follow DES policy regarding the review of single audit reports. Divisions will be notified of federal audit findings in time to issue management decision letters within six months of receiving the single audit reports. AMS anticipates completing this corrective action in April 2013.

12-113
CFDA No.: 93.568 **Low-Income Home Energy Assistance**
Agency: Department of Economic Security
Contact person: Raoul Sada, Community Service Administrator, (602) 542-6607
Anticipated completion date: July 2013

Agency Response: Concur

Agency Corrective Action Plan: To ensure the Division of Adult and Aging Services (DAAS) reports accurate numbers of assisted households on the annual LIHEAP Household Report, DAAS implemented the following process for the Case Management Tracking (CMT) Report. The CMT Report is the supporting documentation for the Annual LIHEAP Household Report. DAAS developed a CMT Checklist that reviewers use to document review of the monthly CMT submissions from the various agencies. The checklist is also documentation that oversight of the monthly data entry was completed correctly. Following their review, the LIHEAP Program Specialist and Community Services Administrator initial the checklist. To ensure the LIHEAP Household Report is complete, accurate, and reviewed by management prior to submission, the following steps are completed:

- The Emergency and Energy Services Specialist enters data from the CMT report into the CMT spreadsheet.
- The LIHEAP Program Specialist reviews and validates the CMT spreadsheet.
- The Community Services Administrator reviews and submits the CMT spreadsheet to the Department of Health and Human Services.

To ensure DAAS retains and can easily locate documentation, DAAS saves the CMT spreadsheet in PDF format every month in a specified folder.

In July 2013, DAAS will implement a statewide database to improve reporting accuracy. The database will automatically aggregate collected data and eliminate the need for manual entry into an EXCEL spreadsheet.

12-114
Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
Agency: Department of Education
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061
Anticipated completion date: June 30, 2013

Agency Response: Concur

Agency Corrective Action Plan: The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program

areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

12-115
Child Nutrition Cluster:
CFDA No.: 10.553 **School Breakfast Program**
10.555 **National School Lunch Program**
10.556 **Special Milk Program for Children**
10.559 **Summer Food Service Program for Children**
CFDA No.: 10.558 **Child and Adult Care Food Program**
Title I, Part A Cluster:
CFDA No.: 84.010 **Title I Grants to Local Educational Agencies**
84.389 **ARRA—Title I Grants to Local Educational Agencies, Recovery Act**
Special Education Cluster (IDEA):
CFDA No.: 84.027 **Special Education—Grants to States**
84.173 **Special Education—Preschool Grants**
84.391 **ARRA—Special Education—Grants to States, Recovery Act**
84.392 **ARRA—Special Education—Preschool Grants, Recovery Act**
CFDA No.: 84.048 **Career and Technical Education—Basic Grants to States**
CFDA No.: 84.287 **Twenty-First Century Community Learning Centers**
CFDA No.: 84.367 **Improving Teacher Quality State Grants**
Agency: Department of Education
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061
Anticipated completion date: June 30, 2013

Agency Response: Concur

Agency Corrective Action Plan: The Arizona Department of Education (ADE) will perform the following in order to improve access, and recovery controls over the Grants Management Enterprise System (GMS) and the Child Nutrition Program (CNP Web) system:

- *Access Controls*
  - ADE will continue utilizing policies and procedures that were updated as corrective action specific to Finding 11-113 and will actively improve on the consistency of their implementation. Specifically:
    - Units responsible for their own software, such as Grants Management (GM) and Health and Nutrition Services (HNS), now manage the permissions and documentation specific to their software.
    - Agency-level End User Network Agreement (EUNA) and the permissions granted by ADE IT are restricted to Agency-level permissions.

- Units responsible for their own software, such as GM and HNS, now include Human Resources in their quarterly review process to verify that terminated employees do not have any active permissions. Additionally, the Grants Management Division will continue its practice of requiring appropriate documentation to grant or revoke access to any external or internal user. For those users who leave ADE or who change duties and must be removed, the Grants Management Division will coordinate with Human Resources no less frequently than once per month to determine any terminations or transfers within the Department and use this report as documentation to remove GME access.
- The HR Unit has added Grants Management and Health and Nutrition Services to the employee exit form, which will provide an additional control to ensure that access and permissions are removed on a timely basis for employees who leave the agency.

- *Recovery Controls*
  - ADE has identified applications that are critical for ADE to perform essential functions.
  - ADE has developed a draft Business Continuity and Disaster Recovery Plan that is in the process of being reviewed. After it is reviewed and approved by ADE management, it will be tested and implemented.

12-116
CFDA No.: 81.041 **State Energy Program**
81.041 **ARRA—State Energy Program**
Agency: State Land Department and School Facilities Board
Contact persons: David Trimble, State Land Department Director of Administration, (602) 542-2649 and Philip Williams, School Facilities Board Deputy Director of Finance, (602) 542-4457
Anticipated completion date: State Land Department, March 12, 2013 and School Facilities Board, March 13, 2013

State Land Department
Agency Response: Concur

Agency Corrective Action Plan: The Land Department has added a "Suspension and Debarment" clause to all contracts that involve Federal funding. The language added is: "Suspension or Debarment: The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the Contractor is not currently suspended or debarred. If the Contractor becomes suspended or debarred, the Contractor shall immediately notify the State." Further, the Land Department has implemented procedures to verify that all vendors funded with Federal dollars greater than $25,000 are not suspended or debarred.

School Facilities Board
Agency Response: Concur

Agency Corrective Action Plan: Last year, a procedure was put in place to ensure that all school districts awarded funding under federal projects would be verified against the suspension and debarment list. Even though periodic inspections were performed on new awards processed by the Agency, the audit procedure was too sporadic, and, consequently, allowed 7 out of 93 school districts to slip through the process without detection. Though limited by resource constraints, the Agency will increase the number of test cases on new federal awards in an effort to eliminate undetected errors in the future.

12-117
State Fiscal Stabilization Fund Cluster:
CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**
84.397 **ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act**
Agency: Arizona Office of the Governor
Contact person: Clark Partridge, State Comptroller, (602) 542-5405
Anticipated completion date: December 31, 2013

Agency Response: Concur

The GOER did have a process in place to verify that sub-recipients were valid companies or organizations. Some of the steps taken include the following: the existence of the sub-recipient was confirmed with the Dun and Bradstreet data base; the firm's appropriateness for receiving federal funds was confirmed with CCR, EPLS, and SAM; and the financial viability and value to the state of this specific project was confirmed by the Arizona Commerce Authority and Greater Phoenix Economic Council. However, processes will be reviewed and corrected as appropriate.

12-118
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Agency: Department of Health Services
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775
Anticipated completion date: Various

Agency Response: Concur

Agency Corrective Action Plan: The Agency's Division for Planning and Operations, Business and Financial Services, and the Division of Behavioral Health Services, Bureau of Financial Operations has developed a substitute system as per OMB Circular A-87, Attachment B item 6, for allocating salaries and wages in place of individual labor activity reports. The allocation is based on Title 19, Title 21 and non-Title 19 enrollments. Non-Title 19 is further split using RBHA direct service expenditures. The allocation plan will be submitted for approval to our cognizant agency, US Department of Health and Human Services (HHS), Division of Cost Allocation and to HHS Office of Substance Abuse and Mental Health Services Administration. This allocation methodology increases the counties (Maricopa and Pima) required administrative funding. In order to meet this increase, County IGAs or additional appropriations will be needed. Either way, ADHS will not be able to complete this CAP until either is accomplished (County IGA's June 2013 and/or additional appropriations June 2015). Until this can be accomplished, for those

individuals currently preparing Labor Activity Reports (LARs), ADHS will make quarterly comparisons to actual costs. Any necessary adjustments that are greater than 10% will be made on a quarterly basis. Adjustments less than 10% will be made on an annual basis. This will be implemented by April 2013.

The Agency will implement procedures requiring all employees working solely on the program to complete certifications by February 2013.

12-119
CFDA No.: 93.959 **Block Grants for Prevention and Treatment of Substance Abuse**
Agency: Department of Health Services
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775
Anticipated completion date: January 2013

Agency Response: Concur

Agency Corrective Action Plan: The Agency's Division for Planning and Operations, Office of Procurement will review all Agency tribal IGAs and contract extensions for suspension and debarment status and ensure that they include the appropriate clause. Procedures will be developed and implemented.

12-120
CFDA No.: 12.400 **Military Construction, National Guard**
Agency: Department of Emergency and Military Affairs
Contact person: Renee Dudden, Resource Manager, (602) 267-2730
Anticipated completion date: October 2012

Agency Response: Concur

Agency Corrective Action Plan: To ensure proper fiscal management, to include cash management, the Department instituted a process in February 2012 by which cash flow is projected and managed for each grant throughout the fiscal year. The process ensures sufficient funds are available to meet disbursement requirements, yet not exceed the 45 days between the transfer of monies from the U.S. Treasury and their disbursement. This year's finding was from the period prior to full implementation program wide.

Monthly cash flow projections are developed at the beginning of the federal fiscal year for each grant. The projections are based upon staffing, reoccurring and known operational costs and any estimated costs such as repair, maintenance and operational supplies. These cash flow projections are updated monthly reflecting actual expenditures and revenues from the prior month. During the monthly reconciliations with program managers, any necessary adjustments to the remaining monthly projections are made. After adjustments are made, the Department requests advance funds for the next 60 days. The request is based upon cumulative expenditures up to the next 60 days, minus advance funds already requested. Because it takes approximately 15 days from the close of a month to receive the request for advance funds, the agency will always maintain no more than 45 days cash on hand.

12-121
CFDA No.: 12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Agency: Department of Emergency and Military Affairs
Contact person: Renee Dudden, Resource Manager, (602) 267-2730
Anticipated completion date: March 2012

Agency Response: Concur

Agency Corrective Action Plan: In March 2012, the Department successfully implemented a process to ensure proper documentation exists which verifies that vendors are not suspended or debarred before entering into contracts greater than $5,000 but less than $50,000. When the Department verifies through the Excluded Parties List System (EPLS) that a vendor has not been suspended or debarred, a printed copy of the verification is placed either into the contract folder or attached to a purchase order within ProcureAZ for non-contracted purchases. This year's finding was from a contracting action that occurred prior to the implementation.

12-122
CFDA No.: 16.575 **Crime Victim Assistance**
Agency: Department of Public Safety
Contact person: Chuck LeBlanc, Program Manager, (602) 223-2480
Anticipated completion date: July 1, 2013

Agency Response: Concur

Agency Corrective Action Plan: Beginning with the competitive application process that began on February 8, 2013, and that will culminate in contracts beginning on July 1, 2013, all applicants will be required to certify to their audit responsibilities under 31 U.S. Code §7502(f)(2)(C) and OMB Circular A-133 §400(d). The Department will monitor the Federal Audit Clearinghouse to ensure subrecipient reporting compliance and will review any audit findings, issue management decisions within 6 months of the receipt of the report and ensure prompt and appropriate corrective action has been taken with respect to relevant findings.

12-123
Research & Development Cluster:
University of Arizona Research and Development grants and contracts
CFDA No.: Various
Agency: Various
Contact person: Sherry Esham, Director Sponsored Projects Services, (520) 626-6000
Anticipated completion date: August 15, 2012

Agency Response: Concur

Agency Corrective Action Plan: The University has implemented an independent review and approval of accounting transactions. We also implemented an independent review of material Letter of Credit cash reimbursement requests as of August 15, 2012.

Other auditors' corrective action plans:

12-124
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Agency: Department of Transportation
Contact person: Keith Fallstrom, Controller, (602) 712-6594
Anticipated completion date: December 2013

Agency Response: Concur

Agency Corrective Action Plan: The Controller of ADOT has done a thorough review of the methodology previously used for the calculation of the department's Indirect Cost Allocation Plan (ICAP) rate, with the goal of validating principles upon which the prior rates were calculated. He has also put together different scenarios based on the existing rate type (fixed rate with carry-forward) to see if there are ways that ADOT can further capitalize on the use of an ICAP (EG: applying the rate to more types of projects than are currently being used), as well as proposed calculations using other types of rates for possible adoption. It's been established that the rate calculation and methodology will be reviewed by the Deputy Controller and Cost Accounting Administrator, as well as the Assistant Director of Finance and Accounting for soundness and accuracy. A desk procedure for the preparation of the ICAP rate is a work in progress that is expected to be completed by the end of State fiscal year 2013. Following that, a formalized ADOT Policy and Procedure should be completed by the end of calendar year 2013.

12-125
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Agency: Department of Transportation
Contact person: Winifred Gettings, Cost Accounting Administrator, (602) 712-6594
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan:

Condition #1 – Policies for recertification of Certification Acceptance (CA) entities
The Local Government Section was reconfigured within ITD; it is now the Local Public Agency Section (LPA). One of the responsibilities will be the oversight and monitoring of the LPA's. The section is divided into two units; Process (including oversight and monitoring) and Program.

Two positions to staff the oversight and monitoring functions have been approved and the hiring process is in the works. These staff will work on the details to fill in the framework such as continuing to refine the LPA manuals, training, forms, checklists, etc. for the recertification program. The LPA Inspector Training program is planned to be in place by December, 2013. A goal was set to have the eight CA agencies recertified by September 30, 2015. While the staffing is not yet in place, steps are being taken to begin this process now, so that the timeline can be met.

Condition #2 – Identification of CFDA numbers, grant names, ARRA allocation (if any) in award letters

The ADOT has taken measures to communicate the project CFDA numbers and grant names to sub-recipients through (1) including the CFDA number and grant name in all contracts written by the Multi-modal Planning Division (MPD) and their sub-recipients receiving funds through ADOT from FTA, FHWA, FRA, and FAA, and (2) including the CFDA number and grant name as a required field for the processing of all third party agreements in the department's new Comprehensive Agreement Resource (CAR) that is to be used as a department-wide agreement database. MPD began including the CFDA numbers in their contracts in January of 2012. The CAR is scheduled for implementation for the Joint Project Agreement (JPA) group in January of 2013, with all other groups following by March of the same year. Those two measures should cover nearly all agreements with third parties, ensuring that they have correct CFDA numbers and grant names to report on their SEFA's. There are no more ARRA funds being distributed. In fact, the federal government has mandated that all projects funded with ARRA money be completed and closed by the end of the federal fiscal year 2013. ADOT will make every effort to assist sub-recipients who cannot identify ARRA funds for their SEFA's for the remainder of the time that the ARRA funded projects are still active.

Condition #3 – Procedure in place to monitor subrecipients

In November 2012, the first quarterly meeting was held between the divisions of ADOT that are jointly responsible for this area. The FMS Controllers Office and Audit and Analysis areas will meet quarterly to discuss any findings and the follow up actions necessary. At this first meeting, the following were identified:

- A new process was implemented with the preparation of the fiscal year 2012 SEFA to identify the total sub-award amounts by entity. This detailed schedule will be shared each year with Audit and Analysis. Anticipated Completion Date: October 2012.
- Audit and Analysis will add to this new schedule information that will assist FMS in following up to ensure a Single Audit was received. Anticipated Completion Date: March 2013.
- Audit and Analysis will review the Single Audit reports for findings and note them in the review letter sent to the FMS Controller's Office. The findings will be discussed at the quarterly meetings. Anticipated Completion Date: Ongoing.
- The FMS Controller's Office will work with the various business areas to resolve single audit issues with the sub-recipient's handling of Federal monies passed through ADOT. Anticipated Completion Date: Ongoing

12-126
Highway Planning and Construction Cluster:
CFDA No.: 20.205 **Highway Planning and Construction**
20.205 **ARRA—Highway Planning and Construction**
20.219 **Recreational Trails Program**
Agency: Department of Transportation
Contact person: Brent Connor, Quality Assurance Engineer, (602) 712-7206
Anticipated completion date: February 2013

Agency Response: Concur

Agency Corrective Action Plan: A new position has been established to manage the Quality Assurance program at all levels of ADOT. The hiring process is expected to be completed by February 28, 2013. This Quality Assurance program will ensure that:

1. Materials group personnel will attend the ADOT Construction Statewide Resident Engineer's meeting February 20 – 21, 2013 to remind the construction administration personnel that ITD's policy PER-00-2 on Certification Requirements must be followed. Instances of non-conformity to personnel qualification requirements observed during construction will be escalated to the appropriate District Engineer by the Materials Group on a per incident basis.

2. Materials Group personnel will meet with construction administration personnel in their respective regions to train construction administration personnel in sampling chain of custody documentation requirements. The Regional Labs have committed to completion of Materials Coordinators and Lab Supervisors by February 28, 2013. Independent Assurance reports will be thoroughly reviewed by the Regional Materials Engineers with instances of non-conformity escalated.

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Summary Schedule of Prior Audit Findings

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State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Status of Federal Award Findings and Questioned Costs

06-107
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

07-101
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.558 Child and Adult Care Food Program
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.357 Reading First—State Grants
84.367 Improving Teacher Quality State Grants
93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
97.008 Urban Areas Security Initiative
16.007 State Domestic Preparedness Equipment Support Program
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program
Agency: Department of Administration
Status: Not Corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

07-104
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail

reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

08-101
CFDA No.: 10.551 Food Stamps
10.561 State Administrative Matching Grants for Food Stamp Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
10.664 Cooperative Forestry Assistance
20.205 Highway Planning and Construction
66.458 Capitalization Grants for Clean Water State Revolving Funds
66.468 Capitalization Grants for Drinking Water State Revolving Funds
84.002 Adult Education—Basic Grants to States
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.367 Improving Teacher Quality State Grants

93.268 Immunization Grants
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667 Social Services Block Grant
93.767 State Children's Insurance Program
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers
93.778 Medical Assistance Program
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program
Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

08-106
CFDA No.: 17.225 Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Mark Darmer, Deputy Assistant Director, (602) 542-4910

08-115
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
84.002 Adult Education—State Grant Program
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Partially corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Arizona Department of Education (ADE) will perform the following in order to improve access, and recovery controls over the Grants Management Enterprise System (GMS) and the Child Nutrition Program (CNP Web) system:

- *Access Controls*
  - ADE will continue utilizing policies and procedures that were updated as corrective action specific to Finding 11-113 and will actively improve on the consistency of their implementation. Specifically:
    - Units responsible for their own software, such as Grants Management (GM) and Health and Nutrition Services (HNS), now manage the permissions and documentation specific to their software.
    - Agency-level End User Network Agreement (EUNA) and the permissions granted by ADE IT are restricted to Agency-level permissions.
    - Units responsible for their own software, such as GM and HNS, now include Human Resources in their quarterly review process to verify that Terminated employees do not have any active permissions. Additionally, the Grants Management Division will continue its practice of requiring appropriate documentation to grant or revoke access to any external or internal user. For those users who leave ADE or who change duties and must be removed, the Grants Management Division will coordinate with Human Resources no less frequently than once per month to determine any terminations or transfers within the Department and use this report as documentation to remove GME access.
    - The HR Unit has added Grants Management and Health and Nutrition Services to the employee exit form, which will provide an additional control to ensure that access and permissions are removed on a timely basis for employees who leave the agency.

- *Change Controls*
  - ADE corrected the Change Controls portion of this finding as of June 30, 2012 by implementing a Change Management Group that meets frequently and ensuring that all changes are fully documented.

- *Recovery Controls*
  - ADE has identified applications that are critical for ADE to perform essential functions.
  - ADE has developed a draft Business Continuity and Disaster Recovery Plan that is in the process of being reviewed. After it is reviewed and approved by ADE management, it will be tested and implemented.

08-118
CFDA No.: 84.002 Adult Education—State Grant Program
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

08-125
CFDA No.: 10.664 Cooperative Forestry Assistance
Agency: State Forestry Division
Status: Fully corrected
Contact Person: Glen Buettner, Grants Program Manager, (602) 771-1410

09-102
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children

10.558 Child and Adult Care Food Program
12.401 National Guard Military Operations and Maintenance (O&M) Projects
17.207 Employment Service/Wagner-Peyser Funded Activities
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program
17.258 WIA Adult Program
17.258 ARRA—WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA—WIA Youth Activities
17.260 WIA Dislocated Workers
17.260 ARRA—WIA Dislocated Workers
20.205 Highway Planning and Construction
20.219 Recreation Trails Program
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.181 Special Education—Grants for Infants and Families
84.393 Special Education—Grant for Infants and Families, Recovery Act
84.367 Improving Teacher Quality State Grants
93.558 Temporary Assistance for Needy Families
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713 ARRA—Child Care and Development Block Grant
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers
93.778 Medical Assistance Program
93.778 ARRA—Medical Assistance Program
93.658 Foster Care—Title IV-E
93.658 ARRA—Foster Care—Title IV-E
93.767 Children's Health Insurance Program
93.959 Block Grants for Prevention and Treatment of Substance Abuse
97.067 Homeland Security Grant Program

Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

09-105
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Annmarie Mena, DBME Operations Administrator, (602) 542-5065

09-107
CFDA No.: 17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Mark Darmer, Deputy Assistant Director, (602) 542-4910

09-121
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Partially Corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-406

The Arizona Department of Education (ADE) will perform the following in order to improve access, and recovery controls over the Grants Management Enterprise System (GMS) and the Child Nutrition Program (CNP Web) system:

- *Access Controls*
  - ADE will continue utilizing policies and procedures that were updated as corrective action specific to Finding 11-113 and will actively improve on the consistency of their implementation. Specifically:
    - Units responsible for their own software, such as Grants Management (GM) and Health and Nutrition Services (HNS), now manage the permissions and documentation specific to their software.

- Agency-level End User Network Agreement (EUNA) and the permissions granted by ADE IT are restricted to Agency-level permissions.
- Units responsible for their own software, such as GM and HNS, now include Human Resources in their quarterly review process to verify that Terminated employees do not have any active permissions. Additionally, the Grants Management Division will continue its practice of requiring appropriate documentation to grant or revoke access to any external or internal user. For those users who leave ADE or who change duties and must be removed, the Grants Management Division will coordinate with Human Resources no less frequently than once per month to determine any terminations or transfers within the Department and use this report as documentation to remove GME access.
- The HR Unit has added Grants Management and Health and Nutrition Services to the employee exit form, which will provide an additional control to ensure that access and permissions are removed on a timely basis for employees who leave the agency.

- *Change Controls*
  - ADE corrected the Change Controls portion of this finding as of June 30, 2012 by implementing a Change Management Group that meets frequently and ensuring that all changes are fully documented.

- *Recovery Controls*
  - ADE has identified applications that are critical for ADE to perform essential functions.
  - ADE has developed a draft Business Continuity and Disaster Recovery Plan that is in the process of being reviewed. After it is reviewed and approved by ADE management, it will be tested and implemented.

09-122
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

09-123
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail

reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

10-101
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.558 Child and Adult Care Food Program
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.255 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii–(Recovery Act Funded)
16.803 Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories

17.258 WIA Adult Program
17.258 ARRA—WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA—WIA Youth Activities
17.260 WIA Dislocated Workers
17.260 ARRA—WIA Dislocated Workers
17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
66.468 Capitalization Grants for Drinking Water State Revolving Funds
66.468 ARRA—Capitalization Grants for Drinking Water State Revolving Funds
81.042 Weatherization Assistance for Low-Income Persons
81.042 ARRA—Weatherization Assistance for Low-Income Persons
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.394 State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
84.397 State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act
84.367 Improving Teacher Quality State Grants
93.268 Immunization Grants
93.712 ARRA—Immunization
93.558 Temporary Assistance for Needy Families
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
93.778 ARRA—Medical Assistance Program
93.069 Public Health Emergency Preparedness
93.658 Foster Care—Title IV-E
93.658 ARRA—Foster Care—Title IV-E
93.767 Children's Health Insurance Program
97.067 Homeland Security Grant Program

Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

10-102
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.558 Child and Adult Care Food Program
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.255 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii–(Recovery Act Funded)
16.803 Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories
17.258 WIA Adult Program
17.258 ARRA—WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA—WIA Youth Activities
17.260 WIA Dislocated Workers
17.260 ARRA—WIA Dislocated Workers
17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
66.468 Capitalization Grants for Drinking Water State Revolving Funds
66.468 ARRA—Capitalization Grants for Drinking Water State Revolving Funds
81.042 Weatherization Assistance for Low-Income Persons

81.042 ARRA—Weatherization Assistance for Low-Income Persons
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.394 State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
84.397 State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act
84.367 Improving Teacher Quality State Grants
93.268 Immunization Grants
93.712 ARRA—Immunization
93.558 Temporary Assistance for Needy Families
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
93.778 ARRA—Medical Assistance Program
93.069 Public Health Emergency Preparedness
93.658 Foster Care—Title IV-E
93.658 ARRA—Foster Care—Title IV-E
93.767 Children's Health Insurance Program
97.067 Homeland Security Grant Program

Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. Although the majority of the fund is used for allowable purposes, we have advised that this specific portion was, in our opinion, not consistent with established federal cost principles and may be disallowed. However, this item is controlled by statute and cannot be resolved without a legislative change. Until the methodology is acceptably modified, there will likely continue to be disallowed costs which will require repayment with applicable interest. We will continue efforts to develop a solution to this issue.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

10-105
CFDA No.: 17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Andrew Baldwin, Unemployment Insurance Administrator, (520) 770-3769

10-106
CFDA No.: 17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Andrew Baldwin, Unemployment Insurance Administrator, (520) 770-3769

10-108
CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
Agency: Department of Economic Security
Status: Not corrected
Contact person: Katherine Levandowsky, Rehabilitation Services Administrator, (602) 542-6295

Determining eligibility within 60 days remains an issue for the DES Rehabilitation Services Administration (AZRSA). AZRSA continues to focus on the importance of a signed and dated extension letter and the importance of documenting every effort to communicate with the client. Various approaches to correct the issue have been applied to everyday practice. AZRSA has provided staff with tools to assist them in tracking timelines for client eligibility determination. In May 2009, AZRSA implemented an Action Alert List in the Libera 7 System. Additionally, AZRSA incorporated use of the Action Alert List into the Libera training that is provided to all staff.

In April and May 2011, AZRSA hired sixty new field staff to decrease caseloads and allow staff additional time to complete requirements. As of February 2013, AZRSA is working with a reduction in staff at approximately 11% for Supervisors, 6% for Vocational Rehabilitation Counselors, and 18% for Rehabilitation Technicians. Consequently, AZRSA is in the process of hiring replacement staff to bring staffing back to 100%.

On January 25, 2012, AZRSA sent a request to the Council of State Administrators of Vocational Rehabilitation for distribution of a question regarding how other states handle extended disability. Ten state Vocational Rehabilitation agencies responded. After review, results of the inquiries did not provide new methods or insight to resolve the 60-day eligibility issues.

In July 2012, AZRSA asked staff to report on what they considered obstacles to determining eligibility within the required 60 days. AZRSA surveyed 165 field staff to determine specific target areas for improvement regarding eligibility issues. The response was 73% and resulted in effective feedback from the staff.

In September 2012, AZRSA linked the Libera System 7 alert cessation to the date on the eligibility determination work sheet. This allows the eligibility alert listing to remain active until either an eligibility extension is in place or the client is determined eligible.

AZRSA updated the AZRSA Policy Manual, Section 5.4.1 to include Eligibility Extension implementation and timelines. AZRSA notified staff via email on October 5, 2012.

AZRSA revised the onboard CORE training module for new counselors to reflect a more comprehensive training on eligibility and order of selection. AZRSA began presenting the new CORE modules to staff the week of January 14, 2013.

AZRSA plans to implement electronic signature policy and procedures to allow clients to sign and approve eligibility extensions via email. AZRSA will install digital signature pads as an attachment to RSA computers, to assist staff with obtaining client signatures on the extension letters. The anticipated completion date is June 30, 2013.

In a letter dated December 12, 2011, the U.S. Department of Education determined that finding 10-108 is considered closed for the 2010 audit, as there were no questioned costs related to the finding.

10-109
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Agency: Department of Economic Security
Status: Partially corrected
Contact person: Annmarie Mena, Operations Administrator, (602) 542-5065

In February 2012, the DES Division of Benefits and Medical Eligibility (DBME) completed implementation of its Process Management Model. DBME focused on streamlining the initial application and interview processes, verification and eligibility decision processes, and the maintenance and re-certification processes.

The Process Management Team continues to visit local offices to observe how employees apply the Process Management Model and to provide feedback and suggestions to employees.

DBME began a review of OnBase, the document management system, in December 2011. Hyland, the OnBase vendor, and the local provider staff worked onsite with DES to review equipment issues and recommend technical upgrades. Hyland completed a review of the system and in April 2012, provided recommended upgrades to the technical architecture supporting OnBase, including upgrading the application software to v.11.2 and adding more robust web application and database servers. In September 2012, DES decided to upgrade to V.12.02. DBME planned to upgrade in February 2013, but testing has not resulted in the desired improvements. The anticipated completion date is May 2013.

10-110
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Kathy Waite, Policy and Planning Administration Administrator, (602) 542-3882

10-113
CFDA No.: 93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
96.001 Social Security—Disability Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Nancy West, Program Administrator Disability Determination Services Administration, (602) 771-7110

10-115
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education—Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Partially Corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Arizona Department of Education (ADE) will perform the following in order to improve access, and recovery controls over the Grants Management Enterprise System (GMS) and the Child Nutrition Program (CNP Web) system:

- *Access Controls*
  - ADE will continue utilizing policies and procedures that were updated as corrective action specific to Finding 11-113 and will actively improve on the consistency of their implementation. Specifically:

- Units responsible for their own software, such as Grants Management (GM) and Health and Nutrition Services (HNS), now manage the permissions and documentation specific to their software.
- Agency-level End User Network Agreement (EUNA) and the permissions granted by ADE IT are restricted to Agency-level permissions.
- Units responsible for their own software, such as GM and HNS, now include Human Resources in their quarterly review process to verify that Terminated employees do not have any active permissions. Additionally, the Grants Management Division will continue its practice of requiring appropriate documentation to grant or revoke access to any external or internal user. For those users who leave ADE or who change duties and must be removed, the Grants Management Division will coordinate with Human Resources no less frequently than once per month to determine any terminations or transfers within the Department and use this report as documentation to remove GME access.
- The HR Unit has added Grants Management and Health and Nutrition Services to the employee exit form, which will provide an additional control to ensure that access and permissions are removed on a timely basis for employees who leave the agency.

- *Change Controls*
  - ADE corrected the Change Controls portion of this finding as of June 30, 2012 by implementing a Change Management Group that meets frequently and ensuring that all changes are fully documented.

- *Recovery Controls*
  - ADE has identified applications that are critical for ADE to perform essential functions.
  - ADE has developed a draft Business Continuity and Disaster Recovery Plan that is in the process of being reviewed. After it is reviewed and approved by ADE management, it will be tested and implemented.

10-117
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education—Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding

those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

10-119
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education—Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

10-120
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

10-121
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

10-123
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 Special Education—Grants to States, Recovery Act
84.392 Special Education—Preschool Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

10-124
CFDA No.: 84.318 Educational Technology State Grants
84.386 Education Technology State Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

10-129
CFDA No.: 93.069 Public Health Emergency Preparedness
Agency: Department of Health Services
Status: Fully corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

10-130
CFDA No.: 93.069 Public Health Emergency Preparedness
Agency: Department of Health Services
Status: Partially corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

The Agency's Division of Public Health Services, Bureau of Public Health Preparedness developed a monitoring tool in SFY2012 and is planning to conduct 3-4 subrecipient site visits annually beginning SFY2013 and will include verifications of support for matching expenditures and an evaluation of internal controls.

10-132
CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
Agency: Department of Emergency and Military Affairs
Status: Fully corrected
Contact person: Renee Dudden, Resource Manager, (602) 267-2730

11-101
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
17.258 WIA Adult Program
17.258 ARRA—WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA—WIA Youth Activities
17.260 WIA Dislocated Workers
17.260 ARRA—WIA Dislocated Workers
17.278 WIA Dislocated Worker Formula Grants
20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
81.041 State Energy Program
81.041 ARRA—State Energy Program
84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grants to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.377 School Improvement Grants
84.388 ARRA—School Improvement Grants, Recovery Act

84.394 ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
84.397 ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act
84.367 Improving Teacher Quality State Grants
93.720 ARRA—Survey Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
93.778 ARRA—Medical Assistance Program
93.767 Children's Health Insurance Program
93.889 National Bioterrorism Hospital Preparedness Program
93.917 HIV Care Formula Grants Agency
Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. In fact, a concern was raised for over two years prior to actually becoming law. On multiple occasions during that period we advised that this was, in our opinion, not consistent with established federal cost principles and almost certainly would be disallowed. This item is controlled by statute and was addressed in the 2012 legislative session. The legislative change was not effective for fiscal year 2012 so there will be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

11-102
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
17.258 WIA Adult Program
17.258 ARRA—WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA—WIA Youth Activities

17.260 WIA Dislocated Workers
17.260 ARRA—WIA Dislocated Workers
17.278 WIA Dislocated Worker Formula Grants
17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
81.041 State Energy Program
81.041 ARRA—State Energy Program
84.010 Title I Grants to Local Educational Agencies
84.389 Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grants to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.377 School Improvement Grants
84.388 ARRA—School Improvement Grants, Recovery Act
84.394 ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
84.397 ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act
84.367 Improving Teacher Quality State Grants
84.410 Education Jobs Fund
93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.720 ARRA—Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
93.775 State Medicaid Fraud Control Units
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
93.778 ARRA—Medical Assistance Program
93.563 Child Support Enforcement
93.563 ARRA—Child Support Enforcement
93.568 Low-Income Home Energy Assistance
93.658 Foster Care—Title IV-E
93.658 ARRA—Foster Care—Title IV-E
93.667 Social Services Block Grant
93.767 Children's Health Insurance Program
93.889 National Bioterrorism Hospital Preparedness Program

93.917 HIV Care Formula Grants
96.001 Social Security—Disability Insurance
Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have an established process in place for monitoring legislation. Although the majority of the fund is used for allowable purposes, we have advised that this specific portion was, in our opinion, not consistent with established federal cost principles and may be disallowed. However, this item is controlled by statute and cannot be resolved without a legislative change. Until the methodology is acceptably modified, there will likely continue to be disallowed costs which will require repayment with applicable interest. We will continue efforts to develop a solution to this issue.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

11-103
CFDA No.: Various
Agency: Department of Administration
Status: Not corrected
Contact person: Clark Partridge, State Comptroller, (602) 542-5405

We have requested authority to pay the federal government its corresponding pro-rata share related to the transferred monies. This resolution is pending legislative authorization.

We have an established process in place for monitoring legislation. On multiple occasions we have advised that these transfers were, in our opinion, not consistent with established federal cost principles and would probably result in an obligation to the federal government. Until the State changes its approach to the transfer of monies, there will likely continue to be disallowed costs which will require repayment with applicable interest.

This issue is a cross-cutting finding and has been addressed by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA). Accordingly, all prior year questioned costs have been settled.

11-104
CFDA No.: 17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Jim Benson, Financial Services Administration Manager, (602) 542-6554

11-105
CFDA No.: 17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Maria Perez-Parra, Unemployment Insurance Administration Quality Assurance Manager
(602) 364-2415

11-106
CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
Agency: Department of Economic Security
Status: Not corrected
Contact person: Katharine Levandowsky, RSA Administrator, (602) 542-3332

Determining eligibility within 60 days remains an issue for the DES Rehabilitation Services Administration (AZRSA). AZRSA continues to focus on the importance of a signed and dated extension letter and the importance of documenting every effort to communicate with the client. Various approaches to correct the issue have been applied to everyday practice. AZRSA has provided staff with tools to assist them in tracking timelines for client eligibility determination. In May 2009, AZRSA implemented an Action Alert List in the Libera 7 System. Additionally, AZRSA incorporated use of the Action Alert List into the Libera training that is provided to all staff.

In April and May 2011, AZRSA hired sixty new field staff to decrease caseloads and allow staff additional time to complete requirements. As of February 2013, AZRSA is working with a reduction in staff at approximately 11% for Supervisors, 6% for Vocational Rehabilitation Counselors, and 18% for Rehabilitation Technicians. Consequently, AZRSA is in the process of hiring replacement staff to bring staffing back to 100%.

On January 25, 2012, AZRSA sent a request to the Council of State Administrators of Vocational Rehabilitation for distribution of a question regarding how other states handle extended disability. Ten state Vocational Rehabilitation agencies responded. After review, results of the inquiries did not provide new methods or insight to resolve the 60-day eligibility issues.

In July 2012, AZRSA asked staff to report on what they considered obstacles to determining eligibility within the required 60 days. AZRSA surveyed 165 field staff to determine specific target areas for improvement regarding eligibility issues. The response was 73% and resulted in effective feedback from the staff.

In September 2012, AZRSA linked the Libera System 7 alert cessation to the date on the eligibility determination work sheet. This allows the eligibility alert listing to remain active until either an eligibility extension is in place or the client is determined eligible.

AZRSA updated the AZRSA Policy Manual, Section 5.4.1 to include Eligibility Extension implementation and timelines. AZRSA notified staff via email on October 5, 2012.

AZRSA revised the onboard CORE training module for new counselors to reflect a more comprehensive training on eligibility and order of selection. AZRSA began presenting the new CORE modules to staff the week of January 14, 2013.

AZRSA plans to implement electronic signature policy and procedures to allow clients to sign and approve eligibility extensions via email. AZRSA will install digital signature pads as an attachment to RSA computers, to assist staff with obtaining client signatures on the extension letters. The anticipated completion date is June 30, 2013.

In a letter dated August 3, 2012, the U.S. Department of Education determined that finding 11-108 is considered closed for the 2011 audit, as there were no questioned costs related to the finding.

11-107
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
Agency: Department of Economic Security
Status: Partially corrected
Contact persons: Monika Luksikova-Hickcox, Financial Services Administration Manager, (602) 542-6060; Leona Hodges, Division of Benefits & Medical Eligibility Assistant Director, (602) 542-3596

To accurately prepare and provide support for reports the DES Financial Services Administration (FSA) implemented the following procedures:

- FSA modified the quarterly ACF-196 TANF Financial Report criteria used to categorize expenditures under the "Non-Assist Authorized Solely Under Prior Law" and "Other" category. All subsequent reports starting with the 09/30/2011 quarter include the revised criteria. FSA resubmitted the reports with the correction in the quarter ending June 30, 2011.
- The discrepancies in the 2010 ACF-204 Annual Report and the Annual Report on State Maintenance-of-Effort (MOE) Programs were caused by keying errors while inputting data into the report. Because the errors consisted of an understatement and an overstatement of the same amount, the report as a whole was unaffected. FSA reviewed the finding with staff responsible for reviewing the ACF-204 report in collaboration with the DES Division of Business and Finance (DBF). FSA emphasized the importance of ensuring data is correctly reported and summarily reviewed. FSA has successfully worked with DBF every quarter since March 2012 to ensure the review procedures are followed.
- To ensure community provider expenditures in the ACF-204 Annual Report and the MOE Report are allowable, FSA worked closely with providers to obtain a detailed description of expenditures determined to be allowable and closely reviewed submitted expenditures for appropriateness. FSA also developed a standardized spreadsheet for the collection of MOE data to ensure community partners provide sufficient evidence for claimed expenditures. FSA has used the new standardized collection spreadsheet since the 09/30/2012 quarter.

To correct the error identified in the ACF-199 TANF Data Report, the DES Family Assistance Administration (FAA) Systems Unit completed an extensive review of the case in question and ran additional ad hoc reports to ensure that no other cases were in error. FAA Systems was able to verify the cause of the error and correct the case. In October 2012, DBME completed a tracking audit that included a review of all records. The audit revealed system programming was not aligned to policy and a need for additional staff training. DBME implemented a monitoring and correction process that included reviewing and addressing incorrect combinations that the system generated.

In December 2012, DBME completed the project and provided the DBME Assistant Director with the final report.

11-108
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Dr. Melissa Williams, DERS Employment Services Support Unit Manager, (602) 771-1322

11-109
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
Agency: Department of Economic Security
Status: Not corrected
Contact person: Leona Hodges, Division of Benefits & Medical Eligibility Assistant Director, (602) 542-3596

The DES Division of Benefits and Medical Eligibility (DBME) determined OnBase, the online imaging system, was not correctly storing Income Eligibility and Verification System (IEVS) documentation.

Hyland, the OnBase vendor, completed a review of the system and in April 2012, provided recommended upgrades to the technical architecture supporting OnBase, including upgrading the application software to v.11.2 and adding more robust web application and database servers. In September 2012, DES decided to upgrade to V.12.02.

DBME planned to upgrade in February 2013, but testing has not resulted in the desired improvements. The anticipated completion date is May 2013.

11-110
CFDA No.: 93.568 Low-Income Home Energy Assistance
Agency: Department of Economic Security
Status: Partially corrected
Contact person: Melanie Starns, DAAS Assistant Director, (602) 542-2591

To ensure the DES Division of Aging & Adult Services (DAAS) accurately prepares and provides support for Low-Income Home Energy Assistance reports to the Federal Office of Community Services (OCS), DAAS implemented the following changes and protocol:

- To ensure DAAS updates estimated numbers to actual figures before reporting, the DAAS Finance & Business Operations (FBO) has been completing the Carryover and Re-allotment Report rather than the program unit. Upon receipt of the SF-269A report from the DES Financial Services Administration, FBO generates a revised Carryover and Re-allotment Report reflecting the actual Carryover figure taken from the SF-269A for submittal.
- To ensure DAAS reports accurate amounts for the number of households assisted, DAAS revised the databases provided to the contractors to track the data. All of the preprogrammed formulas and fields were protected to ensure they cannot be overwritten so future calculations should be accurate.
- To ensure Community Action Program contractors know what is required when reporting, DAAS issued an ALERT on March 23, 2012. The ALERT provided all contractors the correct form for reporting actual numbers and detailed instructions on how to complete each of the report fields.
- To ensure DAAS captures information related to approved, pending, and denied applications, DAAS provided instructions for completion of the Monthly Case Management Report in the March ALERT. The instructions specifically addressed the need to capture the number of approved, pending, or denied applications. In addition, the need to collect and report applicant data was reviewed with contractors during the monthly Directors Conference Call. DAAS also reviewed each monthly report to ensure the report is accurate and complete prior to approval of payment for that month.
- In July 2013, DAAS will implement a statewide database to improve reporting accuracy. The database will automatically aggregate collected data and eliminate the need for manual entry into an EXCEL spreadsheet.

11-111
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.563 Child Support Enforcement
93.563 ARRA—Child Support Enforcement
93.568 Low-Income Home Energy Assistance
93.667 Social Services Block Grant
Agency: Department of Economic Security
Status: Not corrected
Contact person: Jonathan Lucke, FSA Principal Managing Analyst, (602) 542-3787

The DES Financial Services Administration (FSA) continues to seek additional clarification on reporting requirements from federal representatives for the FFATA Subaward Reporting System (FSRS). As of February 2013, the FSA has not found a successful channel for adequate communication. Recently, the FSRS added additional resources for help. The FSA will investigate these other avenues of communication in order to address the complexities of reporting on a diverse pool of grants.

The FSA also contacted individual federal award agencies to learn about reporting parameters from their perspective. In every case, the FSA was given no clarification and referred back to FSRS staff. The FSA

continues to work with DES client programs and the DES Office of Procurement to develop a robust set of internal controls and procedures for the identification of subawards and subrecipients applicable to FFATA as well, for accurate and timely reporting.

Proposed DES corrective actions include:

- Developing enhanced guidelines to assist DES in identifying subrecipient relationships
- Providing applicable subrecipients with universal FFATA reporting forms and instructions when associated contracts or agreements are executed
- Developing and monitoring a subrecipient database in order to assist with the FFATA reporting requirements
- Developing universal material backup requirements for all grants
- Working with other state agencies to explore FFATA reporting best practices

FSA expects to complete these actions by October 1, 2013.

11-112
CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.667 Social Services Block Grant
Agency: Department of Economic Security
Status: Fully corrected
Contact person: Sherry Seaman, DCYF Performance Improvement & Accountability Manager, (602) 542-2275

11-113
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grants to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.377 School Improvements Grants
84.388 ARRA—School Improvements Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Partially corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Arizona Department of Education (ADE) will perform the following in order to improve access, and recovery controls over the Grants Management Enterprise System (GMS) and the Child Nutrition Program (CNP Web) system:

- *Access Controls*
  - ADE will continue utilizing policies and procedures that were updated as corrective action specific to Finding 11-113 and will actively improve on the consistency of their implementation. Specifically:
    - Units responsible for their own software, such as Grants Management (GM) and Health and Nutrition Services (HNS), now manage the permissions and documentation specific to their software.
    - Agency-level End User Network Agreement (EUNA) and the permissions granted by ADE IT are restricted to Agency-level permissions.
    - Units responsible for their own software, such as GM and HNS, now include Human Resources in their quarterly review process to verify that Terminated employees do not have any active permissions. Additionally, the Grants Management Division will continue its practice of requiring appropriate documentation to grant or revoke access to any external or internal user. For those users who leave ADE or who change duties and must be removed, the Grants Management Division will coordinate with Human Resources no less frequently than once per month to determine any terminations or transfers within the Department and use this report as documentation to remove GME access.
    - The HR Unit has added Grants Management and Health and Nutrition Services to the employee exit form, which will provide an additional control to ensure that access and permissions are removed on a timely basis for employees who leave the agency.

- *Change Controls*
  - ADE corrected the Change Controls portion of this finding as of June 30, 2012 by implementing a Change Management Group that meets frequently and ensuring that all changes are fully documented.

- *Recovery Controls*
  - ADE has identified applications that are critical for ADE to perform essential functions.
  - ADE has developed a draft Business Continuity and Disaster Recovery Plan that is in the process of being reviewed. After it is reviewed and approved by ADE management, it will be tested and implemented.

11-114
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grants to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act

84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Not corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

The Grants Management Division will renew its previous practice of making a report available to all Program Areas within ADE of all outstanding completion reports and the timeframe from which each was submitted. Additionally, the Grants Management Division will institute a protocol of sending e-mail reminders to grantees no later than 30 days prior to the 90 day Completion Report deadline reminding those grantees who have not submitted a completion report that they are not in compliance with provisions of the USFR and must submit a completion report immediately. These reminder e-mails will continue weekly (as well as a standing report available to ADE Program Areas) until all Completion Reports have been submitted. Additionally, the Grants Management Division will produce a standing report available to all program areas of those Projects where Completion Reports have been submitted but are not yet approved. This report will be produced no less frequently than bi-weekly and can begin being produced as soon as the first Completion Report is submitted after the close of most ADE subrecipient projects – which end on June 30th.

Further, the ADE Grants Management Division will produce a standing report made available to all Program Areas that shows those grant projects which show a balance of cash on hand. This will aid both Grants Management Division and Program Areas in their follow-up to ensure that grantees fully expend cash on hand, or risk having subsequent year's projects placed on hold – which would prevent subsequent disbursements. These measures should reduce the risk of further disbursements being issued prior to a previous year's completion report being approved. In order to further assure that no disbursements are made, the Grants Management Division will manually place a hold on all current year projects where a prior year completion report has not yet been submitted. In the case where a completion report has been submitted properly but not yet approved, the measure mentioned above to notify program areas of outstanding completion reports should reduce the risk of subsequent disbursements being made when a completion report has yet to be approved. ADE Grants Management Division will summarize these measures in a formal policy/procedure that will outline expectations of program areas and preferred timelines for processing completion reports (based on the Performance Metric of 28 days to approval). This Policy/Procedure will be drafted and submitted for internal review and adoption no later than March 29, 2013. A copy will also be routed to the Auditor General's office for their information.

11-115
CFDA No.: 84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.377 School Improvements Grants
84.388 ARRA—School Improvements Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-116
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-117
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-118
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-119
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grants to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-120
CFDA No. 84.318 Educational Technology State Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-121
CFDA No.: 10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.559 Summer Food Service Program for Children
10.558 Child and Adult Care Food Program
Agency: Department of Education
Status: Fully corrected
Contact person: Lisa Eddy, Audit Manager, (602) 364-4061

11-122
CFDA No.: 81.041 State Energy Program
81.041 ARRA—State Energy Program
Agency: State Land Department and School Facilities Board
Status: Partially corrected
Contact persons: David Trimble, State Land Department Director Administration, (602) 542-2649 and Philip Williams, School Facilities Board Deputy Director of Finance, (602) 542-4457

State Land Department
This finding has crossed fiscal years due to the nature and timing of when the finding was discovered. The previous audit for fiscal year 2011 was conducted in February of 2012, (fiscal year 2012), during which the Land Department was made aware of the suspension and debarment requirement. The transactions that triggered all findings for both fiscal years had occurred previous to the initial audit inspection for fiscal year 2011. They occurred in December of calendar year 2011 and January of calendar year 2012. Therefore this subsequent audit finding is a consequence of timing as related to the Land Department's awareness of the requirement.

The Department has taken corrective action to insure this finding does not recur in subsequent fiscal years. The Land Department has added a "Suspension and Debarment" clause to all contracts that involve Federal funding. The language added is: "Suspension or Debarment: The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the Contractor is not currently suspended or debarred. If the Contractor becomes suspended or debarred, the Contractor shall immediately notify the State." Further, the Land Department has implemented procedures to verify that all vendors funded with Federal dollars greater than $25,000 are not suspended or debarred.

School Facilities Board
A procedure was put in place to ensure that all school districts awarded funding under federal projects would be verified against the suspension and debarment list. Even though periodic inspections were performed on new awards processed by the Agency, the audit procedure was too sporadic, and, consequently, allowed 7 out of 93 school districts to slip through the process without detection. Though limited by resource constraints, the Agency will increase the number of test cases on new federal awards in an effort to eliminate undetected errors in the future.

11-123
CFDA No.: 93.889 National Bioterrorism Hospital Preparedness Program
Agency: Department of Health Services
Status: Partially corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

The Agency's Division of Public Health Services, Bureau of Public Health Preparedness, Hospital Preparedness Program developed procedures in SFY2012 to enact funding on a six-month basis, the first six months will be based on an acceptable budget plan and the second will be based on performance of the first six months. The number of contracts will be reduced due to lack of performance or due to the participating hospitals and healthcare centers lack of interest. These procedures will be put in place SFY2013.

11-124
CFDA No.: 93.889 National Bioterrorism Hospital Preparedness Program
Agency: Department of Health Services
Status: Fully corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

11-125
CFDA No.: 93.889 National Bioterrorism Hospital Preparedness Program
Agency: Department of Health Services
Status: Partially corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

The Agency's Division of Public Health Services, Bureau of Public Health Preparedness, developed a monitoring tool in SFY2012 and is planning to conduct subrecipient site visits beginning SFY2013. The Division has also developed a template which is a mandatory requirement for reporting match and must be reported by subrecipients in order for funding to proceed.

11-126
CFDA No.: 93.889 National Bioterrorism Hospital Preparedness Program
Agency: Department of Health Services
Status: Fully corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

11-127
CFDA No.: 93.917 HIV Care Formula Grants
Agency: Department of Health Services
Status: Fully corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

11-128
CFDA No.: 93.917 HIV Care Formula Grants
Agency: Department of Health Services
Status: Fully corrected
Contact person: Alexandra Percival, Chief Audit Officer, (602) 542-1775

11-129
CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
12.404 National Guard ChalleNGe Program
Agency: Department of Emergency and Military Affairs
Status: Fully corrected
Contact person: Renee Dudden, Resource Manager, (602) 267-2730

11-130
CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
Agency: Department of Emergency and Military Affairs
Status: Fully corrected
Contact person: Renee Dudden, Resource Manager, (602) 267-2730

11-131
CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.401 ARRA—National Guard Military Operations and Maintenance (O&M) Projects
Agency: Department of Emergency and Military Affairs
Status: Not corrected
Contact person: Renee Dudden, Resource Manager, (602) 267-2730

The Department has instituted a process to ensure proper documentation exists which verifies that vendors are not suspended or debarred before entering into contracts greater than $5,000 but less than $50,000. The Department verifies through the Excluded Parties List System (EPLS) that a vendor has not been suspended or debarred and prints out the verification. The verification is placed either into the contract folders for contracts or attached to a purchase order within ProcureAZ for non-contracted purchases.

11-132
CFDA No.: 64.005 Grants to States for Construction of State Home Facilities
64.005 ARRA—Grants to States for Construction of State Home Facilities
Agency: Department of Veterans' Services
Status: Fully corrected
Contact person: Brian D. Ball, Chief Procurement Officer, (602) 234-8404

11-133
CFDA No.: 64.005 Grants to States for Construction of State Home Facilities
64.005 ARRA—Grants to States for Construction of State Home Facilities
Agency: Department of Veterans' Services
Status: Fully corrected
Contact person: Brian D. Ball, Chief Procurement Officer, (602) 234-8404

11-134
CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants
84.032 Federal Family Education Loans
84.033 Federal Work-Study Program
84.038 Federal Perkins Loan Program—Federal Capital Contributions
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans
84.375 Academic Competitiveness Grants
84.376 National Science and Mathematics Access to Retain Talent (SMART) Grants
84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
84.408 Postsecondary Education Scholarships for Veteran's Dependents
93.264 Nurse Faculty Loan Program
93.342 Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students
93.364 Nursing Student Loans
93.407 ARRA—Scholarships for Disadvantaged Students
93.408 ARRA—Nurse Faculty Loan Program
93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds
Agency: Arizona State University
Status: Fully corrected
Contact person: Susan Sedik-Barker, Director Client Relations, (480) 965-1127

11-135
CFDA No.: 84.007 Federal Supplemental Educational Opportunity Grants
84.032 Federal Family Education Loans
84.033 Federal Work-Study Program
84.038 Federal Perkins Loan—Federal Capital Contributions
84.063 Federal Pell Grant Program
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93.364 Nursing Student Loans
93.407 ARRA—Scholarships for Disadvantaged Students
93.408 ARRA—Nurse Faculty Loan Program
93.925 Scholarships for Health Professions Students from Disadvantaged Backgrounds
Agency: University of Arizona
Status: Fully Corrected
Contact persons: John Nametz, Executive Director, Office of Scholarships and Financial Aid, (520) 307-1077 and Helen Horetski, Associate Director, Business and Finance, (520) 621-3543

11-136
CFDA No.: 20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
Agency: Department of Transportation
Status: Not corrected
Contact person: Winifred Gettings, Cost Accounting Administrator, (602) 712-6639

Condition #1 – Policies for recertification of Certification Acceptance (CA) entities
The Local Government Section was reconfigured within ITD; it is now the Local Public Agency Section (LPA). One of the responsibilities will be the oversight and monitoring of the LPA's. The section is divided into two units; Process (including oversight and monitoring) and Program.

Two positions to staff the oversight and monitoring functions have been approved and the hiring process is in the works. These staff will work on the details to fill in the framework such as continuing to refine the LPA manuals, training, forms, checklists, etc. for the recertification program. The LPA Inspector Training program is planned to be in place by December, 2013. A goal was set to have the eight CA agencies recertified by September 30, 2015. While the staffing is not yet in place, steps are being taken to begin this process now, so that the timeline can be met.

Condition #2 – Identification of CFDA numbers, grant names, ARRA allocation (if any) in award letters
The ADOT has taken measures to communicate the project CFDA numbers and grant names to sub-recipients through (1) including the CFDA number and grant name in all contracts written by the Multi-modal Planning Division (MPD) and their sub-recipients receiving funds through ADOT from FTA, FHWA, FRA, and FAA, and (2) including the CFDA number and grant name as a required field for the processing of all third party agreements in the department's new Comprehensive Agreement Resource (CAR) that is to be used as a department-wide agreement database. MPD began including the CFDA numbers in their contracts in January of 2012. The CAR is scheduled for implementation for the Joint Project Agreement (JPA) group in January of 2013, with all other groups following by March of the same year. Those two measures should cover nearly all agreements with third parties, ensuring that they have correct CFDA numbers and grant names to report on their SEFA's. There are no more ARRA funds being distributed. In fact, the federal government has mandated that all projects funded with ARRA money be completed and closed by the end of the federal fiscal year 2013. ADOT will make every effort to assist sub-recipients who cannot identify ARRA funds for their SEFA's for the remainder of the time that the ARRA funded projects are still active.

Condition #3 – Procedure in place to monitor subrecipients

In November 2012, the first quarterly meeting was held between the divisions of ADOT that are jointly responsible for this area. The FMS Controllers Office and Audit and Analysis areas will meet quarterly to discuss any findings and the follow up actions necessary. At this first meeting, the following were identified:

- A new process was implemented with the preparation of the fiscal year 2012 SEFA to identify the total sub-award amounts by entity. This detailed schedule will be shared each year with Audit and Analysis. Anticipated Completion Date: October 2012.
- Audit and Analysis will add to this new schedule information that will assist FMS in following up to ensure a Single Audit was received. Anticipated Completion Date: March 2013.
- Audit and Analysis will review the Single Audit reports for findings and note them in the review letter sent to the FMS Controller's Office. The findings will be discussed at the quarterly meetings. Anticipated Completion Date: Ongoing.
- The FMS Controller's Office will work with the various business areas to resolve single audit issues with the sub-recipient's handling of Federal monies passed through ADOT. Anticipated Completion Date: Ongoing

11-137
CFDA No.: 20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
Agency: Department of Transportation
Status: Not corrected
Contact person: Brent Connor, Quality Assurance Engineer, (602) 712-7206

A new position has been established to manage the Quality Assurance program at all levels of ADOT. The hiring process is expected to be completed by February 28, 2013. This Quality Assurance program will ensure that:

1. Materials group personnel will attend the ADOT Construction Statewide Resident Engineer's meeting February 20 – 21, 2013 to remind the construction administration personnel that ITD's policy PER-00-2 on Certification Requirements must be followed. Instances of non-conformity to personnel qualification requirements observed during construction will be escalated to the appropriate District Engineer by the Materials Group on a per incident basis.

2. Materials Group personnel will meet with construction administration personnel in their respective regions to train construction administration personnel in sampling chain of custody documentation requirements. The Regional Labs have committed to completion of Materials Coordinators and Lab Supervisors by February 28, 2013. Independent Assurance reports will be thoroughly reviewed by the Regional Materials Engineers with instances of non-conformity escalated.

A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Report on Internal Control and Compliance

State of Arizona

Year Ended June 30, 2012

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

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State of Arizona
Report on Internal Control and Compliance
Year Ended June 30, 2012

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Report Issued Separately

Comprehensive Annual Financial Report

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable Andy Tobin, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

We have audited the 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, 2012, which collectively comprise the State's basic financial statements, and have issued our report thereon dated January 14, 2013. Our report was modified to include a reference to our reliance on other auditors, for emphasis of a matter relating to the Rio Nuevo Multipurpose Facilities District, and as to consistency because of a change in reporting entity. 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 Comptroller General of the United States. Other auditors audited the financial statements of the Arizona Department of Transportation, the Arizona Health Care Cost Containment System, the Arizona State Lottery, the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Corrections Officer Retirement Plan, the Elected Officials' Retirement Plan, the Early Childhood Development and Health Board, the Arizona Correctional Industries, and the discretely presented component units, as described in our report on the State's financial statements. The financial statements of the Arizona Power Authority, the University of Arizona Health Network, and the Universities–Affiliated Component Units, except for those of the University Public Schools, Inc., which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards.* This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

The State's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our

opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and we and the other auditors identified other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 12-01 and 12-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 12-03 through 12-06 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's responses to the findings identified in our audit are presented on pages 9 through 11. There is no response for the finding noted by the other auditors identified as item 12-06. We did not audit the State's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, management of state agencies, others within the State, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport
Auditor General

January 14, 2013

12-01
The Department of Administration should issue accurate and timely financial statements

Criteria: The Department of Administration should issue accurate and timely financial statements for the State to satisfy the audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt agreements.

Condition and context: The Department of Administration is responsible for establishing internal controls over financial reporting to help ensure that the State's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with generally accepted accounting principles and is issued in a timely manner. In accordance with Arizona Revised Statutes (A.R.S.) §41-703, the director has the authority to adopt rules, regulations, and procedures to carry out his responsibilities. Further, A.R.S. §35-131(I) requires state agencies and other organizations included in the State's reporting entity to submit all necessary financial information to the Department in accordance with its policies and procedures. However, those statutes do not include provisions to enforce compliance, and as a result, state agencies and other organizations did not always comply with the established deadlines. To illustrate, state agencies and other organizations audited by contract auditors had a November 13, 2012, deadline to submit their audited financial statements, and only 8 of 16 met this deadline, while one failed to submit audited statements by the report date. Further, auditors identified two significant compilation errors that the Department did not detect during its initial review process. Specifically, the Department inadvertently transposed an amount when combining the assets and liabilities of the Arizona Health Care Cost Containment System with the State's General Fund. Also, the Department incorrectly adjusted revenue and expenditure line items within the State's General Fund. These errors misstated four financial statement line items within the General Fund, however, the State's financial statements were adjusted for these significant errors prior to the compilation of the final financial statements.

Effect: Since various state agencies and other organizations did not comply with state statutes or department rules and regulations, the State did not issue its CAFR by its December 31, 2012, deadline. Delays in financial reporting may result in rating agencies lowering the State's ratings for bonds and certificates of participation. Additionally, in the preliminary financial statements, the General Fund's due from U.S. government and unavailable deferred revenue line items were overstated by $27 million, or by 1.07 percent of total assets and total liabilities and fund balance, and the sales tax revenue and intergovernmental revenue sharing line items were understated by more than $958 million, or by 4.44 percent of revenues and 4.58 percent of expenditures.

Cause: State statutes do not provide the director with enforcement power to ensure that state agencies and other organizations comply with department rules, regulations, and procedures for financial reporting. Further, in an effort to prepare financial statements and issue them earlier than in the prior year, the Department reduced its time frame for preparing and reviewing the State's CAFR, thereby increasing the risk that errors made while compiling the statements could go undetected.

Recommendation: To help ensure that the Department prepares accurate financial statements and issues the State's CAFR in a timely manner, the Department should:

- Seek the authority to enforce rules, regulations, and procedures over financial reporting.

- Establish enforcement actions for agencies and other organizations that fail to submit such information by the required deadlines.

- Prepare and review compilation schedules more carefully during the initial review process.

- Perform a comparative analysis of current year and prior year financial statement line items during the initial review process.

The timeliness aspect of this finding is similar to a prior-year finding.

12-02
The Department of Economic Security should prepare accurate financial statements

Criteria: The Department of Economic Security should have adequate internal controls to help ensure that amounts reported in its financial statements are accurate and properly classified in accordance with generally accepted accounting principles.

Condition and context: The Department's General Fund and the Unemployment Insurance (UI) Fund financial statements and supporting schedules were not always complete and accurate. While testing the amounts reported on the financial statements, auditors noted that negative restricted fund balance in five individual funds within the General Fund had been improperly reclassified to unassigned fund balance. In addition, the accounts receivable and cost of sales and benefits were not accurately reported in the UI Fund.

Effect: The errors caused the following misstatements in the financial statements:

- General Fund restricted fund balance was overstated, and unassigned fund balance was understated by $32,945,685.

- UI Fund accounts receivable was overstated, and the cost of sales and benefits was understated by $8,301,662.

The Department adjusted its financial statements for the errors noted above.

Cause: The Division of Business and Finance did not have written procedures to properly classify fund balances for reporting purposes or to ensure that a detailed management review of the General Fund financial statements was performed. Furthermore, the Division of Employment and Rehabilitation Services could not provide the Division of Business and Finance with accurate UI Fund accounts receivable information since the UI benefits payment system did not have the capability to establish, track, or report all Federal Additional Compensation program overpayments accurately or calculate an aging amount for interest on UI overpayments.

Recommendation: To help ensure that financial statements are accurate and complete, the Department should establish and follow written procedures for compiling the required information for preparing the financial statements and accompanying notes. These procedures should include detailed instructions for

obtaining information from the unemployment insurance accounting systems, as well as obtaining information not readily available from the accounting systems but necessary for financial statement preparation.

12-03
The Department of Revenue should continue to strengthen its procedures for processing income tax revenues

Criteria: The Department should improve procedures to ensure that it records and reports all tax revenues of the State.

Condition and context: The Department is responsible for collecting, recording, and reporting income taxes owed to the State. While testing procedures for income tax revenues, auditors noted additional procedures that the Department should perform. Because this finding is of a sensitive nature, its specific details, including detailed recommendations, were verbally communicated to those officials directly responsible for implementing corrective action.

Effect: The State may not receive the proper amount of individual income taxes.

Cause: The computer system did not have the functionality to perform the identified omitted procedures.

Recommendation: The Department should implement additional procedures necessary to compensate for the omitted procedures.

This finding is similar to a prior-year finding.

12-04
The Industrial Commission of Arizona should strengthen change management controls for its computerized accounting system

Criteria: The Industrial Commission of Arizona uses its computerized accounting system to record detailed financial transactions and generate monthly and year-end summary reports to support amounts reported in the financial statements. Therefore, it is essential that changes to the system and data be documented, reviewed, and approved.

Condition and context: When users made changes to system data, the changes were documented in the system; however, if the database administrator made changes to the system database, the changes would not be documented in the system.

Effect: Unauthorized changes could be made to the system or data without detection.

Cause: The Commission did not have effective controls over system and data changes because it plans to replace its computer system. Therefore, it has chosen not to invest additional time or resources into an outdated system.

Recommendation: To help strengthen controls over system and data changes to its computerized accounting system, the Commission should maintain a record of all system and data changes, including changes made directly to the system. Additionally, the Commission should regularly monitor these changes.

This finding is similar to a prior-year finding.

12-05
The University of Arizona should strengthen access controls for its general ledger system

Criteria: The University should have effective system access controls to help prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information.

Condition and context: The University did not have a comprehensive process in place to centrally monitor and review user roles, groups, and permissions. This is important because the University used business rules that relied primarily on these user roles, groups, and permissions to enforce access controls and adequately segregate responsibilities. In addition, certain access controls were decentralized, and the University's policies and procedures did not provide sufficient guidance requiring individual departments to monitor and review user access. Consequently, the University could not generate for auditors a complete listing of system users that included all roles, groups, and permissions associated with each user. When testing the user information that was provided, auditors identified numerous users with the ability to initiate and approve their own fiscal year-end closing entries and other financial statement adjustments. In some cases, these users could approve their own system access based on the roles, groups, or permissions they were assigned at the department or college level. Furthermore, auditors found that the University did not always terminate employees nor their related system access in a timely manner and did not adequately monitor access logs or other changes to the underlying database.

Effect: There is an increased risk of misstatement or misuse of financial or confidential information by unauthorized users or by users who were not properly monitored.

Cause: The University implemented a new general ledger system during the fiscal year. The policies and procedures implemented were not sufficiently comprehensive to establish a process for monitoring and reviewing system access.

Recommendation: The University should strengthen access controls by strengthening policies and procedures that include the following:

- Develop a comprehensive process for reviewing user roles, groups, and permissions to help ensure that the appropriate level of system access is granted and communicate this review process to the departments responsible for decentralized access controls.

- Perform a comprehensive review of all existing system users annually to help ensure that access granted is compatible with their job responsibilities.

- Improve communication among university departments to ensure that system access is removed for terminated employees immediately.

- Proactively monitor system access logs for unusual or suspicious activity.

- Establish logging techniques, proactive monitoring, or other triggers for direct changes to the database and investigate and resolve them.

Other auditors' findings:

The other auditors who audited the University of Arizona Health Network reported the following significant deficiency:

12-06
Revenue Cutoff

We reviewed the charges that related to services performed in the year ended June 30, 2012, that were not billed by the Corporation until fiscal year 2013. We noted that there was approximately $2.9 million of net patient services related to 2012 that was not recorded until 2013. This resulted in an audit adjustment to record the revenue in fiscal year 2012. This was a result of management's financial statement close process being shorter than the process of billing some charges.

We recommend that the Corporation refine an estimation process to ensure that charges are recorded in the proper period.

STATE RESPONSE

State of Arizona
Corrective Action Plan
Year Ended June 30, 2012

12-01
The Department of Administration should issue accurate and timely financial statements
Agency: Department of Administration
Contact person: Clark Partridge, State Comptroller, (602) 542-5405
Anticipated completion date: December 31, 2013

Agency Response: We concur. As part of our efforts to prepare and issue timely financial statements, we share information with the auditors upon the initial compilation even though we had not completed our entire review process. Although individual controls in the initial preparation process did not detect the error, subsequent analytical analysis and controls are designed to address these issues and would have identified any significant items and corrected them before the financial statements were finalized.

Agency Corrective Action Plan: Timeliness is one of the fundamental characteristics to effective financial reporting and the timely issuance of the CAFR is vital to other reporting requirements and deadlines. A.R.S. §35-131 clearly requires state agencies and other organizations that are part of the State's reporting entity to submit all necessary financial statements and other information in accordance with the policies and procedures of the Arizona Department of Administration, General Accounting Office. This includes adherence to established time frames and deadlines. However, there are no specific provisions in the law for actions that may be taken to enforce such compliance. We are continuing to explore potential options for enforcement actions and will continue to work with state agencies to effectively resolve the issue of timely submission of financial information.

Administratively, we have addressed the specific issues resulting in delays with various state agencies and other organizations, and through these collective efforts have seen significant results in the last 6 years. The FY 2007, FY 2008, FY 2009, FY 2010, FY 2011, and FY 2012 CAFRs were issued June 16, 2008; May 26, 2009; May 7, 2010; March 4, 2011; February 10, 2012; and January 14, 2013, respectively. Further, of the eight agencies that missed the deadline, four submitted their information within 6 days of this date. The organization that failed to submit audited financial statements by the report date is a discretely presented component unit. This component unit is not material to the State and did not warrant further delay in issuing the State's financial statements. Despite the ongoing challenges of additional reporting requirements amid limited resources, we expect to continue to improve our timeliness and intend to issue the FY 2013 CAFR by December 31, 2013.

In regard to the prevention of errors, we continue to take great care to ensure that accuracy in the preparation of the CAFR is not compromised by our efforts to improve timeliness. Existing individual controls in compilation processes will be reviewed to evaluate their effectiveness in identifying errors. Further, as an added measure to detect significant compilation errors early in our preparation process, a comparative analysis of financial statement line items from current year to prior year will be performed and significant changes will be researched for reasonableness before draft financial statements are submitted to our auditors. Also, we'll continue to develop staff on the efficient use of practices that will improve work accuracy in the preparation and review of the CAFR.

12-02
The Department of Economic Security should prepare accurate financial statements
Agency: Department of Economic Security
Contact persons: Tim Newton, DBF Accounting Administrator, (602) 364-2350, and
Mark Darmer, DERS Deputy Assistant Director, (602) 542-4910
Anticipated completion date: June 2013

Agency Response: Concur

Agency Corrective Action Plan: The DES Division of Business and Finance (DBF) will modify its current fund balance classification procedures to include the proper classification of the Governmental Fund balances for the Statewide CAFR reporting purposes. In addition, DBF will create a formal process to document that a detailed and complete management review of the fund-based and entity-wide financial statements has been performed.

DBF and the Division of Employment and Rehabilitation Services (DERS) will continue to work together to develop and use detailed instructions for obtaining information that is not readily available, but necessary for the financial statement preparation, from the Unemployment Insurance (UI) accounting systems. DERS has established a process for capturing Federal Additional Compensation (FAC) overpayments from UI recipient federal tax refunds. DERS will design a process to retrieve aging amounts of interest on regular UI benefits, Emergency Unemployment Compensation (EUC), and Extended Benefits (EB) so that DBF will be able to prepare accurate and complete UI financial statements.

12-03
The Department of Revenue should continue to strengthen its procedures for processing income tax revenues
Agency: Department of Revenue
Contact person: Francis Becker, Senior Internal Auditor, (602) 716-6156
Anticipated completion date: Unknown

Agency Response: Concur

Agency Corrective Action Plan: The Department understands the need for improved procedures concerning the recording and reporting of tax revenues for the State. Staff reductions, imperative IT projects and other resource limitations have required the Department to carefully prioritize proposed improvements. As the Department works through the implementation of improvements to systems and procedures, it has instituted and continues to research compensating controls to minimize risks to tax revenue.

12-04
The Industrial Commission of Arizona should strengthen change management controls for its computerized accounting system
Agency: Industrial Commission of Arizona
Contact person: Michael Hawthorne, CFO, (602) 542-5380
Anticipated completion date: Various, for anticipated completion dates see corrective action plan below.

Agency Response: Concur

Agency Corrective Action Plan: The Industrial Commission of Arizona (the "Commission") has been dependent on a 30-year-old WANG PACE accounting application to provide financial transactions and reporting. The antiquated nature of the system did not provide logging of database administrator changes made at the database layer. With no industry support for the WANG PACE system or in-house development staff, it was not feasible for the Commission to modify the application.

However, in early fiscal year 2013, the Commission implemented Voyager, a new Special Fund Accounting .NET application and Microsoft SQL Server 2008 database. Voyager provides the ability to perform system level logging for database administrator changes to the database. The Commission will implement this new SQL logging solution and develop a review process based on industry "best practices" of SQL log activity, to be completed by the third quarter of fiscal year 2013.

It should be noted that although the WANG PACE system did not provide system-level logging of database changes, the Commission still employed a change management process that required CIO authorization and approval prior to any direct access to the PACE databases or system-level database changes.

12-05
The University of Arizona should strengthen access controls for its general ledger system
Agency: University of Arizona
Contact person: Duc Ma, Assistant Vice President, Financial Services, (520) 626-1188
Anticipated completion date: May 1, 2013

Agency Response: Concur

Agency Corrective Action Plan: The University will take the following steps to remediate the finding:

- A policy and procedure will be added to the Financial Services Manual regarding the creation, addition and review of groups/roles/permissions. Additionally, a tool will be developed for departments to review their groups/roles/permissions.

- An annual review of all UAccess Financial groups/roles/permissions will be performed.

- Communications will be made through a minimum of two outlets to Campus regarding timeliness of terminations; additionally revision of the termination procedures to efficiently reduce risk will be considered.

- Automated and manual options for proactive detection of unusual or suspicious activity and detection of direct changes to the database will be assessed. In the interim, logs are maintained detailing activity and will be reviewed if an issue is detected.

State of Arizona

Report on Internal Control and Compliance

For the Year Ended June 30, 2012

State of Arizona

Office of the Auditor General