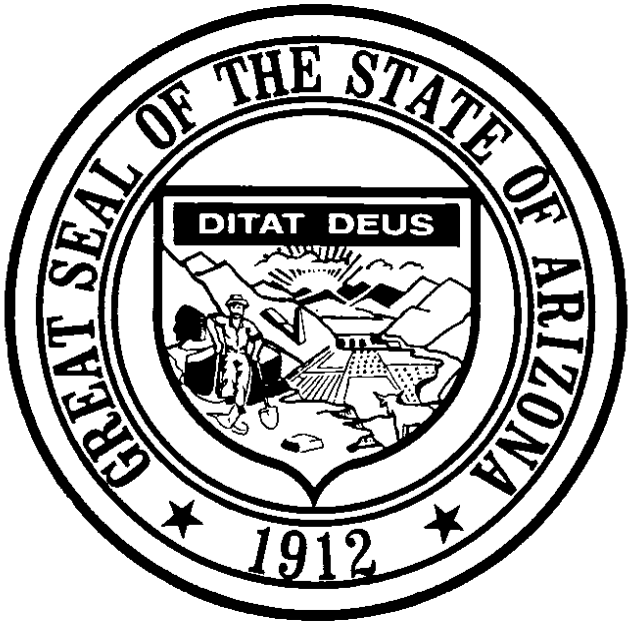
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014



Douglas A. Ducey
GOVERNOR

PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL ACCOUNTING OFFICE

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

INTRODUCTORY SECTION
(Not Covered by the Independent Auditors' Report)

	Page
Letter of Transmittal	1
Arizona State Government Organization	9
Principal State Officials	10

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	15
MANAGEMENT'S DISCUSSION AND ANALYSIS	21
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	38
Universities - Affiliated Component Units – Statement of Financial Position	40
Statement of Activities	42
Universities - Affiliated Component Units – Statement of Activities	44
Governmental Funds Financial Statements:	
Balance Sheet	45
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	46
Statement of Revenues, Expenditures and Changes in Fund Balances	47
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	48
Proprietary Funds Financial Statements:	
Statement of Net Position	50
Statement of Revenues, Expenses and Changes in Fund Net Position	52
Statement of Cash Flows	54
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	56
Statement of Changes in Fiduciary Net Position	57
Component Units Financial Statements:	
Combining Statement of Net Position	58
Combining Statement of Activities	60
Universities – Affiliated Component Units Financial Statements:	
Combining Statement of Financial Position	62
Combining Statement of Activities	63
Notes to the Financial Statements	64
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule, Expenditures – General Fund	131
Budgetary Comparison Schedule, Expenditures – Transportation and Aviation Planning, Highway Maintenance and Safety Fund	141
Notes to Required Supplementary Information – Budgetary Comparison Schedules	142
Infrastructure Assets	145
Agent Benefit Plans' Funding Progress	149

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONCLUDED

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Non-major Governmental Funds: Page
Combining Balance Sheet 154
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 155

Non-major Special Revenue Funds:
Combining Balance Sheet 158
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 160
Budgetary Comparison Schedule, Expenditures 162

Land Endowments Fund:
Budgetary Comparison Schedule, Expenditures 168

Non-major Debt Service Funds:
Combining Balance Sheet 170
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 171

Non-major Capital Projects Funds:
Combining Balance Sheet 174
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 175

Non-major Proprietary Funds:
Non-major Enterprise Funds:
Combining Statement of Net Position 178
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 180
Combining Statement of Cash Flows 182

Internal Service Funds:
Combining Statement of Net Position 186
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 188
Combining Statement of Cash Flows 190

Fiduciary Funds:
Pension and Other Employee Benefit Trust Funds:
Combining Statement of Fiduciary Net Position 194
Combining Statement of Changes in Fiduciary Net Position 196

Investment Trust Funds:
Combining Statement of Fiduciary Net Position 200
Combining Statement of Changes in Fiduciary Net Position 202

Agency Funds:
Combining Statement of Assets and Liabilities 207
Combining Statement of Changes in Assets and Liabilities 208

Non-major Component Units:
Combining Statement of Net Position 212
Combining Statement of Activities 214

Non-major Universities – Affiliated Component Units:
Combining Statement of Financial Position 218
Combining Statement of Activities 220

TABLE OF CONTENTS (CONCLUDED)

STATISTICAL SECTION
(Not Covered by the Independent Auditors' Report)

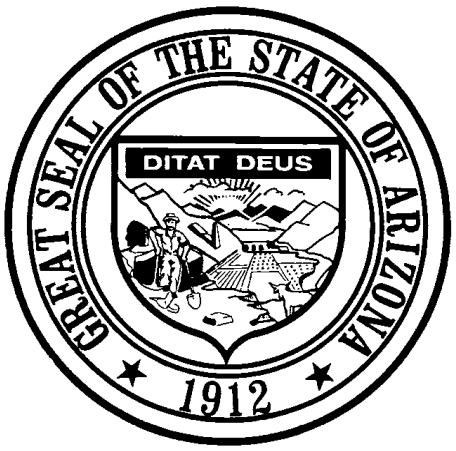
Financial Trends: Page
Schedule 1 – Net Position by Component for the Last Ten Fiscal Years 226
Schedule 2 – Changes in Net Position for the Last Ten Fiscal Years 228
Schedule 3 – Fund Balances, Governmental Funds for the Last Ten Fiscal Years 232
Schedule 4 – Changes in Fund Balances, Governmental Funds for the Last Ten Fiscal Years 234

Revenue Capacity:
Schedule 5 – Net Taxable Sales by Classification for the Last Ten Fiscal Years 238
Schedule 6 – Sales Tax Revenue Payers by Classification, Current Year and Nine Years Ago 241
Schedule 7 – Personal Income by Industry for the Last Ten Calendar Years 242
Schedule 8 – Personal Income Tax Rates for the Last Ten Calendar Years 244
Schedule 9 – Personal Income Tax Filers and Liability by Income Level for the Taxable Years 2011 and 2004 244

Debt Capacity:
Schedule 10 – Ratios of Outstanding Debt by Type for the Last Ten Fiscal Years 246
Schedule 11 – Legal Debt Margin Information, Arizona Transportation Board Highway Revenue Bonds for the Last Ten Fiscal Years 248
Schedule 12 – Legal Debt Margin Information, Arizona State University, for the Last Nine Fiscal Years 248
Schedule 13 – Legal Debt Margin Information, University of Arizona, for the Last Eight Fiscal Years 249
Schedule 14 – Legal Debt Margin Information, Northern Arizona University, for the Last Eight Fiscal Years 249
Schedule 15 – Pledged-Revenue Coverage, Arizona Transportation Board Highway Revenue Bonds for the Last Ten Fiscal Years 250
Schedule 16 – Pledged-Revenue Coverage, Arizona Transportation Board Transportation Excise Tax Revenue Bonds for the Last Ten Fiscal Years 250
Schedule 17 – Pledged-Revenue Coverage, School Facilities Board State School Improvement Revenue Bonds for the Last Ten Fiscal Years 251
Schedule 18 – Pledged-Revenue Coverage, School Facilities Board State School Trust Revenue Bonds for the Last Ten Fiscal Years 251
Schedule 19 – Pledged-Revenue Coverage, Lottery Revenue Bonds for the Last Four Fiscal Years 252
Schedule 20 – Pledged-Revenue Coverage, Arizona State University Revenue Bonds for the Last Ten Fiscal Years 252
Schedule 21 – Pledged-Revenue Coverage, University of Arizona Revenue Bonds for the Last Ten Fiscal Years 253
Schedule 22 – Pledged-Revenue Coverage, Northern Arizona University Revenue Bonds for the Last Ten Fiscal Years 253

Demographic and Economic Information:
Schedule 23 – Demographic and Economic Statistics for the Last Ten Calendar Years 255
Schedule 24 – Principal Employers, Current Year and Nine Years Ago 255

Operating Information:
Schedule 25 – State Employees by Function for the Last Ten Fiscal Years 256
Schedule 26 – Operating Indicators by Function for the Last Ten Fiscal Years 258
Schedule 27 – Capital Asset Statistics by Function for the Last Ten Fiscal Years 260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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Douglas A. Ducey
Governor

Kathy Peckardt
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE ¡ SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

March 9, 2015

The Honorable Douglas A. Ducey,
Governor of the State of Arizona;
Members of the Legislature;
Scott Bales, 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, 2014. 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 is compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the financial reporting entity of the State 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, A.R.S. § 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.

FINANCIAL REPORTING ENTITY OF THE STATE

The accompanying CAFR includes all funds of the State (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in a separate column in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the financial reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the financial reporting entity of the State.

ARIZONA

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state by area, with 113,909 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

PROFILE OF THE GOVERNMENT

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a Governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), Superior Court, justice of the peace courts, and municipal courts. The Superior Court, justice of the peace courts, and municipal courts are excluded from the financial reporting entity of the State as these entities do not meet GASB criteria for inclusion. The Supreme Court is the highest court in the State and is comprised of 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.

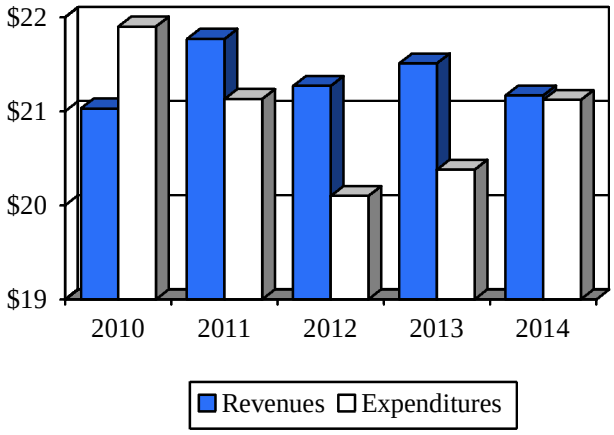
BUDGETARY CONTROLS

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 the passage of appropriation bills by the Legislature and approved by the Governor. The appropriated funds are controlled by the Executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations that continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

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

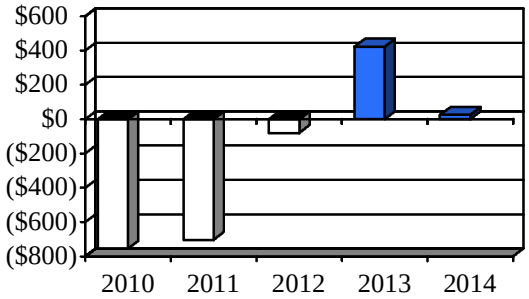
Graph 1
General Fund Revenues and Expenditures
for last 5 fiscal years
(*Dollars in billions*)



The General Fund ended the June 30, 2014 fiscal year with a total fund balance of $24.6 million. This compares to the previous year's total fund balance of $423.2 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 Forecast Report issued by the Office of Employment and Population Statistics (EPS) within the Arizona Department of Administration, for calendar years 2015-2016, released on February 26, 2015.

Overview

The overall employment situation in Arizona continues to improve. This is consistent with improvement seen in many economic indicators including population growth. Compared to 2013, population grew faster in 2014 at 1.31 percent based on the EPS' internal preliminary numbers. Population is projected to grow at 1.65 percent in 2015 and 1.99 percent in 2016. Although Arizona economy continues to have some after effects of various policies that were enacted post-recession (sequestration cuts in 2011 and payroll tax increase in 2013), the major impacts of these policies are behind us and the federal government does not appear to be a strong drag on the economy. Compared to prior recessions, the weak employment recovery is in large part due to lack of new construction. However, the economic fundamentals continue to improve. Both, the U.S. and Arizona's unemployment rate continue to decline. Two economic changes worth noting are the lower oil prices and the rising dollar. The U.S. and Arizona households are expected to receive the benefits of a higher disposable income resulting from lower oil prices. On the negative side, the rising dollar could hurt exports. On the positive side, it is expected to make imports cheaper and help control inflation. A higher dollar effectively transfers demand from the U.S. economy to economies around the world. Economies such as Japan, emerging Asia, and Europe could benefit with a boost to their exports. In the long run, this should lead to a healthier and more balanced global economy.

Arizona's nonfarm employment is forecast for modest growth in 2015 with mild acceleration in 2016. An over-the-year gain of 56,600 nonfarm jobs is expected in 2015 and 63,100 in 2016. In the current forecast, the rate of growth projected for total nonfarm employment is 2.2 percent in 2015 and 2.4 percent in 2016. A total of 119,700 nonfarm jobs are forecast to be gained over the two projected years (2015 and 2016). All eleven major sectors are expected to grow in 2015 and 2016. However, Arizona has historically seen stronger nonfarm employment growth rate than what has been observed in recent years.

The following factors support Arizona's economic growth:

- Continued improvement in real Gross Domestic Product, real personal income, employment, and retail sales at the state and national levels.
- Continued private sector employment gains, increasing private domestic investment, increases in the index of industrial production and rate of capacity utilization, high levels of corporate profit, and a gradual resurgence in private residential construction permits. In 2015, the increase in domestic investment spending is anticipated to begin reducing the amounts of accumulated corporate cash holdings.
- Household net worth and U.S. exports continue to increase.
- Residential real estate market in Arizona and Phoenix metropolitan area has shown improvement. Home prices have improved but are still way off peak. Increase in the construction of primarily apartments, office buildings, and limited single family homes have been observed. Commercial real estate is gradually improving with lower vacancy rates, higher rental rates and lower rates of default and delinquency in mortgage loans.
- Growth in non-revolving consumer credit levels have been serving as an impetus to expanding economic activity. Consumer sentiment and consumer spending have improved. Banks are gradually loosening up their lending requirements. Mortgage rates are low. Bank delinquency and default rates on consumer credit are declining.

Some factors that could further dampen the growth of the local economy are given below. However, the positive factors listed above outweigh the uncertainties in the sections described below in support of the EPS' forecast:

- Despite some increase in disposable income from lower gas prices, constrained budgets persist for a large majority of households. Real median household income in the U.S. and Arizona is below the peak level prior to the 2007 recession.
- Population growth in the State (1.3 percent in 2014) has been below the growth rate observed historically, limiting the additional demand for goods and services. Arizona's annualized population growth rate for the decade of 1980 was 3.0 percent. This rate increased to 3.4 percent for the decade of the 1990's and then

decreased to 2.2 percent for the first decade of the 21st century. In-migration, both domestic and international to the State has declined over time.

- Although there has been some improvement in the residential real estate market, up to 20.0 percent of potential buyers are unable to enter the housing market because of negative or low home equity. Reduction in FHA loan limit, higher FICO score requirement, prior home foreclosure or short sales, and millennials living at home has further inhibited potential buyers from entering the housing market.
- Although real business investment continues to grow, the rate of growth has slowed as a consequence of demand uncertainty. However, the rate of growth of business investment is expected to increase in 2015 and 2016.
- In the public sector, cuts in the federal, state and local budgets would require spending cuts, tax increases, or a mixture of the two which could slow the growth in aggregate demand in the U.S. and Arizona economy, thus limiting employment growth.
- Arizona is vulnerable to federal government expenditure changes due to a larger share of military spending in the State's economy. Real federal, civilian, and military expenditures continued to decline in 2014. Operating at a lower level of federal government expenditures is projected to impact some industry sectors more than others: Manufacturing; Retail Trade; Professional and Business Services; and Government.

In addition to the factors aforementioned, there are some grounds for limited optimism and concern on the international front:

- Although Arizona exports could have a slight stimulating effect with a gradual improvement in the overall world economy, a rising dollar could negatively hurt exports.
- China's deceleration in growth could impact other regions. China's national economy grew an annual 7.4 percent in 2014, the slowest since 1990. It is unclear as to how China will extricate itself from its debt induced housing bubble and industrial capacity glut.
- The global economy continues to be in low gear, and hope that the tailwinds of lower oil prices and international monetary stimulus would provide a modest boost to growth this year.

Individual Sectors

The Educational and Health Services sector is forecast to gain 13,800 jobs (3.5 percent) in 2015 and 16,100 jobs (4.0 percent) in 2016 for a total of 29,900 jobs over two years. Increases are expected in all subsectors of Health Care and Social Assistance with the largest projected employment increase in Ambulatory Health Care Services. With the Affordable Care Act (ACA) expansion, both Medicaid and Medicare enrollment has increased. Population growth coupled with state and federal spending associated with the ACA is likely to increase employment growth in these subsectors. Private Educational Services are expected to slow as the economy improves and people re-enter the workforce foregoing higher education and the accumulation of student debt.

The Leisure and Hospitality sector is projected to gain 11,100 jobs (3.9 percent) in 2015 and 12,100 jobs (4.1 percent) in 2016 for a total of 23,200 jobs over two years. The largest projected job gain is expected in the Food Services and Drinking Places sub-sector. Fewer gains are forecast in the sub-sectors of Accommodations and Arts, Entertainment, and Recreation. An improving economy, tourism, and population increases are expected to bolster employment in the Leisure and Hospitality sector.

The Trade, Transportation, and Utilities sector is forecast to gain 10,000 jobs (2.1 percent) in 2015 and 11,100 jobs (2.2 percent) in 2016 for a total of 21,100 jobs over two years. Retail Trade is expected to have the most employment gains with all subsectors forecasting gains. Fewer gains are forecast in Wholesale Trade, Transportation, Warehousing, and Utilities. Utilities is expected to remain flat over the two-year period and Transportation and Warehousing is forecast to gain jobs as a result of overall economic growth.

The Professional and Business Services sector is projected to have an increase of 9,600 jobs (2.5 percent) in 2015 and 8,900 jobs (2.3 percent) in 2016 for a total of 18,500 jobs over two years. The Administrative and Waste Services sub-sectors are expected to have the largest job gains over the projection period which includes Employment Services, Business Support Services, and Services to Buildings and Dwellings. Employment Services growth is expected to slow over the two-year period as firms move away from lower-cost contingent labor to more stable hires with an improving economy. Job gains are forecast in the subsectors of Professional, Scientific, and Technical Services and Management of Companies and Enterprises.

The Financial Activities sector's projected employment growth over the two-year period is expected to slow to an increase of 6,400 jobs (3.3 percent) in 2015 and 5,900 jobs (3.0 percent) in 2016 for a total of 12,400 jobs over two years. Gradual rise in interest rates and a slow growing Construction sector could hinder employment growth in this sector. Securities, Commodities Contracts, Investments, Credit Intermediation and Monetary Authorities, Real Estate, Rental, and Leasing, are forecast to gain jobs with the largest gains projected in Insurance, Funds, and Trusts.

The Manufacturing sector is projected to have an employment increase of 1,600 jobs (1.1 percent) in 2015 and 2,900 jobs (1.8 percent) in 2016 for a total of 4,500 jobs over two years. Growth is forecast in both Durable Goods and Nondurable Goods. Gains in Durable Goods are expected from Fabricated Metal Products and other unreported sectors; Aerospace Products and Parts and Computer and Electronic Products are forecast to shed jobs. The U.S. production index has expanded for eleven consecutive months. New orders index also indicates forward momentum in the economy. However, with Arizona's dependence on defense related industries, staffing levels for defense related manufacturing industries in Arizona are expected to decline due to reduced civilian and military funding.

The Government sector is forecast to have a small gain of 1,300 jobs (0.3 percent) in 2015 and 1,500 jobs (0.4 percent) in 2016 for a total of 2,800 jobs over two years. All subsectors (Federal, State, and Local Government) are expected to have gains over the two-year period. All gains in State and Local Government are expected in Education related subsectors.

The Construction sector is forecast to gain 600 jobs (0.5 percent) in 2015 and 2,200 jobs (1.8 percent) in 2016 for a total of 2,800 jobs over the two years. Heavy Construction is expected to have the largest employment gain. Specialty Trade is expected to increase but could be dampened until housing overall makes a meaningful recovery. Multi-family private residence construction has grown in the State. Home repair and maintenance activities and population growth are factors that support some growth in this sector. Building Construction is the only Construction sub-sector with projected job losses from 2014 to 2016.

The Information sector is projected to have a gain in employment of 400 jobs in both 2015 (0.9 percent) and 2016 (1.0 percent) for a total of 800 jobs over two years. Job gains are forecast in the Telecommunications and Non-Telecommunications sub-sectors of Information.

The Natural Resources and Mining sector is forecast to gain 200 jobs (1.3 percent) in 2015 and 200 jobs (1.8 percent) in 2016 for a total of 400 jobs over two years.

The Other Services sector is forecast to gain 1,600 jobs (1.8 percent) in 2015 and 1,700 jobs (1.9 percent) in 2016 for a total of 3,300 jobs over two years. An improving economy with gradually rising levels of business and consumer spending is forecast to bolster the demand and employment for the services provided by this sector.

MAJOR INITIATIVES

The Major Initiatives for the year ended June 30, 2014, were as follows:

- The Legislature restored Medicaid eligibility for childless adults and expanded coverage to 133 percent of the federal poverty level in fiscal year 2014. The federal government provides between 85 percent and 100 percent of the cost of the Medicaid restoration, depending on the population, and the remaining cost is funded by an assessment on hospitals. The majority of the Medicaid expansion had been approved by voters in two previous ballot initiatives.
- Fiscal year 2014 saw approximately $67 million set aside for several statewide IT projects, including the second year of the four-year project to replace Arizona's financial and accounting system, a new inmate database, a new statewide e-licensing platform, a new student learning and accountability system, and to update tax collection and reporting systems.
- Arizona State University received $24 million and Northern Arizona University $6 million to align their per pupil funding with that of the University of Arizona.
- Another notable investment in higher education was an increase of $8 million to University of Arizona Phoenix Medical School to complete the establishment of the 320-student medical school.
- The fiscal year 2014 budget also included $5 million to activate 500 medium-security private prison beds to address the State's growing prison population.

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, 2013. This was the tenth 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.

Kathy Peckardt
Interim Director

D. Clark Partridge
State Comptroller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

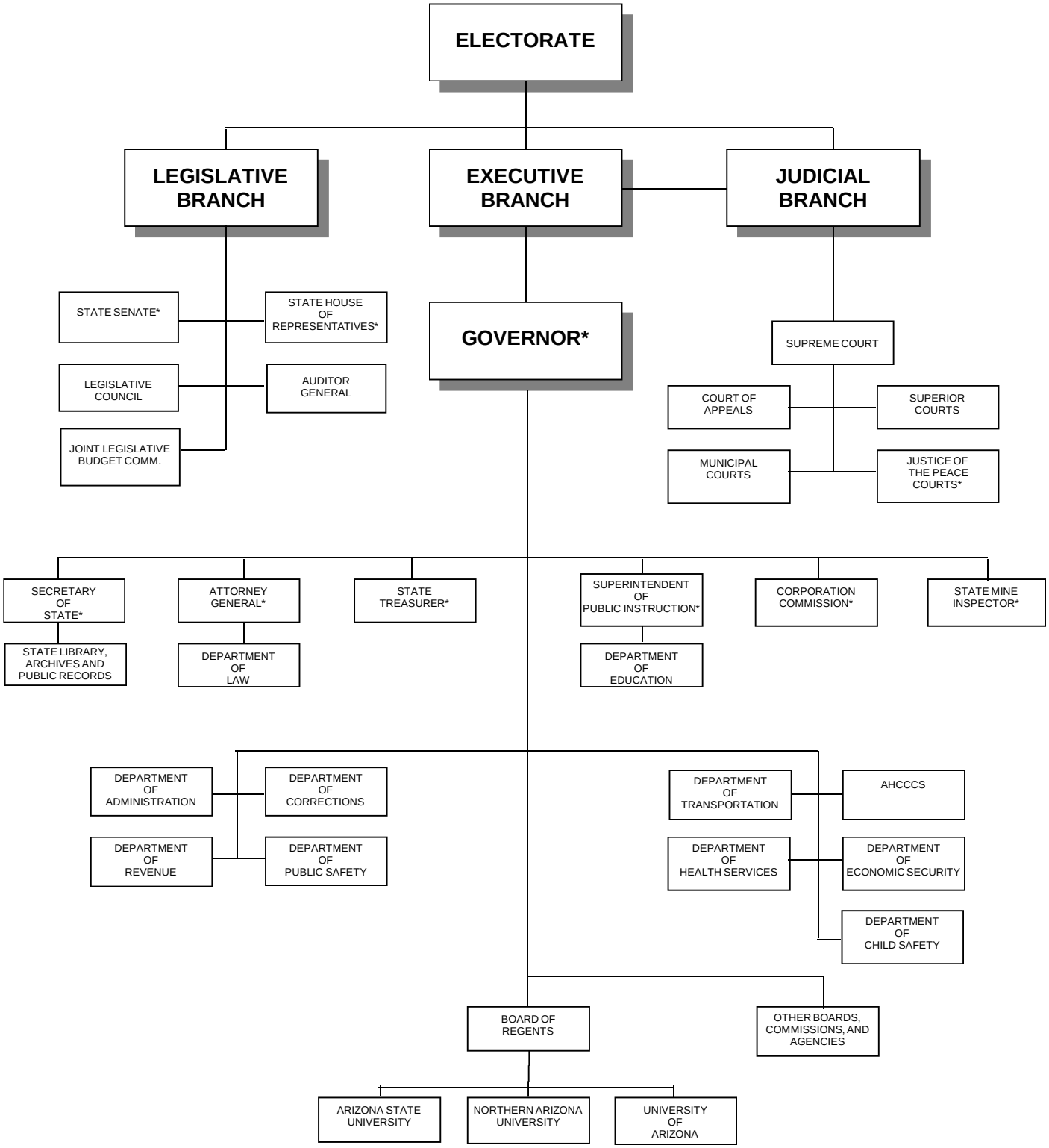
State of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2014

ELECTED OFFICIALS – as of June 30, 2014

Janice K. Brewer, Governor
Senator Andy Biggs, 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
Douglas A. Ducey, State Treasurer
John Huppenthal, Superintendent of Public Instruction
Bob Stump, Chairman – Corporation Commission
Bob Burns, Commissioner – Corporation Commission
Brenda Burns, Commissioner – Corporation Commission
Gary Pierce, Commissioner – Corporation Commission
Susan Bitter Smith, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of June 30, 2014

Executive Officials
Brian C. McNeil, Director – Department of Administration
Charles L. Ryan, Director – Department of Corrections
Clarence H. Carter, Director – Department of Economic Security
Charles Flanagan, Director – Department of Child Safety
David Raber, 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 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

ELECTED OFFICIALS – as of March 9, 2015

Douglas A. Ducey, Governor
Senator Andy Biggs, President of the Senate
Representative David M. Gowan Sr., Speaker of the House
Michele Reagan, Secretary of State
Mark Brnovich, Attorney General
Joe Hart, State Mine Inspector
Jeff DeWit, State Treasurer
Diane Douglas, Superintendent of Public Instruction
Susan Bitter Smith, Chairman – Corporation Commission
Tom Forese, Commissioner – Corporation Commission
Doug Little, Commissioner – Corporation Commission
Bob Stump, Commissioner – Corporation Commission
Bob Burns, Commissioner – Corporation Commission

APPOINTED OFFICIALS – as of March 9, 2015

Executive Officials
Kathy Peckardt, Interim Director – Department of Administration
Charles L. Ryan, Director – Department of Corrections
Timothy Jeffries, Director – Department of Economic Security
Greg McKay, Director – Department of Child Safety
David Raber, Director – Department of Revenue
Frank Milstead, Director – Department of Public Safety
Cory Nelson, Interim Director – Department of Health Services
Tom Betlach, Director – Arizona Health Care Cost Containment System
John Halikowski, Director – Department of Transportation

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Richard Stavneak, Director – Joint Legislative Budget Committee
Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

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Dr. Michael M. Crow, President – Arizona State University
Dr. Rita Cheng, President – Northern Arizona University
Dr. Ann W. Hart, President – University of Arizona

FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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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 Doug Ducey, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable David Gowan, Speaker
Arizona House of Representatives

The Honorable Scott Bales, Chief Justice
Arizona Supreme Court

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 the aggregate discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets/Deferred Outflows of Resources	Revenues/Additions/ Other Financing Sources
Government-wide Statements		
Governmental activities:		
Arizona Department of Transportation	63.34%	11.08%
Arizona Health Care Cost Containment System	3.45%	18.93%
Early Childhood Development and Health Board	1.21%	0.51%
Business-type activities:		
Arizona Correctional Industries	0.23%	0.68%
Arizona Department of Transportation	1.05%	0.10%

Opinion Unit/Department	Assets/Deferred Outflows of Resources	Revenues/Additions/ Other Financing Sources
Arizona Health Care Cost Containment System	0.09%	0.21%
Arizona State Lottery	0.92%	12.92%
Aggregate discretely presented component units	100.00%	100.00%
Fund Statements		
Major Governmental Funds:		
General Fund—Arizona Health Care Cost Containment System	33.65%	21.08%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Arizona Department of Transportation	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Correctional Industries	0.03%	0.27%
Arizona Department of Transportation	0.85%	2.52%
Arizona Health Care Cost Containment System	0.11%	2.02%
Arizona State Lottery	0.13%	5.07%
Arizona State Retirement System	66.56%	55.40%
Corrections Officer Retirement Plan	3.16%	2.32%
Early Childhood Development and Health Board	0.75%	0.94%
Elected Officials' Retirement Plan	0.67%	0.57%
Public Safety Personnel Retirement System	12.36%	9.40%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those departments, retirement 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 from material misstatement. The financial statements of the Arizona Power Authority, the University of Arizona Health Network and Subsidiaries, and the Universities—Affiliated Component Units, except for those of the ASU Preparatory Academy, Inc., which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 131 through 144, the Infrastructure Assets information on pages 145 through 148, and Agent Benefit Plans' Funding Progress on page 149 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.

Supplementary and Other Information

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.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

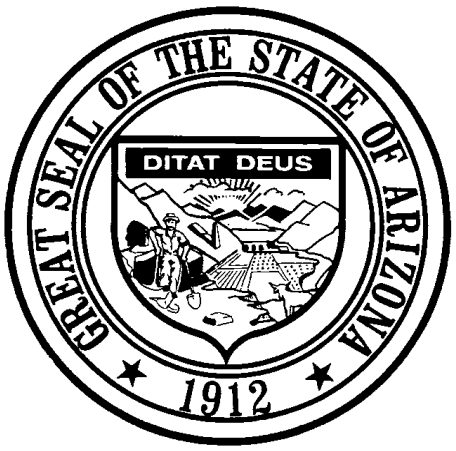
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is 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* in considering the State's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

March 9, 2015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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, 2014. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- The assets and deferred outflows of resources of the State exceeded liabilities at the close of the fiscal year by $25.7 billion (reported as net position). Of this amount, a deficit of $1.4 billion exists for unrestricted net position, $7.5 billion is restricted for specific purposes (restricted net position), and $19.6 billion is net investment in capital assets.
- The State's total net position increased in fiscal year 2014 by $1.6 billion. Net position of governmental activities increased by $1.2 billion, while net position of the business-type activities increased by $361.0 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $7.3 billion, an increase of $270.2 million from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of $4.9 billion, $1.9 billion, and $814.3 million, respectively, the State's unassigned fund balance had a deficit of $219.0 million, or (3%) of combined fund balances.
- As of the close of the fiscal year, unassigned fund balance for the General Fund had a deficit of $189.2 million, which is approximately (1%) of total General Fund expenditures.
- The Land Endowments Fund reported fund balance at fiscal year-end of $4.8 billion, an increase of $715.1 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net position at fiscal year-end of $3.4 billion, an increase of $341.4 million during the year.

Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to $10.1 billion, a decrease of $353.9 million or (3%). Changes during the year included the addition of revenue bonds, certificates of participation, and capital leases of $144.9 million, $305.8 million, and $115.8 million, respectively. Also, the State retired $281.1 million of revenue bonds and $504.1 million of certificates of participation. Included in the decrease in long-term primary government debt is a decrease in net issuance premiums of $64.2 million.

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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Position (pages 38-39) presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The Statement of Financial Position (page 40) presents the State's Universities-affiliated component units' assets and liabilities, with the difference between the two reported as net assets.

The Statements of Activities (pages 42-44) present information showing how the State's net position/net assets changed during the most recent fiscal year. All changes in net position/net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The 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 entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. The Water Infrastructure Finance Authority, the University of Arizona Health Network and Subsidiaries, 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. The State has included component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), as adopted by the Financial Accounting Standards Board. These organizations include the Arizona State University Foundation, the University of Arizona Foundation, the Arizona Capital Facilities Finance Corporation, and other non-major component units affiliated with the Universities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the Governmental Accounting Standards Board (GASB), and include a statement of financial position **(page 40)** and a statement of activities **(page 44)**. See **pages 65-69 and 118-128** 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 154** 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 Industrial Commission Special Fund 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 51-52**.

Proprietary fund financial statements can be found on pages 50-55 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on **page 56**. 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 on pages 56-57 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 65 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 131 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 154 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements.

State of Arizona-Primary Government
Net Position as of June 30, 2014 and 2013
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2014	2013	2014	2013, as restated	2014	2013, as restated
Current assets	$ 5,746,818	$ 6,450,486	$ 1,317,866	$ 1,358,352	$ 7,064,684	$ 7,808,838
Capital assets	21,624,109	20,993,786	4,493,718	4,327,392	26,117,827	25,321,178
Other non-current assets	6,339,643	5,699,132	2,005,169	1,771,658	8,344,812	7,470,790
Total Assets	33,710,570	33,143,404	7,816,753	7,457,402	41,527,323	40,600,806
Deferred outflows of resources	26,361	* 19,945	51,779	58,361	78,140	78,306
Current liabilities	4,598,785	* 4,846,629	694,889	756,253	5,293,674	5,602,882
Non-current liabilities	6,944,022	* 7,318,023	3,704,494	3,651,370	10,648,516	10,969,393
Total Liabilities	11,542,807	12,164,652	4,399,383	4,407,623	15,942,190	16,572,275
Net position:						
Net investment in capital assets	18,027,844	17,410,055	1,581,436	1,524,964	19,609,280	18,935,019
Restricted	6,829,299	6,116,083	660,480	531,972	7,489,779	6,648,055
Unrestricted	(2,663,019)	(2,527,441)	1,227,233	1,051,204	(1,435,786)	(1,476,237)
Total Net Position	$ 22,194,124	$ 20,998,697	$ 3,469,149	$ 3,108,140	$ 25,663,273	$ 24,106,837

* The fiscal year 2013 amounts have been reclassified for comparison with fiscal year 2014 amounts due to the implementation of GASB Statement No. 65.

For the year ended June 30, 2014, the State's combined net position totaled $25.7 billion, reflecting an increase of $1.6 billion during the current fiscal year.

The largest portion of the State's net position (77%) represents net investment in capital assets of $19.6 billion. Additions to roads and bridges provided the majority of the governmental activities increase in net investment in capital assets of $617.8 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 position also included $7.5 billion (29%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of $713.2 million is primarily the result of an increase of $723.4 million in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund.

After accounting for the above net position restrictions, the State has a remaining deficit of $1.4 billion (6%) reported as unrestricted net position.

More detailed information regarding beginning net position restatements is on page 112.

State of Arizona-Primary Government
Changes in Net Position for Fiscal Years June 30, 2014 and 2013
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2014	2013	2014	2013, as restated	2014	2013, as restated
Revenues:						
Program revenues:						
Charges for services	$ 936,923	$ 850,869	$ 3,381,353	$ 3,181,812	$ 4,318,276	$ 4,032,681
Operating grants and contributions	12,172,836	11,588,834	1,343,922	1,570,854	13,516,758	13,159,688
Capital grants and contributions	546,680	651,999	41,250	15,210	587,930	667,209
General revenues:						
Sales taxes	5,948,055	6,518,480	63,669	57,490	6,011,724	6,575,970
Income taxes	3,963,197	3,974,998	-	-	3,963,197	3,974,998
Tobacco taxes	314,313	316,050	-	-	314,313	316,050
Property taxes	41,215	27,429	-	-	41,215	27,429
Motor vehicle and fuel taxes	1,650,579	1,592,911	-	-	1,650,579	1,592,911
Other taxes	547,481	531,186	-	-	547,481	531,186
Unrestricted investment earnings	79,215	18,705	108,296	62,017	187,511	80,722
Unrestricted grants and contributions	37,926	45,746	107	5	38,033	45,751
Gain on sale of trust land	83,695	174,095	-	-	83,695	174,095
Miscellaneous revenue	176,035	144,403	78,837	148,743	254,872	293,146
Total Revenues	26,498,150	26,435,705	5,017,434	5,036,131	31,515,584	31,471,836
Expenses:						
General government	763,830	836,431	-	-	763,830	836,431
Health and welfare	12,768,332	12,168,426	-	-	12,768,332	12,168,426
Inspection and regulation	160,797	161,480	-	-	160,797	161,480
Education	5,573,656	5,372,267	-	-	5,573,656	5,372,267
Protection and safety	1,408,049	1,400,413	-	-	1,408,049	1,400,413
Transportation	791,006	754,510	-	-	791,006	754,510
Natural resources	200,868	204,179	-	-	200,868	204,179
Intergovernmental revenue sharing	2,778,299	2,685,378	-	-	2,778,299	2,685,378
Interest on long-term debt	279,525	355,975	-	-	279,525	355,975
Universities	-	-	4,078,053	3,888,145	4,078,053	3,888,145
Industrial Commission Special Fund	-	-	36,895	38,614	36,895	38,614
Other business-type activities	-	-	1,130,299	1,329,816	1,130,299	1,329,816
Total Expenses	24,724,362	23,939,059	5,245,247	5,256,575	29,969,609	29,195,634
Excess (deficiency) before contributions, extraordinary item, and transfers	1,773,788	2,496,646	(227,813)	(220,444)	1,545,975	2,276,202
Contributions to permanent endowments	-	-	6,561	3,192	6,561	3,192
Extraordinary item:						
Insurance recovery	-	-	3,900	-	3,900	-
Transfers	(578,361)	(534,722)	578,361	534,722	-	-
Change in Net Position	1,195,427	1,961,924	361,009	317,470	1,556,436	2,279,394
Net Position - Beginning, as restated	20,998,697	19,036,773	3,108,140	2,790,670	24,106,837	21,827,443
Net Position - Ending	$ 22,194,124	$ 20,998,697	$ 3,469,149	$ 3,108,140	$ 25,663,273	$ 24,106,837

Change in Net Position

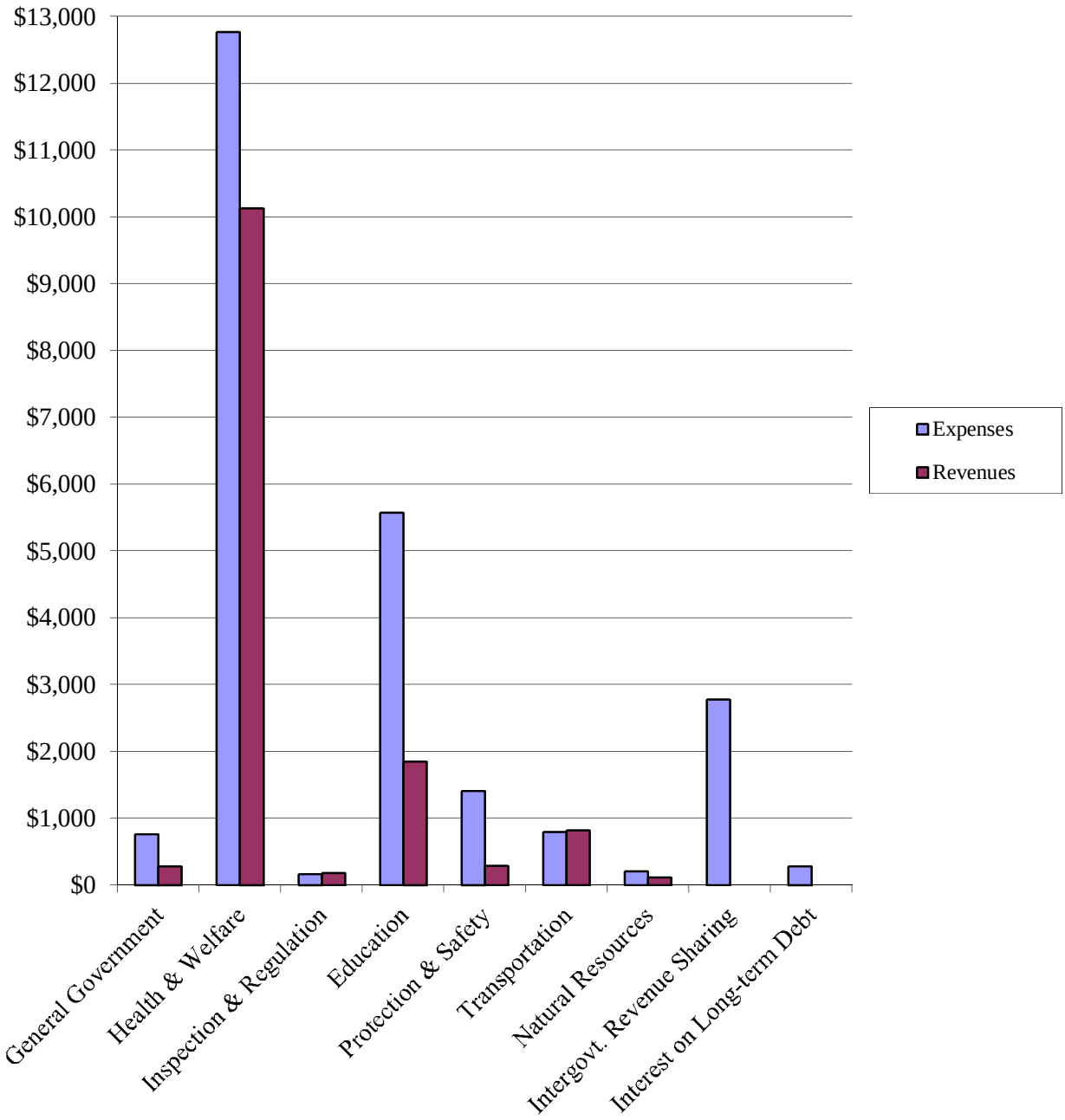
Governmental Activities – Net Position increased by $1.2 billion from fiscal year 2013, or a 6% increase from fiscal year 2013. Although net position increased, the amount of the increase was not as large as the prior fiscal year increase of $2.0 billion. Reported sales tax revenues decreased by $570.4 million, or 9%, from fiscal year 2013. The decrease in sales tax collections reflects the expiration of the 1% additional sales tax in May 2013. This decrease was partially offset by an increase in net taxable sales of approximately 6% from fiscal year 2013. The largest increases in net taxable sales during fiscal year 2014 were in retail sales, restaurants and bars, and contracting. During fiscal year 2014, operating grants and contributions increased by $584.0 million (5%) over fiscal year 2013. This increase primarily results from enhanced federal financial participation matching rates for increased enrollment in Arizona Health Care Cost Containment System (AHCCCS) programs due to implementation of the Patient Protection and Affordable Care Act of 2010 (ACA) beginning January 1, 2014. AHCCCS experienced an increase of 190,040 members (14.4%) over fiscal year 2013 as a result of ACA expansion and the simultaneous ending of the Childless Adult program enrollment freeze beginning January 1, 2014. Operating grants and contributions also increased because the fair market value of the Permanent Fund investment portfolio increased during fiscal year 2014. Furthermore, there were increases in health and welfare and education expenses of $599.9 million and $201.4 million, respectively. The increase in health and welfare expenses resulted primarily from the implementation of the ACA by AHCCCS, as discussed above. The increase in education expense generally reflects increases in Department of Education's expenses due to increased enrollment growth and inflation.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2013 and 2014. 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	
	2014	2013	2014	2013
Functions/Programs:				
General government	$ 763,830	$ 836,431	$ 482,170	$ 510,822
Health and welfare	12,768,332	12,168,426	2,640,807	2,623,946
Inspection and regulation	160,797	161,480	(17,184)	(14,964)
Education	5,573,656	5,372,267	3,723,347	3,602,369
Protection and safety	1,408,049	1,400,413	1,121,604	1,174,681
Transportation	791,006	754,510	(26,646)	(185,586)
Natural resources	200,868	204,179	86,001	94,736
Intergovernmental revenue sharing	2,778,299	2,685,378	2,778,299	2,685,378
Interest on long-term debt	279,525	355,975	279,525	355,975
Total Governmental Activities	$ 24,724,362	$ 23,939,059	$ 11,067,923	$ 10,847,357

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2014
(in millions of dollars)



Business-type Activities – Net Position increased by $361.0 million from fiscal year 2013, or 12%. This increase is primarily due to increases in net position for the Universities and the Unemployment Compensation Fund of $186.7 million and $90.3 million, respectively. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of $1.2 billion. The Universities' operating revenues increased by $118.9 million over

fiscal year 2013 primarily due to approved student tuition and fee increases, increased enrollment, and increased auxiliary enterprise revenues. Also, State appropriation transfers to the Universities from the General Fund increased by $38.1 million over fiscal year 2013. This increase resulted primarily from increased parity funding to the Arizona State University and additional appropriations for expansion of the University of Arizona College of Medicine-Phoenix Campus. These increases were offset by increases in expenses for instruction, academic support, and scholarships and fellowships. Also, the Unemployment Compensation Fund's cost of sales and benefits and intergovernmental revenue decreased $220.2 million and $185.7 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 2013 and 2014. 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	
	2014	2013, as restated	2014	2013, as restated
Functions/Programs:				
Universities	$ 4,078,053	$ 3,888,145	$ 722,356	$ 679,497
Industrial Commission Special Fund	36,895	38,614	8,434	13,453
Other	1,130,299	1,329,816	(252,068)	(204,251)
Total Business-type Activities	$ 5,245,247	$ 5,256,575	$ 478,722	$ 488,699

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, 2014, unassigned fund balance of the General Fund had a deficit of $189.2 million, while total fund balance closed the year at $24.6 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 1% of total expenditures and other financing uses, while total fund balance is less than 1% of the same amount.

The fund balance of the State's General Fund decreased $398.6 million during the fiscal year. Revenues exceeded expenditures by $51.9 million, before other financing sources and uses. However, other financing sources and uses more than offset this excess by $450.5 million which 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 $339.9 million (2%) and expenditures increased by $737.8 million (4%) from fiscal year 2013. Primary reasons for decreases in fund balance during the fiscal year are the expiration of the 1% additional sales tax in May 2013, increased health and welfare expenditures, and increased education expenditures. A primary reason for increases in fund balance during the year is increased intergovernmental revenue, including federal funding received as a result of the AHCCCS implementation of the ACA. These increases and decreases were 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 increased $95.2 million during fiscal year 2014. Although revenues exceeded expenditures by $354.0 million, transfers to non-major governmental funds of $303.0 million to primarily pay debt service largely offset this excess. Overall revenue remained stable, as compared to the prior fiscal year.

Land Endowments Fund

The Land Endowments Fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. The Land Endowments Fund total fund balance increased $715.1 million during fiscal year 2014. Endowment investments increased $744.5 million, at fiscal year-end, primarily due to receipts from land sales of $86.3 million and a net increase in the fair value of investments of $598.6 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 and the final amended budget 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. $311.3 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
2. $727.0 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for payments to specified hospitals funded by voluntary intergovernmental agreements with political subdivisions and to fund payments for the Medicaid restoration and ACA expansion populations.
3. $234.0 million increase to the Universities' original budget is primarily due to payment deferrals from fiscal year 2013, which were budgeted in fiscal year 2014, and for lease purchase capital financing for research infrastructure facilities.
4. $169.4 million increase to the Department of Health Services' original budget is primarily due a supplemental appropriation increase for Title XIX.
5. $47.5 million increase to the Department of Education's original budget is primarily due to a supplemental appropriation increase for basic State aid entitlement.
6. $46.0 million increase to the Department of Economic Security's original budget is primarily due to payment deferrals from fiscal year 2013, which were appropriated as a supplemental appropriation in the fiscal year 2014 budget.

The actual expenditures were less than the final budget by $1.2 billion, after adjustments. Of this amount, $65.8 million will continue as legislative multiple fiscal year spending authority for fiscal years 2015 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining $1.1 billion represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 131-144 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, 2014 totaled $26.1 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 3%, with a 3% increase in capital assets used for governmental activities and a 4% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $392.1 million.

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

- The Universities' additions to capital assets totaled $487.6 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 $1.4 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, 2014 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013, as restated	2014	2013, as restated
Land	$ 3,046,110	$ 2,967,822	$ 229,637	$ 210,037	$ 3,275,747	$ 3,177,859
Buildings	2,315,821	2,161,715	5,321,874	5,027,319	7,637,695	7,189,034
Improvements other than buildings	172,687	159,899	5,727	4,853	178,414	164,752
Equipment	826,478	811,035	1,553,841	1,505,988	2,380,319	2,317,023
Software and other intangibles	251,407	* 219,616	125,957	120,736	377,364	340,352
Collections (non-depreciable)	-	-	20,114	19,738	20,114	19,738
Infrastructure	13,801,205	12,973,088	478,015	460,711	14,279,220	13,433,799
Construction in progress	2,916,383	3,369,060	299,160	288,755	3,215,543	3,657,815
Development in progress	58,567	* 27,155	-	-	58,567	27,155
Less: accumulated depreciation	(1,764,549)	(1,695,604)	(3,540,607)	(3,310,745)	(5,305,156)	(5,006,349)
Total	$ 21,624,109	$ 20,993,786	$ 4,493,718	$ 4,327,392	$ 26,117,827	$ 25,321,178

* The fiscal year 2013 amounts have been reclassified for comparison with fiscal year 2014 amounts.

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1G. Assets accounted for under the modified approach include 6,800 center lane miles of roads (21,390 travel lane miles) and 4,787 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 2014.

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 2014, a CRI of 93.8% was achieved.

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 2014 (expressed in thousands):

Description	Contract Start Date	Contract Amount	Current Year Expenditures
Capacity additions-major widening at US 93 at Antelope Wash	12/8/2013	$ 19,395	$ 4,562
Capacity additions-major widening on Interstate 10 at Perryville Road traffic interchange	11/8/2013	18,798	13,002
System preservation-reconstruction at US 89 and State Route 64, Little Colorado River	10/11/2013	36,669	7,103
System preservation-reconstruction at Deep Well Ranch Road at South Chino Valley limits	2/14/2014	17,358	3,529
System preservation-restoration/rehab/resurface at Rattlesnake Wash at Junction 93	4/11/2014	11,249	1,113
Capacity additions-reconstruction on State Route 101L at Maryland Avenue HOV ramps	9/13/2013	11,725	11,697
Capacity additions (major bridge rehabilitation) on Interstate 15 Virgin River Bridge, structure #1619	1/17/2014	27,183	7,463

Furthermore, the following major highway construction projects had expenditures in excess of $15.0 million in fiscal year 2014. These project expenditures include payments made to construction contractors (as shown below) as well as utility, design, right-of-way, and landscaping costs (expressed in thousands):

Location Description	Contract Start Date	Project Expenditures
State Route 202L; Santan to Ellsworth Road in Maricopa County	2/17/2012	$ 65,400
Traffic Interchange between Interstate 10 and State Route 303L in Maricopa County	9/16/2011	47,281
State Route 303L; Camelback Road to Glendale Avenue in Maricopa County	2/8/2013	30,917
Salt River to Baseline Road in Maricopa County	NA	23,528
Ruthrauff to Prince Road in Pima County	7/15/2011	22,578
Interstate 10; Sarival to State Route 101L in Maricopa County	12/24/2007	18,900
US 89 to State Route 98 in Coconino County	5/9/2013	18,371
Interstate 10; Perryville Road traffic interchange in Maricopa County	11/8/2013	15,384

More detailed information regarding capital assets is on pages 92 and 93.

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 School Facilities Board issued certificates of participation totaling $305.7 million to refinance existing debt to obtain debt service savings by taking advantage of lower market interest rates.

- The Universities issued revenue bonds for $144.9 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 State entered into lease-purchase contracts totaling $115.8 million primarily to acquire the Department of Corrections' Red Rock facility.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2014
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	$ 3,406,195	$ 3,606,720	$ 2,302,035	$ 2,237,710	$ 5,708,230	$ 5,844,430
Grant anticipation notes	247,710	296,240	-	-	247,710	296,240
Certificates of participation	2,200,675	2,360,595	676,345	714,735	2,877,020	3,075,330
Capital leases	449,209	360,316	132,957	135,519	582,166	495,835
Total	$ 6,303,789	$ 6,623,871	$ 3,111,337	$ 3,087,964	$ 9,415,126	$ 9,711,835

More detailed information regarding long-term debt begins on page 99.

ECONOMIC CONDITION AND OUTLOOK

The Office of Employment and Population Statistics within the Department of Administration is forecasting the State to gain a projected 119,700 nonfarm jobs, representing a growth rate of 4.6%, over the two projected calendar years of 2015 and 2016. An over-the-year gain of 56,600 jobs is projected in 2015 and 63,100 jobs in 2016. The rate of growth projected for nonfarm employment is 2.2% in 2015 and 2.4% in 2016. Arizona's nonfarm employment is forecast for modest growth in 2015 with mild acceleration in 2016. This is consistent with improvements seen in many economic indicators.

The State's fiscal year 2015 General Fund budget reflects projected growth in base revenues of 5.3%. The net ongoing revenues are projected to decrease from $9.5 billion in fiscal year 2014 to $9.4 billion in fiscal year 2015. General Fund spending is projected to increase from $8.9 billion in fiscal year 2014 to $9.3 billion in fiscal year 2015. The budget includes increased spending for the Department of Education K-12 formula changes (which includes statutorily-mandated inflation increase of 1.4%) and the Department of Child Safety for new caseworkers, Office of Child Welfare Investigations, and to eliminate a backlog of inactive cases. The General Fund fiscal year 2015 ending balance is projected to be $130 million.

Legislative discussions on the fiscal year 2015 General Fund budget also included analyzing the impact of budget decisions on estimated fiscal year 2016 and 2017 spending.

The fiscal year 2016 General Fund budget is forecasted to have revenues of $9.2 billion and expenditures of $9.4 billion, with a $221 million shortfall. After accounting for legislation enacted separately from the budget and technical adjustments, the fiscal year 2016 shortfall is estimated to be $237 million. The spending includes statutory formula caseload growth. The fiscal year 2016 ongoing revenues are primarily based on a 4-sector consensus growth rate of 5.2%, but also incorporate separately enacted tax law changes.

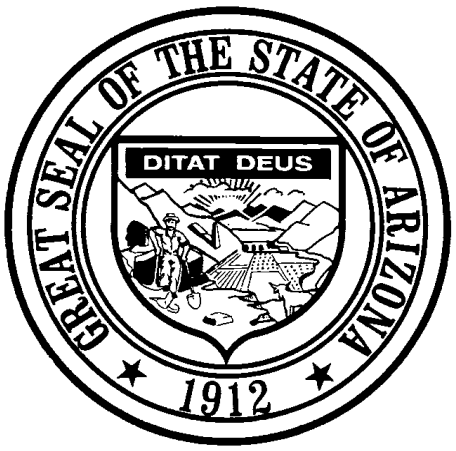
The fiscal year 2017 General Fund budget is forecasted to have revenues of $9.2 billion and expenditures of $9.7 billion, with a $477 million shortfall. After accounting for legislation enacted separately from the budget and technical adjustments, the fiscal year 2017 balance is estimated to have a $489 million shortfall, including the fiscal year 2016 estimated $237 million shortfall. The ongoing spending includes caseload growth. The revenues reflect base growth of 5.6%. Those revenues also incorporate separately enacted tax law changes.

The Budget Stabilization Fund is expected to have a balance of $459 million at the end of fiscal year 2015, which could be used to offset any shortfall in fiscal year 2016 or 2017.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. 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 65**.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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 3,261	$ 291,291	$ 294,552	$ 70,574
Cash with U.S. Treasury	-	8,244	8,244	-
Cash and pooled investments with State Treasurer	2,933,750	71,195	3,004,945	324,568
Restricted cash and pooled investments with State Treasurer	395,099	77,833	472,932	-
Cash held by trustee	-	-	-	11,533
Collateral investment pool	469,947	44,899	514,846	3,488
Short-term investments	-	173,922	173,922	111,290
Restricted investments held by trustee	-	-	-	28,017
Receivables, net of allowances:				
Taxes	423,888	96,088	519,976	2,672
Interest	214,718	2,419	217,137	8,561
Loans and notes	289,144	4,171	293,315	1,673
Patient accounts receivable	-	-	-	161,330
Other	138,316	167,864	306,180	89,703
Internal balances	(250,045)	250,045	-	-
Due from U.S. Government	815,022	86,935	901,957	-
Due from local governments	150,564	-	150,564	-
Due from others	132,680	-	132,680	-
Inventories, at cost	24,830	22,144	46,974	21,171
Other current assets	5,644	20,816	26,460	2,394
Total Current Assets	5,746,818	1,317,866	7,064,684	836,974
Noncurrent Assets:				
Restricted assets:				
Cash	27	23,317	23,344	-
Cash and pooled investments with State Treasurer	1,360,273	-	1,360,273	11,965
Cash held by trustee	27,151	254,390	281,541	17,342
Investments	3,274	-	3,274	153,342
Investments held by trustee	-	81,360	81,360	35,881
Receivables, net of allowances:				
Loans and notes	36,808	33,071	69,879	1,117,445
Other	-	10,411	10,411	7,512
Securities held in escheat	54,087	-	54,087	-
Investments	-	1,155,357	1,155,357	28,280
Endowment investments	4,858,023	429,865	5,287,888	-
Other noncurrent assets	-	17,398	17,398	2,852
Capital assets:				
Infrastructure, land, and other non-depreciable	19,799,389	548,911	20,348,300	39,167
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,824,720	3,944,807	5,769,527	416,149
Total Noncurrent Assets	27,963,752	6,498,887	34,462,639	1,829,935
Total Assets	33,710,570	7,816,753	41,527,323	2,666,909
DEFERRED OUTFLOWS OF RESOURCES	26,361	51,779	78,140	59,699

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 598,034	$ 149,621	$ 747,655	$ 109,782
Payable for securities purchased	-	3,472	3,472	-
Accrued liabilities	1,044,797	67,049	1,111,846	108,693
Obligations under securities loan agreements	469,947	44,899	514,846	3,488
Tax refunds payable	2,442	-	2,442	-
Due to U.S. Government	7,482	13,025	20,507	-
Due to local governments	1,249,019	-	1,249,019	-
Due to others	387,999	72,345	460,344	-
Due to component units	-	260	260	-
Unearned revenue	94,773	173,916	268,689	-
Current portion of accrued insurance losses	59,786	25,501	85,287	9,710
Current portion of long-term debt	509,647	124,308	633,955	84,136
Current portion of other long-term liabilities	174,859	20,493	195,352	30,359
Total Current Liabilities	4,598,785	694,889	5,293,674	346,168
Noncurrent Liabilities:				
Unearned revenue	93,061	-	93,061	2,033
Accrued insurance losses	369,543	458,643	828,186	21,553
Funds held for others	-	47,290	47,290	-
Long-term debt	6,311,872	3,121,442	9,433,314	1,299,065
Derivative instrument - interest rate swap	-	14,135	14,135	-
Other long-term liabilities	169,546	62,984	232,530	4,255
Total Noncurrent Liabilities	6,944,022	3,704,494	10,648,516	1,326,906
Total Liabilities	11,542,807	4,399,383	15,942,190	1,673,074
NET POSITION				
Net investment in capital assets	18,027,844	1,581,436	19,609,280	106,715
Restricted for:				
General government	82,282	-	82,282	-
Health and welfare	70,233	-	70,233	-
Inspection and regulation	5,539	-	5,539	-
Education	496,130	-	496,130	-
Protection and safety	23,447	-	23,447	-
Natural resources	12,706	-	12,706	-
Unemployment Compensation	-	57,585	57,585	-
Capital projects	805,890	17,505	823,395	-
Debt service	3	12,964	12,967	131,510
Permanent funds and University funds:				
Expendable	174,823	274,835	449,658	-
Nonexpendable	5,158,246	219,758	5,378,004	-
Loans and other financial assistance:				
Expendable	-	77,833	77,833	529,164
Other purposes	-	-	-	40,308
Unrestricted (deficit)	(2,663,019)	1,227,233	(1,435,786)	245,837
Total Net Position	$ 22,194,124	$ 3,469,149	$ 25,663,273	$ 1,053,534

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, 2014
(Expressed in Thousands)

ASSETS		
Cash and cash equivalent investments	$	53,867
Receivables:		
Pledges receivable		121,870
Other receivables		23,980
Total receivables		145,850
Investments:		
Investments in securities		1,688,006
Other investments		58,755
Total investments		1,746,761
Net direct financing leases		74,960
Property and equipment, net of accumulated depreciation		324,059
Other assets		56,154
Total Assets		2,401,651
LIABILITIES		
Accounts payable and accrued liabilities		35,009
Liability under endowment trust agreements		355,801
Long-term debt		516,021
Deferred revenue		25,964
Other liabilities		52,682
Total Liabilities		985,477
NET ASSETS		
Permanently restricted		928,428
Temporarily restricted		464,511
Unrestricted		23,235
Total Net Assets	$	1,416,174

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, 2014
(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	$ 763,830	$ 188,943	$ 92,717	$ -
Health and welfare	12,768,332	222,173	9,905,352	-
Inspection and regulation	160,797	157,149	20,832	-
Education	5,573,656	60,981	1,789,328	-
Protection and safety	1,408,049	128,814	157,631	-
Transportation	791,006	113,267	157,705	546,680
Natural resources	200,868	65,596	49,271	-
Intergovernmental revenue sharing	2,778,299	-	-	-
Interest on long-term debt	279,525	-	-	-
Total Governmental Activities	24,724,362	936,923	12,172,836	546,680
Business-type Activities:				
Universities	4,078,053	2,056,307	1,258,140	41,250
Industrial Commission Special Fund	36,895	28,461	-	-
Other	1,130,299	1,296,585	85,782	-
Total Business-type Activities	5,245,247	3,381,353	1,343,922	41,250
Total Primary Government	$ 29,969,609	$ 4,318,276	$ 13,516,758	$ 587,930
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 41,528	$ 35,929	$ 36,371	
University of Arizona Health Network & Subsidiaries	1,364,116	1,295,884	-	
Other Component Units	60,147	29,964	8,072	
Total Component Units	$ 1,465,791	$ 1,361,777	$ 44,443	

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
Extraordinary Items:
- Insurance recovery

Transfers

Total General Revenues, Contributions, Extraordinary Items, and Transfers
- Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (482,170)		$ (482,170)	
(2,640,807)		(2,640,807)	
17,184		17,184	
(3,723,347)		(3,723,347)	
(1,121,604)		(1,121,604)	
26,646		26,646	
(86,001)		(86,001)	
(2,778,299)		(2,778,299)	
(279,525)		(279,525)	
(11,067,923)		(11,067,923)	
	$ (722,356)	(722,356)	
	(8,434)	(8,434)	
	252,068	252,068	
	(478,722)	(478,722)	
(11,067,923)	(478,722)	(11,546,645)	
			$ 30,772
			(68,232)
			(22,111)
			(59,571)
5,948,055	63,669	6,011,724	9,117
3,963,197	-	3,963,197	-
314,313	-	314,313	-
41,215	-	41,215	-
1,650,579	-	1,650,579	-
547,481	-	547,481	12,637
79,215	108,296	187,511	26,021
37,926	107	38,033	57
83,695	-	83,695	-
-	-	-	36,924
176,035	78,837	254,872	17
-	6,561	6,561	-
-	3,900	3,900	-
(578,361)	578,361	-	-
12,263,350	839,731	13,103,081	84,773
1,195,427	361,009	1,556,436	25,202
20,998,697	3,108,140	24,106,837	1,028,332
$ 22,194,124	$ 3,469,149	$ 25,663,273	$ 1,053,534

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	$ 23,812	$ 134,613	$ 37,890	$ 196,315
Rental revenue	46,289	-	-	46,289
Sales and services	36,698	130	-	36,828
Net investment income	31,603	75,162	63,062	169,827
Grants and aid	11,846	-	-	11,846
Other revenues	33,912	4,169	354	38,435
Net assets released from restrictions	181,176	(160,735)	(20,441)	-
Total Revenues	365,336	53,339	80,865	499,540
EXPENSES				
Program services:				
Payments to Universities	157,779	-	-	157,779
Leasing related expenses	10,330	-	-	10,330
Payments on behalf of Universities	20,163	-	-	20,163
Other program services	7,178	-	-	7,178
Management and general expenses	66,923	-	-	66,923
Fundraising expenses	11,621	-	-	11,621
Interest	22,804	-	-	22,804
Depreciation and amortization	19,848	-	-	19,848
Other expenses	16,085	-	-	16,085
Total Expenses	332,731	-	-	332,731
Increase in Net Assets, before extraordinary items	32,605	53,339	80,865	166,809
Extraordinary items (Primarily equity transfers)	-	(472)	-	(472)
Increase in Net Assets, after extraordinary items	32,605	52,867	80,865	166,337
Net Assets - Beginning, as restated	(9,637)	411,987	847,487	1,249,837
Transfers	267	(343)	76	-
Net Assets - Ending	$ 23,235	$ 464,511	$ 928,428	$ 1,416,174

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

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 1,856	$ -	$ 28	$ 1,377	$ 3,261
Cash and pooled investments with State Treasurer	1,515,259	83,448	92,737	816,195	2,507,639
Collateral investment pool	22,897	1,733	430,419	14,898	469,947
Receivables, net of allowances:					
Taxes	288,192	62,117	-	73,579	423,888
Interest	39	-	214,679	-	214,718
Loans and notes	35,783	3,772	286,397	-	325,952
Other	79,550	16,070	5,526	25,949	127,095
Due from U.S. Government	720,481	80,236	-	10,705	811,422
Due from local governments	150,564	-	-	-	150,564
Due from others	132,680	-	-	-	132,680
Due from other Funds	36,093	-	190	25,513	61,796
Inventories, at cost	14,824	6,833	-	-	21,657
Restricted assets:					
Cash	27	-	-	-	27
Cash and pooled investments with State Treasurer	28,000	978,359	-	748,038	1,754,397
Cash held by trustee	15,580	-	-	11,571	27,151
Investments	3,274	-	-	-	3,274
Securities held in escheat	54,087	-	-	-	54,087
Endowment investments	-	-	4,858,023	-	4,858,023
Other	112	-	-	-	112
Total Assets	$ 3,099,298	$ 1,232,568	$ 5,887,999	$ 1,727,825	$ 11,947,690
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 297,988	$ 120,081	$ 5,864	$ 37,698	$ 461,631
Accrued liabilities	667,749	6,883	-	47,555	722,187
Obligations under securities loan agreements	22,897	1,733	430,419	14,898	469,947
Tax refunds payable	2,442	-	-	-	2,442
Due to U.S. Government	7,482	-	-	-	7,482
Due to local governments	1,046,272	125,313	-	77,434	1,249,019
Due to others	377,562	-	1	10,436	387,999
Due to other Funds	212,375	7,287	7,050	26,945	253,657
Unearned revenue	75,857	-	111,596	381	187,834
Total Liabilities	2,710,624	261,297	554,930	215,347	3,742,198
Deferred Inflows of Resources	364,085	-	490,964	796	855,845
Fund Balances:					
Nonspendable	9,600	6,833	4,871,849	-	4,888,282
Restricted	124,390	793,713	-	947,961	1,866,064
Committed	79,837	170,725	-	563,721	814,283
Unassigned	(189,238)	-	(29,744)	-	(218,982)
Total Fund Balances	24,589	971,271	4,842,105	1,511,682	7,349,647
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,099,298	$ 1,232,568	$ 5,887,999	$ 1,727,825	$ 11,947,690

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 POSITION

JUNE 30, 2014

(Expressed in Thousands)

Total fund balances - governmental funds		$	7,349,647
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			21,541,821
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.			855,845
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 Position.			(189,888)
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.			(61,001)
Deferred outflows of resources for the loss on refunding of debt are not reported in the governmental funds.			26,361
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	(3,406,195)		
Grant anticipation notes	(247,710)		
Certificates of participation	(2,200,675)		
Capital leases	(449,209)		
Notes payable	(89,865)		
Premium on debt	(427,865)		(6,821,519)
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.			(293,349)
Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds.			(28,389)
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	(164,883)		
Pollution remediation obligations	(20,521)		(185,404)
Net position of governmental activities		$	22,194,124

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, 2014

(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 5,156,987	$ 243,786	$ -	$ 533,051	$ 5,933,824
Income	4,012,562	-	-	41	4,012,603
Tobacco	68,043	-	-	246,270	314,313
Property	26,240	12,975	-	2,000	41,215
Motor vehicle and fuel	8,534	1,487,934	-	154,111	1,650,579
Other	439,703	-	-	107,778	547,481
Intergovernmental	10,952,638	704,408	-	95,665	11,752,711
Licenses, fees, and permits	89,352	98,402	3,182	284,897	475,833
Hospital and nursing facility assessments	-	-	-	91,578	91,578
Earnings on investments	22,979	6,226	660,778	49,876	739,859
Sales and charges for services	100,409	1,170	60,793	23,310	185,682
Fines, forfeitures, and penalties	24,999	-	-	146,162	171,161
Gaming	6,131	-	-	80,195	86,326
Tobacco settlement	100,765	-	-	-	100,765
Proceeds from sale of trust land	-	-	86,319	-	86,319
Other	163,193	17,745	9,386	18,534	208,858
Total Revenues	21,172,535	2,572,646	820,458	1,833,468	26,399,107
EXPENDITURES					
Current:					
General government	618,964	-	-	131,199	750,163
Health and welfare	12,290,325	-	5,401	347,729	12,643,455
Inspection and regulation	42,635	-	-	118,683	161,318
Education	4,828,811	-	47,419	696,184	5,572,414
Protection and safety	1,108,806	-	2,351	249,230	1,360,387
Transportation	4	672,485	-	15,309	687,798
Natural resources	80,237	-	941	111,865	193,043
Intergovernmental revenue sharing	1,712,501	1,065,798	-	-	2,778,299
Debt service:					
Principal	131,033	51,264	-	311,295	493,592
Interest and other fiscal charges	62,749	520	-	248,755	312,024
Capital outlay	244,589	428,545	12	156,484	829,630
Total Expenditures	21,120,654	2,218,612	56,124	2,386,733	25,782,123
Excess (Deficiency) of Revenues Over Expenditures	51,881	354,034	764,334	(553,265)	616,984
OTHER FINANCING SOURCES (USES)					
Transfers in	328,678	911	31	574,641	904,261
Transfers out	(882,237)	(303,030)	(49,272)	(162,793)	(1,397,332)
Proceeds from sale of capital assets	-	900	-	-	900
Capital lease and installment purchase contracts	100,678	13,236	-	-	113,914
Refunding certificates of participation issued	305,675	-	-	-	305,675
Proceeds from notes and loans	-	29,130	-	-	29,130
Payment to refunded certificates of participation escrow agent	(310,059)	-	-	-	(310,059)
Premium on debt issued	6,770	-	-	-	6,770
Total Other Financing Sources (Uses)	(450,495)	(258,853)	(49,241)	411,848	(346,741)
Net Change in Fund Balances	(398,614)	95,181	715,093	(141,417)	270,243
Fund Balances - Beginning	423,203	876,090	4,127,012	1,653,099	7,079,404
Fund Balances - Ending	$ 24,589	$ 971,271	$ 4,842,105	$ 1,511,682	$ 7,349,647

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, 2014

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 270,243
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	829,630	
Infrastructure adjustment	(94,559)	
Depreciation expense	(112,565)	622,506
The net expense of the internal service funds is included with governmental activities in the Statement of Activities.		(36,467)
Net change in certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are reported as deferred inflows in the governmental funds.		
Sales taxes	14,231	
Income taxes	(49,406)	
Operating grants	118,712	
Right-of-way lease revenue	(1,026)	
Other revenue	2	82,513
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 2014, mortgage payments received 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	(2,624)	
Accrued interest on land sales' contracts	11,958	9,334
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	(122,266)	
Compensated absences	(8,503)	
Pollution remediation obligations	1,562	
Interest on long-term obligations	6,536	
Adjustment for deferred amounts	(19,240)	(141,911)

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, 2014

(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 Position. In the current period, proceeds were received from:		
Refunding certificates of participation issued	(305,675)	
Proceeds from notes and loans	(29,130)	
Premium on debt issued	(6,770)	(341,575)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities and deferred outflows of resources in the Statement of Net Position. In the current year, these amounts consist of:		
Debt service principal	493,592	
Payment to refunded certificates of participation escrow agent	310,059	
Debt premium/discount amortization	44,243	
Amortization of deferred losses on refundings	(3,196)	844,698
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 Position.		(113,914)
Change in net position of governmental activities		$ 1,195,427

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

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	INDUSTRIAL COMMISSION SPECIAL FUND	OTHER	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current Assets:					
Cash	$ 173,156	$ 113,842	$ 4,293	$ 291,291	$ -
Cash with U.S. Treasury	-	-	8,244	8,244	-
Cash and pooled investments with State Treasurer	1,789	888	68,518	71,195	426,111
Restricted cash and pooled investments with State Treasurer	-	-	77,833	77,833	-
Collateral investment pool	-	44,899	-	44,899	-
Short-term investments	173,922	-	-	173,922	-
Receivables, net of allowances:					
Taxes	-	4,182	91,906	96,088	-
Interest	429	1,990	-	2,419	-
Loans and notes	4,171	-	-	4,171	-
Other	136,250	1,260	30,354	167,864	11,221
Due from U.S. Government	86,862	-	73	86,935	3,600
Due from other Funds	218,059	3	144	218,206	2,831
Inventories, at cost	8,542	-	13,602	22,144	3,173
Other current assets	20,156	-	660	20,816	5,532
Total Current Assets	823,336	167,064	295,627	1,286,027	452,468
Noncurrent Assets:					
Restricted assets:					
Cash	23,317	-	-	23,317	-
Cash and pooled investments with State Treasurer	-	-	-	-	975
Cash held by trustee	254,390	-	-	254,390	-
Investments held by trustee	81,360	-	-	81,360	-
Receivables, net of allowances:					
Loans and notes	33,071	-	-	33,071	-
Other	10,411	-	-	10,411	-
Investments	754,386	400,971	-	1,155,357	-
Endowment investments	429,865	-	-	429,865	-
Other noncurrent assets	7,536	-	9,862	17,398	-
Capital assets:					
Land and other non-depreciable	543,030	2,997	2,884	548,911	76
Buildings, equipment, and other depreciable, net of accumulated depreciation	3,911,111	9,843	23,853	3,944,807	82,212
Total Noncurrent Assets	6,048,477	413,811	36,599	6,498,887	83,263
Total Assets	6,871,813	580,875	332,226	7,784,914	535,731
DEFERRED OUTFLOWS OF RESOURCES	51,779	-	-	51,779	-

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	INDUSTRIAL COMMISSION SPECIAL FUND	OTHER	TOTAL ENTERPRISE FUNDS	
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	$ 139,826	$ 4,506	$ 5,289	$ 149,621	$ 136,410
Payable for securities purchased	-	3,472	-	3,472	-
Accrued liabilities	37,110	-	29,939	67,049	865
Obligations under securities loan agreements	-	44,899	-	44,899	-
Due to U.S. Government	-	-	13,025	13,025	-
Due to others	29,685	-	42,660	72,345	-
Due to component units	-	-	260	260	-
Due to other Funds	-	-	29,162	29,162	14
Unearned revenue	171,631	133	2,152	173,916	-
Current portion of accrued insurance losses	-	25,501	-	25,501	59,786
Current portion of long-term debt	124,308	-	-	124,308	-
Current portion of other long-term liabilities	18,620	-	1,873	20,493	10,172
Total Current Liabilities	521,180	78,511	124,360	724,051	207,247
Noncurrent Liabilities:					
Accrued insurance losses	-	458,643	-	458,643	369,543
Funds held for others	47,290	-	-	47,290	-
Long-term debt	3,121,442	-	-	3,121,442	-
Derivative instrument - interest rate swap	14,135	-	-	14,135	-
Other long-term liabilities	62,911	-	73	62,984	148,829
Total Noncurrent Liabilities	3,245,778	458,643	73	3,704,494	518,372
Total Liabilities	3,766,958	537,154	124,433	4,428,545	725,619
NET POSITION					
Net investment in capital assets	1,541,859	12,840	26,737	1,581,436	82,288
Restricted for:					
Unemployment Compensation	-	-	57,585	57,585	-
Capital projects	17,505	-	-	17,505	-
Debt service	12,964	-	-	12,964	-
Universities fund:					
Expendable	274,835	-	-	274,835	-
Nonexpendable	219,758	-	-	219,758	-
Loans and other financial assistance:					
Expendable	-	-	77,833	77,833	-
Unrestricted (deficit)	1,089,713	30,881	45,638	1,166,232	(272,176)
Total Net Position	$ 3,156,634	$ 43,721	$ 207,793	$ 3,408,148	$ (189,888)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				61,001	
Net position of business-type activities				$ 3,469,149	

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

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	INDUSTRIAL COMMISSION SPECIAL FUND	OTHER	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of $483,109	$ 1,570,546	$ -	$ -	$ 1,570,546	$ -
Auxiliary enterprises, net of scholarship allowances of $21,531	382,991	-	-	382,991	-
Educational department	102,770	-	-	102,770	-
Other	-	-	838,728	838,728	1,006,504
Unemployment assessments	-	-	455,979	455,979	-
Workers' compensation assessments	-	22,391	-	22,391	-
Intergovernmental	556,539	-	84,094	640,633	-
Nongovernmental grants and contracts	127,500	-	-	127,500	-
Fines, forfeitures, and penalties	-	-	1,878	1,878	-
Settlement income	-	6,070	-	6,070	-
Other	45,082	-	7,800	52,882	56
Total Operating Revenues	2,785,428	28,461	1,388,479	4,202,368	1,006,560
OPERATING EXPENSES					
Cost of sales and benefits	1,094,086	31,176	1,032,842	2,158,104	795,129
Scholarships and fellowships	232,278	-	-	232,278	-
Personal services	2,372,383	-	42,109	2,414,492	39,371
Contractual services	-	-	26,083	26,083	22,679
Depreciation and amortization	262,307	1,338	2,232	265,877	13,673
Insurance	-	-	726	726	82,940
Other	-	-	8,950	8,950	5,445
Total Operating Expenses	3,961,054	32,514	1,112,942	5,106,510	959,237
Operating Income (Loss)	(1,175,626)	(4,053)	275,537	(904,142)	47,323
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	63,669	-	-	63,669	-
Intergovernmental	291,951	-	-	291,951	-
Gifts and donations	248,845	-	-	248,845	-
Gain (loss) on sale of capital assets	(755)	(7)	(9)	(771)	36
Investment income	48,356	59,020	2,608	109,984	4
Endowment earnings on investments	33,305	-	-	33,305	-
Other non-operating revenue	24,510	2,154	62	26,726	312
Distributions	-	-	(14,763)	(14,763)	-
Interest expense	(126,966)	-	(2,538)	(129,504)	-
Other non-operating expense	(9,642)	(4,381)	(56)	(14,079)	-
Total Non-Operating Revenues (Expenses)	573,273	56,786	(14,696)	615,363	352
Income (Loss) Before Contributions, Extraordinary Items, and Transfers	(602,353)	52,733	260,841	(288,779)	47,675
Capital grants and contributions	41,250	-	107	41,357	20,757
Contributions to permanent endowments	6,561	-	-	6,561	-
Extraordinary Items:					
Insurance recovery	3,900	-	-	3,900	-
Transfers in	737,316	8,000	-	745,316	-
Transfers out	-	-	(166,955)	(166,955)	(85,290)
Change in Net Position	186,674	60,733	93,993	341,400	(16,858)
Total Net Position - Beginning, as restated	2,969,960	(17,012)	113,800	3,066,748	(173,030)
Total Net Position - Ending	$ 3,156,634	$ 43,721	$ 207,793	$ 3,408,148	$ (189,888)

Change in net position of enterprise funds	$ 341,400
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	19,609
Change in net position of business-type activities	$ 361,009

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

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STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	INDUSTRIAL COMMISSION SPECIAL FUND	OTHER	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ 445,267	$ 445,267	$ -
Receipts from assessments	-	23,137	458,133	481,270	-
Receipts from student tuition and fees	1,553,824	-	-	1,553,824	-
Receipts from sales and services of auxiliary enterprises	382,808	-	-	382,808	-
Receipts from sales and services of educational departments	104,497	-	-	104,497	-
Receipts from interfund services / premiums	-	-	-	-	1,007,797
Receipts from grants and contracts	680,943	-	84,095	765,038	-
Receipts from student loans collected	5,696	-	-	5,696	-
Receipts from settlement income	-	6,070	62	6,132	-
Payments to suppliers, prize winners, claimants, or insurance companies	(1,088,613)	(27,388)	(679,431)	(1,795,432)	(853,863)
Payments to employees	(2,334,239)	-	(57,045)	(2,391,284)	(38,851)
Payments to retirees	-	-	-	-	(12,172)
Payments for scholarships and fellowships	(235,656)	-	-	(235,656)	-
Payments for student loans issued	(7,529)	-	-	(7,529)	-
Other receipts	72,512	2,154	17,345	92,011	275
Other payments	-	-	(94,376)	(94,376)	-
Net Cash Provided (Used) by Operating Activities	(865,757)	3,973	174,050	(687,734)	103,186
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipts from custodial funds	410,166	-	-	410,166	-
Receipts from share of State sales tax	65,856	-	-	65,856	-
Receipts from grants and contributions	1,412,506	-	-	1,412,506	-
Transfers from other Funds	685,082	8,000	-	693,082	-
Custodial funds disbursed	(410,902)	-	-	(410,902)	-
Grants and contributions disbursed	(847,439)	-	-	(847,439)	-
Distributions	-	-	(14,763)	(14,763)	-
Interest paid on loan due to U.S. Government	-	-	(7,751)	(7,751)	-
Transfers to other Funds	-	-	(190,755)	(190,755)	(85,290)
Other receipts	12,354	-	-	12,354	-
Net Cash Provided (Used) by Non-capital Financing Activities	1,327,623	8,000	(213,269)	1,122,354	(85,290)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	360	-	30	390	1,345
Proceeds from capital debt, installment purchase contracts, and capital leases	145,697	-	-	145,697	-
Receipts from federal subsidy	15,874	-	-	15,874	-
Receipts from capital grants and contributions	51,960	-	-	51,960	-
Receipts from insurance recoveries	-	-	-	-	90
Transfers from other Funds	34,312	-	-	34,312	-
Acquisition and construction of capital assets	(442,036)	-	(1,343)	(443,379)	(2,043)
Interest paid on capital debt, installment purchase contracts, and capital leases	(132,152)	-	-	(132,152)	-
Principal paid on capital debt, installment purchase contracts, and capital leases	(108,286)	-	-	(108,286)	-
Net Cash (Used) by Capital and Related Financing Activities	(434,271)	-	(1,313)	(435,584)	(608)

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

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	INDUSTRIAL COMMISSION SPECIAL FUND	OTHER	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	244,441	328,796	-	573,237	-
Interest and dividends from investments	38,092	13,389	2,596	54,077	6
Change in cash collateral received from securities lending transactions	-	19	(44)	(25)	-
Purchase of investments	(322,085)	(300,760)	-	(622,845)	-
Net Cash Provided (Used) by Investing Activities	(39,552)	41,444	2,552	4,444	6
Net Increase (Decrease) in Cash and Cash Equivalents	(11,957)	53,417	(37,980)	3,480	17,294
Cash and Cash Equivalents - Beginning	464,609	106,212	196,868	767,689	409,792
Cash and Cash Equivalents - Ending	$ 452,652	$ 159,629	$ 158,888	$ 771,169	$ 427,086
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (1,175,626)	$ (4,053)	$ 275,537	$ (904,142)	$ 47,323
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	262,307	1,338	2,232	265,877	13,673
Provision for uncollectible accounts	-	-	13	13	-
Miscellaneous income (expense)	25,279	(189)	62	25,152	221
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(32,106)	734	8,051	(23,321)	(558)
Decrease in due from U.S. Government	-	-	1	1	1,800
Decrease in due from other Funds	-	-	43	43	62
(Increase) decrease in inventories, at cost	870	-	(2,485)	(1,615)	549
(Increase) decrease in other assets	20	-	(644)	(624)	39
Increase (decrease) in accounts payable	18,193	(182)	(3,450)	14,561	18,483
Increase in accrued liabilities	8,731	-	2,919	11,650	157
(Decrease) in due to U.S. Government	-	-	(98,444)	(98,444)	-
(Decrease) in due to other Funds	-	-	(2)	(2)	(15,476)
(Decrease) in due to others	-	-	(7,271)	(7,271)	-
Increase (decrease) in unearned revenue	26,575	28	(2,982)	23,621	(13)
Increase in accrued insurance losses	-	6,297	-	6,297	33,714
Increase in other liabilities	-	-	470	470	3,212
Net Cash Provided (Used) by Operating Activities	$ (865,757)	$ 3,973	$ 174,050	$ (687,734)	$ 103,186
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other Funds	$ -	$ -	$ 107	$ 107	$ 20,757
Gifts and conveyances of capital assets	882	-	-	882	-
(Loss) on disposal of capital assets, net	(1,319)	(7)	(9)	(1,335)	-
Increase in fair value of investments	19,982	44,450	-	64,432	-
Amortization of bond discount	(2,400)	-	-	(2,400)	-
Amortization of bond premium	9,953	-	-	9,953	-
Amortization of unearned rent	4,900	-	-	4,900	-
Refinancing long-term debt	16,315	-	-	16,315	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ 48,313	$ 44,443	$ 98	$ 92,854	$ 20,757

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

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS	AGENCY FUNDS
ASSETS			
Cash	$ 355,172	$ -	$ 50,315
Cash and pooled investments with State Treasurer	-	21,000	69,880
Short-term investments	-	-	8,236
Receivables, net of allowances:			
Accrued interest and dividends	70,529	3,037	1
Securities sold	87,478	-	-
Forward contracts receivable	438,188	-	-
Contributions	94,532	-	-
Court fees	683	-	-
Due from other Funds	9,760	-	-
Other	39,842	-	2
Total receivables	741,012	3,037	3
Investments, at fair value:			
Temporary investments	1,749,791	-	-
Fixed income securities	7,790,204	2,720,310	-
Corporate stocks	23,653,151	-	-
Global tactical asset allocation	4,212,886	-	-
Real assets	555,868	-	-
Real estate	2,969,305	-	-
Private equity	1,081,812	-	-
Opportunistic investments	714,557	-	-
Collateral investment pool	601,169	16,715	-
Other investments	713,214	-	-
Total investments	44,041,957	2,737,025	-
Due from others	-	-	82,589
Custodial securities in safekeeping	-	-	3,846,490
Other assets	-	-	1,658
Property and equipment, net of accumulated depreciation	4,355	-	-
Total Assets	45,142,496	2,761,062	4,059,171
LIABILITIES			
Accounts payable and other current liabilities	81,582	-	-
Payable for securities purchased	335,571	-	-
Management fee payable	-	137	-
Obligation under securities loan agreements	601,169	16,715	-
Forward contracts payable	416,884	-	-
Due to local governments	-	-	1,012
Due to others	-	-	4,058,159
Due to other Funds	9,760	-	-
Total Liabilities	1,444,966	16,852	4,059,171
NET POSITION			
Held in trust for:			
Pension benefits	41,440,778	-	-
Other post-employment benefits	2,256,752	-	-
Pool participants	-	2,744,210	-
Total Net Position	$ 43,697,530	$ 2,744,210	$ -

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

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS:		
Member contributions	$ 1,218,175	$ -
Employer contributions	1,576,220	-
Non-employer entity contributions	5,000	-
Member purchase of service credit	43,915	-
Court fees	8,541	-
Investment income:		
Net increase in fair value of investments	6,394,466	3,018
Interest income	202,978	14,476
Dividends	410,304	-
Other investment income	94,498	-
Securities lending income	4,949	187
Total investment income	7,107,195	17,681
Less investment expenses:		
Investment activity expenses	313,515	1,639
Securities lending expenses	681	93
Net investment income	6,792,999	15,949
Capital share and individual account transactions:		
Shares sold	-	4,353,027
Reinvested interest income	-	11,831
Shares redeemed	-	(4,589,103)
Net capital share and individual account transactions	-	(224,245)
Other additions	32,080	-
Total Additions	9,676,930	(208,296)
DEDUCTIONS:		
Retirement, disability, and survivor benefits	3,503,338	-
Health insurance subsidy	17,566	-
Refunds to withdrawing members, including interest	291,238	-
Administrative expense	37,365	-
Dividends to investors	-	14,198
Other deductions	2,847	-
Total Deductions	3,852,354	14,198
Change in net position held in trust for:		
Pension benefits	5,522,970	-
Other post-employment benefits	301,606	-
Pool participants	-	(222,494)
Net Position - Beginning	37,872,954	2,966,704
Net Position - Ending	$ 43,697,530	$ 2,744,210

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

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY OF ARIZONA HEALTH NETWORK & SUBSIDIARIES	OTHER COMPONENT UNITS	TOTAL
ASSETS				
Current Assets:				
Cash	$ -	$ 46,703	$ 23,871	$ 70,574
Cash and pooled investments with State Treasurer	196,574	-	127,994	324,568
Cash held by trustee	11,533	-	-	11,533
Collateral investment pool	1,036	-	2,452	3,488
Short-term investments	-	111,290	-	111,290
Restricted investments held by trustee	-	22,674	5,343	28,017
Receivables, net of allowances:				
Taxes	-	-	2,672	2,672
Interest	8,546	-	15	8,561
Loans and notes	-	-	1,673	1,673
Patient accounts receivable	-	161,330	-	161,330
Other	8,558	77,062	4,083	89,703
Inventories, at cost	-	21,171	-	21,171
Other current assets	-	-	2,394	2,394
Total Current Assets	226,247	440,230	170,497	836,974
Noncurrent Assets:				
Restricted assets:				
Cash and pooled investments with State Treasurer	-	-	11,965	11,965
Cash held by trustee	-	-	17,342	17,342
Investments	85,996	67,346	-	153,342
Investments held by trustee	-	28,124	7,757	35,881
Loans and notes receivable, net of allowances	1,094,306	-	23,139	1,117,445
Other receivables, net of allowances	-	7,512	-	7,512
Investments	28,280	-	-	28,280
Other noncurrent assets	-	2,246	606	2,852
Capital assets:				
Land and other non-depreciable	-	27,890	11,277	39,167
Buildings, equipment, and other depreciable, net of accumulated depreciation	18	390,125	26,006	416,149
Total Noncurrent Assets	1,208,600	523,243	98,092	1,829,935
Total Assets	1,434,847	963,473	268,589	2,666,909
DEFERRED OUTFLOWS OF RESOURCES	25,908	-	33,791	59,699
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	-	98,136	11,646	109,782
Accrued liabilities	9,479	98,564	650	108,693
Obligations under securities loan agreements	1,036	-	2,452	3,488
Current portion of accrued insurance losses	-	9,710	-	9,710
Current portion of long-term debt	46,495	27,481	10,160	84,136
Current portion of other long-term liabilities	104	30,255	-	30,359
Total Current Liabilities	57,114	264,146	24,908	346,168
Noncurrent Liabilities:				
Unearned revenue	2,033	-	-	2,033
Accrued insurance losses	-	21,553	-	21,553
Long-term debt	846,252	335,805	117,008	1,299,065
Other long-term liabilities	-	4,255	-	4,255
Total Noncurrent Liabilities	848,285	361,613	117,008	1,326,906
Total Liabilities	905,399	625,759	141,916	1,673,074
NET POSITION				
Net investment in capital assets	18	72,668	34,029	106,715
Restricted for:				
Debt service	85,996	10,195	35,319	131,510
Loans and other financial assistance	470,571	-	58,593	529,164
Other	-	17,712	22,596	40,308
Unrestricted	(1,229)	237,139	9,927	245,837
Total Net Position	$ 555,356	$ 337,714	$ 160,464	$ 1,053,534

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, 2014
(Expressed in Thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Water Infrastructure Finance Authority	$ 41,528	$ 35,929	$ 36,371
University of Arizona Health Network & Subsidiaries	1,364,116	1,295,884	-
Other Component Units	60,147	29,964	8,072
Total	$ 1,465,791	$ 1,361,777	$ 44,443

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

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY OF ARIZONA HEALTH NETWORK & SUBSIDIARIES	OTHER COMPONENT UNITS	TOTAL
$ 30,772	$ -	$ -	$ 30,772
-	(68,232)	-	(68,232)
-	-	(22,111)	(22,111)
-	-	9,117	9,117
-	-	12,637	12,637
5,998	18,754	1,269	26,021
-	-	57	57
-	-	36,924	36,924
-	-	17	17
36,770	(49,478)	37,910	25,202
518,586	387,192	122,554	1,028,332
$ 555,356	$ 337,714	$ 160,464	$ 1,053,534

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2014
(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	$ 9,326	$ 22,798	$ 3,157	$ 18,586	$ 53,867
Receivables:					
Pledges receivable	105,524	3,651	-	12,695	121,870
Other receivables	3,125	-	101	20,754	23,980
Total receivables	108,649	3,651	101	33,449	145,850
Investments:					
Investments in securities	714,592	768,158	16,426	188,830	1,688,006
Other investments	45,838	-	-	12,917	58,755
Total investments	760,430	768,158	16,426	201,747	1,746,761
Net direct financing leases	24,545	-	43,040	7,375	74,960
Property and equipment, net of accumulated depreciation	14,059	12,415	175,424	122,161	324,059
Other assets	25,248	10,776	4,189	15,941	56,154
Total Assets	942,257	817,798	242,337	399,259	2,401,651
LIABILITIES					
Accounts payable and accrued liabilities	5,768	2,378	7,688	19,175	35,009
Liability under endowment trust agreements	114,146	214,110	-	27,545	355,801
Long-term debt	73,290	-	289,085	153,646	516,021
Deferred revenue	-	-	-	25,964	25,964
Other liabilities	35,584	6,302	-	10,796	52,682
Total Liabilities	228,788	222,790	296,773	237,126	985,477
NET ASSETS					
Permanently restricted	398,876	463,772	-	65,780	928,428
Temporarily restricted	278,169	120,883	-	65,459	464,511
Unrestricted (deficit)	36,424	10,353	(54,436)	30,894	23,235
Total Net Assets	$ 713,469	$ 595,008	$ (54,436)	$ 162,133	$ 1,416,174

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, 2014
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	$ 59,971	$ 98,685	$ -	$ 37,659	$ 196,315
Rental revenue	1,036	-	14,701	30,552	46,289
Sales and services	21,276	-	9,470	6,082	36,828
Net investment income	77,321	70,937	1	21,568	169,827
Grants and aid	-	-	-	11,846	11,846
Other revenues	11,190	10,255	8,642	8,348	38,435
Total Revenues	170,794	179,877	32,814	116,055	499,540
EXPENSES					
Program services:					
Payments to Universities	71,263	73,409	24	13,083	157,779
Leasing related expenses	-	-	-	10,330	10,330
Payments on behalf of Universities	-	14,829	-	5,334	20,163
Other program services	-	-	-	7,178	7,178
Management and general expenses	25,520	4,227	9,070	28,106	66,923
Fundraising expenses	-	8,269	-	3,352	11,621
Interest	1,970	-	13,098	7,736	22,804
Depreciation and amortization	867	-	12,587	6,394	19,848
Other expenses	13,519	-	61	2,505	16,085
Total Expenses	113,139	100,734	34,840	84,018	332,731
Increase (decrease) in Net Assets, before extraordinary items	57,655	79,143	(2,026)	32,037	166,809
Extraordinary item (Primarily equity transfers)	-	-	-	(472)	(472)
Increase (decrease) in Net Assets, after extraordinary items	57,655	79,143	(2,026)	31,565	166,337
Net Assets - Beginning, as restated	655,814	515,865	(52,410)	130,568	1,249,837
Net Assets - Ending	$ 713,469	$ 595,008	$ (54,436)	$ 162,133	$ 1,416,174

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
INDEX

Page

Note 1. Summary of Significant Accounting Policies --- 65
- A. Reporting Entity --- 65
- B. Basis of Presentation --- 70
- C. Measurement Focus and Basis of Accounting --- 71
- D. Deposits and Investments --- 72
- E. Taxes Receivable --- 73
- F. Inventories --- 73
- G. Capital Assets --- 73
- H. Deferred Outflows of Resources --- 74
- I. Investment Earnings --- 74
- J. Scholarship Allowances --- 74
- K. Unearned Revenue --- 75
- L. Compensated Absences --- 75
- M. Long-Term Obligations --- 75
- N. Deferred Inflows of Resources --- 75
- O. Net Position/Fund Balances --- 75
- P. New Accounting Pronouncements --- 77

Note 2. Deposits and Investments --- 77
- A. Deposits and Investment Policies --- 77
- B. Custodial Credit Risk – Deposits and Investments --- 79
- C. Interest Rate Risk --- 79
- D. Credit Risk --- 82
- E. Concentration of Credit Risk --- 83
- F. Foreign Currency Risk --- 83
- G. Securities Lending --- 84
- H. Derivatives --- 86
- I. State Treasurer's Separately Issued Financial Statements --- 90

Note 3. Receivables/Deferred Outflows and Inflows of Resources/Unearned Revenue --- 90
- A. Taxes Receivable --- 90
- B. Deferred Outflows of Resources and Deferred Inflows of Resources --- 90
- C. Unearned Revenue --- 91

Note 4. Capital Assets --- 92

Note 5. Pension Benefits --- 93
- A. Participating Employers --- 93
- B. Contributions, Benefits, and Refund Payments --- 93
- C. Funding Policy --- 93
- D. Annual Pension Cost --- 94
- E. Funded Status and Funding Progress --- 95
- F. Actuarial Methods and Assumptions --- 95
- G. Universities' Retirement Plans --- 95

Note 6. Other Post-Employment Benefits --- 96
- A. Plan Description --- 96
- B. Contributions, Benefits, and Refund Payments --- 97
- C. Funding Policy --- 97
- D. Annual OPEB Cost --- 97
- E. Funded Status and Funding Progress --- 98
- F. Actuarial Methods and Assumptions --- 98

Note 7. Long-Term Obligations --- 99
- A. Revenue Bonds --- 99
- B. Grant Anticipation Notes --- 104
- C. Certificates of Participation --- 105
- D. Leases --- 109
- E. Compensated Absences --- 110
- F. Changes in Long-Term Obligations --- 110

Note 8. Interfund Transactions --- 111

Note 9. Accounting Changes --- 112
- A. Fund Financial Statements --- 112
- B. Government-wide Financial Statements --- 112

Note 10. Governmental Fund Balances --- 113

Note 11. Fund Deficit --- 113
- A. Risk Management Fund (RMF) --- 113
- B. Retiree Accumulated Sick Leave Fund (RASL) --- 113

Note 12. Joint Ventures --- 114
- A. Large Binocular Telescope Corporation --- 114
- B. Giant Magellan Telescope Organization --- 114

Note 13. Commitments, Contingencies, and Compliance --- 114
- A. Insurance Losses --- 114
- B. Litigation --- 116
- C. Accumulated Sick Leave --- 116
- D. Unclaimed Property --- 117
- E. Construction Commitments --- 117
- F. Arizona State Lottery --- 117

Note 14. Tobacco Settlement --- 117

Note 15. Subsequent Events --- 118

Note 16. Discretely Presented Component Unit Disclosures --- 118
- A. Summary of Significant Accounting Policies --- 118
- B. Deposits and Investments --- 120
- C. Program Loans --- 122
- D. Pledges Receivable --- 122
- E. Direct Financing Lease Agreements --- 123
- F. Capital Assets --- 124
- G. Long-Term Obligations --- 124
- H. Conduit Debt --- 127
- I. Subsequent Events --- 128

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 16 – *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 has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Where the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity if it is fiscally dependent on the State and there is a potential for the organization to either provide specific financial benefits to, or to impose specific financial burdens on, the State. Further, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading.

In addition, GASB requires that legally separate, tax-exempt entities that meet *all* of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Northern Arizona Capital Facilities Finance Corporation (NACFFC) is blended with the Universities financial statements. The NACFFC was established for the purpose of acquiring, developing, constructing, and operating student housing and other capital facilities and equipment for the use and benefit of Northern Arizona University's (NAU) students. The NACFFC Board of Directors is appointed by the NAU, the NACFFC is controlled and operated by the NAU personnel, and the NACFFC's debt outstanding is expected to be repaid entirely or almost entirely with resources from the NAU.

The State reports the following component units as fiduciary funds:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, pension plan that benefits employees of the State and participating political subdivisions and school districts. The ASRS is administered in accordance with provisions of Arizona Revised Statutes (A.R.S.) Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms. The State has the ability to impose its will on the ASRS as the State Legislature can modify the plan design and benefits. Additionally, per A.R.S. § 38-721, the State Legislature appropriates monies to pay for the administrative expenses of the ASRS. Complete financial statements may be

obtained from the ASRS's administrative office at P.O. Box 33910, Phoenix, AZ 85067-3910, (602) 240-2000, or its website at 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 A.R.S. 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. The State has the ability to impose its will on the PSPRS as the State Legislature can modify the plan design and benefits. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at 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 A.R.S. Title 38, Chapter 5, Article 3. The State has the ability to impose its will on the EORP as the State Legislature can modify the plan design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at www.psprs.com.

The Corrections Officer Retirement Plan (CORP) is a multiple-employer public employee retirement plan that benefits prison and jail employees of certain state, county and local governments. CORP includes a cost-sharing multiple-employer plan for Administrative Office of the Courts (AOC) probation officers and an agent multiple-employer plan for all other members. The Board of Trustees (formerly Fund Manager) of the PSPRS, 26 local boards of the CORP, and 15 local boards of the AOC administer the plans according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. The State has the ability to impose its will on the CORP and AOC as the State Legislature can modify the plans' design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at 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, 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. The State has the ability to impose its will on the UAHN as it must approve amendments to the articles of incorporation and bylaws of the board of directors. The UAHN must also receive approval from the State prior to entering any business transaction that may adversely affect the interest of the State. 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; thus, the State has the ability to impose its will on WIFA. 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. A financial benefit/burden relationship exists between the State and GADA as its fund was originally capitalized with General Fund appropriations and the State Legislature has swept monies from its fund over the years to balance the State's budget. 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 A.R.S., 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; thus, the State has the ability to impose its will on Rio Nuevo. Complete financial statements may be obtained from Rio Nuevo's administrative office at 400 West Congress, Suite 152, Tucson, AZ 85701, (520) 623-7336, or its website at rionuevo.org.

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. The APA is required to follow specific State policies; thus, the State has the ability to impose its will on APA. Complete financial statements may be obtained from the APA's administrative 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. A financial benefit/burden relationship exists between the State and ACA as its primary funding source is the allocated State General Fund withholding tax revenues received in each fiscal year according to A.R.S. § 43-409. Complete financial statements may be obtained from the ACA's administrative office at 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, with the exception of Downtown Phoenix Student Housing, LLC, the ASU Preparatory Academy, Inc. (ASU Prep) – formerly known as the University Public Schools, Inc., and Campus Research Corporation (CRC). The Downtown Phoenix Student Housing, LLC is included due to the nature and significance of the financial arrangement that it has with the State and that the State believes would be misleading to exclude. The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.

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

Arizona State University Foundation for a New American University (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. The directors of the ASU Foundation make all decisions regarding the ASU Foundation's business affairs, including distributions made to the ASU. The economic resources held by the ASU Foundation are significant to the ASU and are entirely for the benefit of the ASU.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for use by students of ASU or ASU itself. A fiscal dependency and financial benefit/burden relationship exists between the ACFFC and the ASU.

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 restricted resources held by the U of A Foundation are significant to the U of A and can only be used by, or for the benefit of, the U of A or its constituents.

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. The economic resources held by these three component units are significant to the ASU and are entirely for the benefit of the ASU.

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. In developing the research park, bonds were issued that are guaranteed by ASU. A fiscal dependency and financial benefit/burden relationship exists between the ASU Research Park and the ASU.

Downtown Phoenix Student Housing, LLC – This component unit of the State affiliated with the Universities provides housing facilities for use by students of the ASU.

ASU Prep – The ASU Prep prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities.

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. The economic resources held by the U of A Alumni Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Law College Association (Law Association) – The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The economic resources held by the Law Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Campus Research Corporation (CRC) – The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (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.

University of Arizona Eller Executive Education (EEE) – The EEE was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders. The U

of A president appoints all EEE board members and can remove any member at will; thus, the U of A can impose its will on the EEE.

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. The restricted resources of the NAU Foundation can only be used by, or for the benefit of NAU or its constituents.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained as follows:

ASU Foundation, ACFFC, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, LLC, Downtown Phoenix Student Housing, LLC, and the ASU Prep – contact ASU Financial Services at (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, 9070 South Rita Road, Suite 1750, Tucson, AZ 85747

EEE – Eller Executive Education, 405 McClelland Hall, Tucson, AZ 85721

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, 1303 E. University Blvd., Box 4, Tucson, AZ 85719-0521.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB for inclusion. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – A.R.S. § 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) – A.R.S. § 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) – A.R.S. § 5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority (the Authority) – A.R.S. § 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 A.R.S. § 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.

Joint Ventures

As described in Note 12, the U of A participates in joint ventures. In accordance with U.S. GAAP, the financial activities of these joint ventures are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Position** presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Both the governmental and business-type activities are presented on a consolidated basis by column.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- 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.

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

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, and property collected by the State.

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 position are available, the State considers restricted and unrestricted amounts to have been spent in that order.

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Position (unrestricted/restricted) "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "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 State Street 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. All bonds are priced using an evaluated bid, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). The evaluated bid is based on a compilation of primary observable market information or a broker quote in a non-active market.

The ASRS' publicly traded investments are reported at fair value determined by the custodial agents. The agents' determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. 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. The fair value of limited partnership investments are based on estimated current values and accepted industry practice. Fair value is based on estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. 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. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

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. 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 inflows of resources.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2014. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2014, 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. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the appraised or 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 the GASB. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, 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 9.2 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.

H. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets.

I. INVESTMENT EARNINGS

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Position. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Position.

K. UNEARNED REVENUE

In the government-wide, governmental fund, and proprietary fund financial statements, unearned revenue is recorded when cash, receivables, or other assets are received prior to their being earned.

L. 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 hours 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 13.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.

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. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources decrease fund balance, similar to liabilities.

O. NET POSITION/FUND BALANCES

The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary, and fiduciary fund financial statements. The difference between (a) fund assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is "Fund Balance" on the governmental fund financial statements.

Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Five classifications are available for reporting fund balances:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted or committed) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources that are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Arizona State Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the Legislature, creating, modifying, or rescinding fund balance commitments.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State does not have policies or procedures comparable to the policies that underlie this classification and, accordingly, does not report assigned fund balances.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which restricted, committed, and unassigned fund balance is available, the State considers restricted, committed, and unassigned amounts to have been spent in that order.

Budget Stabilization Fund

The State's Budget Stabilization Fund (BSF) was enacted in 1990 by A.R.S. § 35-144. The BSF is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the "Rainy Day Fund."

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The amount is based on calculations from the Arizona Economic Estimates Commission (EEC). The EEC compares the annual growth rate of 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, including earnings on investments, as of June 30, 2014, was $455.3 million.

P. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for periods beginning after December 15, 2012. The State has implemented the requirements of this standard and, as a result, beginning net position was restated for the business-type activities and component units.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The State has implemented the requirements of this standard but they had no effect on the financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statements No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The State has implemented the requirements of this standard but they had no effect on the financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The State has implemented the requirements of this standard but they had no effect on the financial statements.

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.

A.R.S. § 35-312, § 35-313, and § 35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective 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 entities which are U.S. dollar denominated, commercial paper issued by entities which are U.S. dollar denominated, bankers acceptances, collateralized repurchase agreements, money market mutual funds, exchange traded funds, equities, and other securities. The State Treasurer is not allowed to invest in foreign investments unless the investment is denominated in U.S. dollars.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool - FF&C, Local Government Investment Pool – Medium Term, and Local Government Investment Pool – Medium Term FF&C]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. § 35-311.

In September 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of $39.4 million was transferred to the Lehman Brothers Pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities.

In December 2011, the United States Bankruptcy Court for the Southern District of New York entered an order confirming the Modified Third Amended Lehman Brothers Joint Plan of Liquidation. During the current year, approximately $4.8 million was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received was allocated to participants based on the participant's share balance and then transferred to the LGIP, reducing the carry or cost basis in the Lehman Brothers Pool. As of June 30, 2014, the carry or cost basis and the fair value for the Lehman Brothers Pool were $28.8 million and $5.4 million, respectively. There was a distribution in October 2014, and future distributions are generally expected every six months thereafter. 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 Position Value (NPV) of the shares. The NPV 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 a like capacity and familiar with the same matters would use in the conduct of an enterprise of a like character and with like aims as that of the system.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, derivatives, commodities, real estate, private equity, and opportunistic debt and equity investments. Per A.R.S. § 38-718, no more than 80% of the ASRS' assets may be invested at any given time in equities, measured at market value. No more than 40% of the ASRS' assets may be in non-U.S. public investments, measured at market value. No more than 60% of the ASRS' assets may be invested internally, measured at market value. No more than 10% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank, measured at market value. 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 60% 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 A.R.S. § 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 A.R.S. § 23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under A.R.S. § 38-718.

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, 2014, the State had uninsured and uncollateralized deposits in the amount of $62.7 million and $14.9 million in deposits that were uninsured with collateral 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, 2014, the State had $117.4 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating A.R.S. limitations into their investment policy and setting forth various thresholds or parameters relating to interest rate risk in accordance with each investment pool's 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 endowment funds portfolio has no such limitations. The capital projects fund's portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital 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, 2014 (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Asset backed securities	$ 614,520	1.95
Certificates of deposit (negotiable)	207,661	0.05
Commercial mortgage backed securities	104,095	28.21
Commercial paper	1,067,517	0.10
Corporate notes & bonds	1,899,909	3.26
FDIC certificates of deposit	188,817	0.13
Government bonds	339,336	4.05
Money market mutual funds	189,580	0.07
Repurchase agreements	1,925,000	0.00
U.S. agency mortgage backed securities	1,310,155	21.22
U.S. agency mortgage backed securities – full faith	500,867	19.29
U.S. agency securities	1,151,936	2.49
U.S. agency securities – full faith	60,316	2.96
U.S. Treasury securities	1,500,637	2.19
Other	160	32.00
Total	$ 11,060,506	5.03

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 utilizes 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, 2014 (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	$ 5,363	1.60
Commercial mortgage backed securities	67,075	1.50
Corporate bonds	1,563,343	4.60
Emerging market debt	417,186	*
Fixed income mutual funds	735,857	*
Government agency CMOs	785,487	2.80
Government bonds	1,103,905	6.30
Government mortgage backed securities	76,120	3.80
Government related bonds	256,568	5.40
Opportunistic debt	930,906	*
Private debt	1,201,508	*
U.S. Treasury securities	760,704	0.30
Total	$ 7,904,022	3.97

* Duration calculations for some securities are not available.

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, 2014 (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)	$ 27,691	$ 6,878	$ 20,813	$ -	$ -	$ -	$ -
Collateralized bond obligations (CBOs)	22,093	-	12,350	-	-	-	9,743
Corporate notes & bonds	880,240	13,147	198,704	17,932	12,979	3,858	633,620
Fixed income mutual funds	15,256	5,316	3,791	5,999	150	-	-
Government bonds	3,649	1,100	2,549	-	-	-	-
Money market mutual funds	155,534	155,534	-	-	-	-	-
U.S. agency securities	253,844	143,444	81,107	189	-	10,531	18,573
U.S. Treasury securities	31,420	-	31,347	73	-	-	-
Total	$ 1,389,727	$ 325,419	$ 350,661	$ 24,193	$ 13,129	$ 14,389	$ 661,936

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, 2014 (expressed in thousands):

Interest Rate Terms	Corporate Notes & Securities	U.S. Agency Securities	Other	Total
Investments (including full faith) with coupon tied to the London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point which resets monthly, quarterly, or semi-annually.	$ 567,937	$ 207,321	$ 29,558	$ 804,816
Asset backed securities (including full faith) with coupon tied to the LIBOR plus/minus a fixed basis point which resets from monthly to quarterly.	196,802	-	-	196,802
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 of the investment.	97,343	1,811,022	-	1,908,365
Other investments with high sensitivity to rate changes.	-	150,348	64,999	215,347
Total	$ 862,082	$ 2,168,691	$ 94,557	$ 3,125,330

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 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 A-1 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, 2014. 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	$ 568,249	$ 441,208	$ 1,564	$ 14,024	$ -	$ -	$ -	$ -	$ 106,869	$ 4,584
CBOs	22,093	-	-	-	-	-	-	-	-	22,093
Certificates of deposit (negotiable)	217,911	-	28,237	20,921	-	-	-	-	158,503	10,250
Commercial mortgage backed securities	171,065	160,844	-	5,391	4,024	-	-	-	-	806
Commercial paper	1,067,517	-	-	-	-	-	-	-	1,067,517	-
Corporate notes & bonds	4,343,492	69,962	509,428	1,278,776	712,425	329,215	541,184	222,628	-	679,874
Emerging market debt	417,186	-	-	-	-	-	-	-	-	417,186
Fixed income mutual funds	751,113	-	-	-	-	-	-	-	-	751,113
Government agency CMOs	785,487	-	785,487	-	-	-	-	-	-	-
Government bonds	1,433,996	36,786	1,021,088	92,140	203,233	14,931	-	-	24,034	41,784
Government mortgage backed securities	76,120	-	76,120	-	-	-	-	-	-	-
Government related bonds	256,568	26,025	221,217	9,326	-	-	-	-	-	-
Money market mutual funds	345,114	345,114	-	-	-	-	-	-	-	-
Opportunistic debt	930,906	-	-	-	-	-	-	-	-	930,906
Private debt	1,201,508	-	-	-	-	-	-	-	-	1,201,508
Repurchase agreements	600,000	-	600,000	-	-	-	-	-	-	-
U.S. agency mortgage backed securities	1,288,801	-	1,285,489	-	-	-	-	-	-	3,312
U.S. agency securities	1,376,676	19,986	1,356,690	-	-	-	-	-	-	-
Other	113,919	-	-	-	-	-	-	-	-	113,919
Total	$15,967,721	$1,099,925	$5,885,320	$1,420,578	$919,682	$344,146	$541,184	$222,628	$1,356,923	$4,177,335

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5% of their investments shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. However, securities issued by the U.S. government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy 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, bonds issued by an agency of the State, and pre-refunded municipal bonds issued by any entity that are invested in obligations issued or guaranteed by the U.S. government or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds issued as direct obligations of, and fully guaranteed by, the U.S. Government. At June 30, 2014, 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 $683.6 million, or 5.6%) and (ii) Federal National Mortgage Association (fair value of $924.0 million, or 7.6%).

F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per A.R.S. § 38-718, no more than 40% of the ASRS' assets may be invested in foreign securities and those investments shall be made only by investment managers with expertise in

those investments. The ASRS has not adopted a formal policy that is more restrictive. 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, 2014 (expressed in thousands):

	Foreign Currency Risk by Investment Type at Fair Value				
Currency	**Short Term**	**Fixed Income**	**Equities**	**Other Investments**	**Total**
Australian Dollar	$ 14	$ -	$ 74,954	$ -	$ 74,968
Brazilian Real	186	53,587	27,975	-	81,748
British Pound Sterling	1,646	-	540,463	40,731	582,840
Canadian Dollar	(5,716)	-	108,344	-	102,628
Columbian Peso	67	17,951	4,172	-	22,190
Danish Krone	163	-	30,168	-	30,331
Euro Currency	59,219	-	647,753	344,628	1,051,600
Hong Kong Dollar	552	-	80,769	-	81,321
Hungarian Forint	-	6,421	-	-	6,421
Indonesian Rupiah	127	22,071	6,602	-	28,800
Israeli Shekel	87	-	7,500	-	7,587
Japanese Yen	4,046	-	432,529	-	436,575
Malaysian Ringgit	13	23,344	6,409	-	29,766
Mexican Peso	10	30,504	9,954	104,057	144,525
New Romanian Leu	79	4,337	-	-	4,416
New Russian Ruble	-	26,409	-	-	26,409
New Taiwan Dollar	426	-	21,420	-	21,846
New Zealand Dollar	34	-	3,586	-	3,620
Nigerian Naira	228	6,192	-	-	6,420
Norwegian Krone	256	-	12,954	-	13,210
Peruvian Nouveau Sol	-	5,609	-	-	5,609
Philippine Peso	-	1,991	1,621	-	3,612
Polish Zloty	14	25,507	2,765	-	28,286
Singapore Dollar	417	-	24,121	-	24,538
South African Rand	45	36,909	12,461	-	49,415
South Korean Won	37	-	40,900	-	40,937
Swedish Krona	95	-	41,928	-	42,023
Swiss Franc	272	-	161,714	-	161,986
Thailand Baht	-	6,873	2,481	-	9,354
Turkish Lira	58	27,436	2,773	-	30,267
Total	$ 62,375	$ 295,141	$ 2,306,316	$ 489,416	$ 3,153,248

G. 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, 2014. 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. U.S. securities are loaned for collateral valued at 102% of the market value of securities plus any accrued interest. International securities are loaned for collateral valued at 105% of the market value of securities plus any accrued interest. The market value at June 30, 2014 for loaned securities collateralized by cash and non-cash collateral was $44.0 million and $28 thousand, respectively. As part of the securities lending transactions, The Northern Trust Company received cash and non-cash collateral valued at $44.9 million and $29 thousand, respectively, at June 30, 2014. 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 although the average term of the Commission's loans was approximately 55 days as of June 30, 2014. Cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 37 days as of June 30, 2014. There are no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to the Commission 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 Position. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2014, the Commission had $44.9 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 A.R.S. § 38-718(G) to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with borrowers to loan securities and have the same securities redelivered at a later date. Securities eligible for loan include U.S. fixed income securities, U.S. equities, and international equities. 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 limited 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), 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 Position. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2014, the fair value of securities on loan was $95.8 million; of which $15.0 million were cash collateralized loans. Cash of $15.4 million received as collateral for securities loaned was reinvested and had a net position value of $15.0 million, as of June 30, 2014. The securities lending payable at June 30, 2014 was $15.4 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.

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 A.R.S. Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a 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, 2014, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were $433.8 million, $23.4 million, and $112.0 million, respectively. At June 30, 2014, the fair value of the associated collateral for the PSPRS, the EORP, and the CORP were $446.4 million, $24.1 million, and $115.3 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 A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. 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. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the market value of the securities loaned at the close of trading on the preceding business day. 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, and b) 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, 2014, the fair value of securities on loan was $819.0 million. The associated fair value of the invested collateral was $853.4 million, of which $490.1 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 one day. 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, 2014, the State Treasurer had $490.1 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:

Corporate notes	$ 2,775,351
Equities	99,111,998
U.S. Treasury securities	236,451,992
Total Fair Value	$ 338,339,341

H. 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 Position. 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 Position.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2014 financial statements are as follows (expressed in thousands):

Investment Derivatives by Type

	Changes in Fair Value (1)		Fair Value at June 30, 2014		
Investment Derivatives	**Classification**	**Amount (2)**	**Classification**	**Amount (3)**	**Notional (4)**
Commodity futures long	Net increase (decrease) in fair value of investments	$ 83,877	Not applicable	$ -	$ 262,560
Commodity futures short	Net increase (decrease) in fair value of investments	(1,924)	Not applicable	-	(50)
Credit default swaps bought	Net increase (decrease) in fair value of investments	(993)	Not applicable	-	-
Credit default swaps written	Net increase (decrease) in fair value of investments	70	Not applicable	-	-
Fixed income futures long	Net increase (decrease) in fair value of investments	602	Not applicable	-	-
Fixed income futures short	Net increase (decrease) in fair value of investments	(926)	Not applicable	-	(11,300)
Fixed income options written	Net increase (decrease) in fair value of investments	629	Not applicable	-	-
Foreign currency options bought	Net increase (decrease) in fair value of investments	25	Fixed income securities	-	650
Foreign currency options written	Net increase (decrease) in fair value of investments	241	Fixed income securities	(29)	(10,678)
Foreign currency forwards	Net increase (decrease) in fair value of investments	(3,176)	Forward contracts receivable	857	239,400
Futures options written	Net increase (decrease) in fair value of investments	72	Not applicable	-	-
Index futures long	Net increase (decrease) in fair value of investments	6,314	Not applicable	-	11
Pay fixed interest rate swaps	Net increase (decrease) in fair value of investments	(419)	Not applicable	-	-
Receive fixed interest rate swaps	Net increase (decrease) in fair value of investments	(406)	Fixed income securities	(62)	9,645
Rights	Net increase (decrease) in fair value of investments	556	Equity securities	-	-
Warrants	Net increase (decrease) in fair value of investments	2,061	Equity securities	-	-
Total		$ 86,603		$ 766	$ 490,238

(1) Excludes futures margin payments.

(2) Negative values 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, 2014, 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
Barclay's Bank	$ 188	8.08%	A	A	A2
BNP Paribas, S.A.	18	0.76%	A+	A+	A1
Citibank N.A.	58	2.47%	A	A	A2
Credit Suisse	351	15.09%	A	A	A1
Deutsche Bank London	71	3.03%	A	A+	A3
Goldman Sachs	4	0.19%	A-	A	Baa1
HSBC Bank USA	51	2.18%	AA-	AA-	A1
JP Morgan Chase Bank N.A.	927	39.84%	A+	A+	Aa3
Morgan Stanley and Co. Inc.	27	1.17%	A	A	A3
Societe Generale	27	1.16%	A	A+	A2
Standard Chartered Bank	279	11.99%	AA-	AA-	A1
USB AG	327	14.04%	A	A	A2
Total	$ 2,328	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 aggregate fair value of investment derivative instruments in asset positions at June 30, 2014 was $2.3 million. This represents the maximum amount of loss in case of default of all counterparties of over-the-counter positions as of June 30, 2014. There was no collateral received or netting arrangements in place at June 30, 2014 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, 2014, for the year then ended, as reported in the June 30, 2014 financial statements are as follows (expressed in thousands):

Derivative Instruments Subject to Interest Rate Risk Investment Maturities

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**10+**
Receive fixed interest rate swaps	$ (62)	$ -	$ (41)	$ (21)	$ -
Total	$ (62)	$ -	$ (41)	$ (21)	$ -

Derivative Instruments Highly Sensitive to Interest Rate Changes

Asset ID	**Asset Description**	**Interest Rate**	**Fair Value**	**Notional**
PAY FIXED INTEREST RATE SWAPS				
ADI07VSP2	US 10YR NOTE (CBT) SEP 14	0.00%	$ -	$ (11,300)
Total Pay Fixed Interest Rate Swaps			$ -	$ (11,300)
RECEIVE FIXED INTEREST RATE SWAPS				
99S0EIJN8/ 99S0EIJO6	SWU002S11 IRS ZAR R F 6.50000 / SWU002S11 IRS ZAR P V 03MJHBRG	6.50%	$ (51)	$ 931
99S0EM2K3/ 99S0EM2L1	SWU023WC8 IRS BRL R F 8.65000 / SWU023WC8 IRS BRL P V 00MCETIP	8.65%	(46)	817
99S0FZ5T1/ 99S0FZ5U8	SWU004PQ5 IRS BRL R F 10.91000 / SWU004PQ5 IRS BRL P V 00MBRCDI	10.91%	(4)	4,356
99S0HFQQ6/ 99S0HFQR4	SWU005W76 IRS BRL R F 11.32000 / SWU005W76 IRS BRL P V 00MCETIP	11.32%	6	544
99S0HQRT5/ 99S0HQRU2	SWU006FE8 IRS THB R F 3.34000 / SWU006FE8 IRS THB P V 06MLIBOR	3.34%	3	123
99S0IA423/ 99S0IA431	SWU006VU4 IRS THB R F 3.41000 / SWU006VU4 IRS THB P V 06MTHFX	3.41%	3	259
99S0IAEK2/ 99S0IAEL0	SWU006X81 IRS THB R F 3.42000 / SWU006X81 IRS THB P V 06MTHFX	3.42%	10	759
99S0IAWE6/ 99S0IAWF3	SWU006XQ1 IRS THB R F 3.41500 / SWU006XQ1 IRS THB P V 06MTHFX	3.42%	5	381
99S0IAWN6/ 99S0IAWO4	SWU006XR9 IRS THB R F 3.41000 / SWU006XR9 IRS THB P V 06MTHFX	3.41%	5	380
99S0IXAH3/ 99S0IXAI1	SWU007VO6 IRS COP R F 6.20000 / SWU007VO6 IRS COP P V 00MCOOVI	6.20%	4	558
99S0IXAT7/ 99S0IXAU4	SWU007VN8 IRS COP R F 6.20000 / SWU007VN8 IRS COP P V 00MCOOVI	6.20%	3	537
Total Receive Fixed Interest Rate Swaps			$ (62)	$ 9,645

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.

I. 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) 542-7800, or their website at www.aztreasurer.gov.

NOTE 3. RECEIVABLES/DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES/UNEARNED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2014 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Industrial Commission Special Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Government-wide Total
Sales	$ 524,895	$ -	$ -	$ 52,335	$ -	$ 577,230
Income – individual and corporate	116,318	-	-	-	-	116,318
Motor vehicle and fuel	-	62,117	-	-	-	62,117
Luxury	6,777	-	-	18,045	-	24,822
Unemployment	-	-	-	-	91,906	91,906
Other	-	-	4,182	3,199	-	7,381
Gross taxes receivable	647,990	62,117	4,182	73,579	91,906	879,774
Allowance for uncollectible taxes	(359,798)	-	-	-	-	(359,798)
Net Taxes Receivable	$ 288,192	$ 62,117	$ 4,182	$ 73,579	$ 91,906	$ 519,976

B. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2014, the components of deferred outflows of resources were as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Primary Government
Deferred Outflows of Resources			
Interest rate swap	$ -	$ 14,135	$ 14,135
Loss on debt refundings	26,361	37,644	64,005
Total Deferred Outflows of Resources	$ 26,361	$ 51,779	$ 78,140

At June 30, 2014, the components of deferred inflows of resources were as follows (expressed in thousands):

	General Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Funds
Governmental funds:				
Deferred Inflows of Resources:				
Unavailable Revenues:				
Delinquent sales and income tax	$ 29,780	$ -	$ -	$ 29,780
Tobacco settlement	50,000	-	-	50,000
Child support administrative reimbursements	4,347	-	-	4,347
Federal grants	182,209	-	-	182,209
Drug Rebates	93,826	-	-	93,826
Land sales receivable	-	487,552	-	487,552
Land leases receivable	-	3,412	-	3,412
Other	3,923	-	796	4,719
Total Deferred Inflows of Resources	$ 364,085	$ 490,964	$ 796	$ 855,845

C. UNEARNED REVENUE

At June 30, 2014, the components of unearned revenue were as follows (expressed in thousands):

Unearned Revenue for Governmental Funds:	**Current**	**Noncurrent**	**Total Unearned Revenue**
General Fund:			
Advance insurance premium taxes	$ 45,407	$ -	$ 45,407
Advance land lease payments	291	3,679	3,970
Advance county acute and long term care payments	21,256	-	21,256
Vaccine and commodity food supplement	5,224	-	5,224
Land Endowments Fund:			
Advance land lease payments	22,214	89,382	111,596
Non-Major Funds:			
Advance payments for Hawaii/Arizona PMMIS Alliance	381	-	381
Total Unearned Revenue for Governmental Funds	$ 94,773	$ 93,061	$ 187,834

Unearned Revenue for Proprietary Funds:	**Current**
Universities:	
Unexpended cash advances received	$ 57,815
Auxiliary sales and services	6,960
IBM lease related to acquisition of research park	470
Student tuition and fees	95,837
Deposits	1,103
Other	9,446
Industrial Commission Special Fund:	
Other	133
Non-Major Funds:	
Magazine subscriptions	2,040
Other	112
Total Unearned Revenue for Proprietary Funds	$ 173,916

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2014 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 2,967,822	$ 81,412	$ (3,300)	$ 176	$ 3,046,110
Construction in progress	3,369,060	498,155	(907,031)	(43,801)	2,916,383
Development in progress	27,155	62,057	(30,644)	(1)	58,567
Infrastructure	12,951,192	827,735	(598)	-	13,778,329
Total Non-depreciable Capital Assets	19,315,229	1,469,359	(941,573)	(43,626)	19,799,389
Depreciable capital assets:					
Buildings	2,161,715	116,722	(263)	37,647	2,315,821
Improvements other than buildings	159,899	3,446	-	9,342	172,687
Equipment	811,035	63,804	(58,257)	9,896	826,478
Software and other intangibles	219,616	30,998	(86)	879	251,407
Infrastructure	21,896	302	-	678	22,876
Total Depreciable Capital Assets	3,374,161	215,272	(58,606)	58,442	3,589,269
Less accumulated depreciation for:					
Buildings	(778,628)	(56,157)	224	-	(834,561)
Improvements other than buildings	(93,642)	(4,647)	-	13	(98,276)
Equipment	(616,132)	(58,158)	56,661	308	(617,321)
Software and other intangibles	(195,169)	(6,685)	86	-	(201,768)
Infrastructure	(12,033)	(591)	-	1	(12,623)
Total Accumulated Depreciation	(1,695,604)	(126,238)	56,971	322	(1,764,549)
Total Depreciable Capital Assets, Net	1,678,557	89,034	(1,635)	58,764	1,824,720
Total Governmental Activities Capital Assets, Net	$ 20,993,786	$ 1,558,393	$ (943,208)	$ 15,138	$ 21,624,109

	Beginning Balance (as restated)	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type Activities:					
Non-depreciable capital assets:					
Land	$ 210,037	$ 19,600	$ -	$ -	$ 229,637
Construction in progress	288,755	205,220	(53,649)	(141,166)	299,160
Development in progress	-	-	-	-	-
Collections	19,738	397	(21)	-	20,114
Total Non-depreciable Capital Assets	518,530	225,217	(53,670)	(141,166)	548,911
Depreciable capital assets:					
Buildings	5,027,319	170,359	(1,902)	126,098	5,321,874
Improvements other than buildings	4,853	874	-	-	5,727
Equipment	1,505,988	86,040	(38,187)	-	1,553,841
Software and other intangibles	120,736	-	-	5,221	125,957
Infrastructure	460,711	7,458	(3)	9,849	478,015
Total Depreciable Capital Assets	7,119,607	264,731	(40,092)	141,168	7,485,414
Less accumulated depreciation for:					
Buildings	(1,950,014)	(152,781)	966	3	(2,101,826)
Improvements other than buildings	(3,450)	(192)	-	-	(3,642)
Equipment	(1,111,266)	(86,299)	35,045	-	(1,162,520)
Software and other intangibles	(61,230)	(11,168)	-	-	(72,398)
Infrastructure	(184,785)	(15,437)	1	-	(200,221)
Total Accumulated Depreciation	(3,310,745)	(265,877)	36,012	3	(3,540,607)
Total Depreciable Capital Assets, Net	3,808,862	(1,146)	(4,080)	141,171	3,944,807
Total Business-type Activities Capital Assets, Net	$ 4,327,392	$ 224,071	$ (57,750)	$ 5	$ 4,493,718

* For beginning balance restatement detail, see Note 9.B.

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

General government	$ 20,901
Health and welfare	19,382
Inspection and regulation	875
Education	2,257
Protection and safety	56,101
Transportation	18,344
Natural resources	8,378
Total Governmental Activities	$ 126,238

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

Industrial Commission Special Fund	$ 1,338
Universities	262,307
Other	2,232
Total Business-type Activities	$ 265,877

NOTE 5. PENSION BENEFITS

The State participates in the ASRS, the PSPRS, the EORP, and the CORP's agent plan. 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. The State does not participate in the AOC and, therefore, is not further described in these notes.

A. PARTICIPATING EMPLOYERS

The number of participating government employer groups as of June 30, 2014 for each pension plan is shown below:

ASRS	PSPRS	EORP	CORP
585	237	38	26

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

For the ASRS, contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Pension benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payments is made.

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 A.R.S. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans

For the year ended June 30, 2014, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 11.30% and 10.70% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2014, 2013, and 2012 were $202.0 million, $185.5 million, and $180.8 million, respectively, for the primary government which were equal to the required contributions for these years.

As part of 2013 Fifty-first legislature, House Bill 2608 effectively closed EORP and created the Elected Officials' Defined Contribution Retirement System (EODCRS), with an effective date of January 1, 2014. Elected Officials who are elected, appointed, or hired on or after January 1, 2014, have one of three different paths that may be available to them: If a person has EORP time on account or is elected, appointed, or hired on or before December 31, 2013, they are required to be in EORP; If a person is elected, appointed, or hired on or after January 1, 2014, and does not have prior EORP time, but has ASRS time, that person has the option to either return to ASRS by electing to do so within 30 days or participate in the EODCRS; or, if a person is elected, appointed, or hired on or after January 1, 2014, does not have time on account with EORP, and does not timely opt out of EODCRS to return to ASRS, they're automatically enrolled in EODCRS.

Active EORP members were required by statute to contribute 13% 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 38.06% of the members' annual covered payroll, as determined by actuarial valuation until December 31, 2013. Beginning January 1, 2014 employer contributions are 23.50% with an additional $5.0 million appropriated from the Arizona State Budget (Section 133 of fiscal year General Appropriations Act). The $5.0 million from the State is considered a non-employer entity and is listed separately on the Statement of Changes in Fiduciary Net Position. The State's contributions to EORP for the years ended June 30, 2014, 2013, and 2012 were $3.1 million, $2.5 million, and $2.2 million, respectively, which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 21.79 – 107.07%. Active CORP members were required by statute to contribute 7.96% (Dispatchers) and 8.41% (Non-Dispatchers) of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 12.07 – 13.87%.

D. ANNUAL PENSION COST

The State's annual pension costs and required contributions made to each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2014, is as follows (expressed in thousands):

	Annual Pension Costs	Required Contributions
PSPRS	$ 43,200	$ 43,200
CORP	50,860	50,860

The State's annual pension costs, the percentage of annual pension cost contributed to the plan, and the net pension (refer to Note 6.A. for explanation) 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	6/30/2014	$ 43,200	100%	$ -
	6/30/2013	36,833	101%	3,175
	6/30/2012	31,253	102%	2,627
CORP	6/30/2014	50,860	100%	-
	6/30/2013	39,537	108%	15,874
	6/30/2012	32,058	109%	12,854

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	6/30/2014	$ 450,284	$ 1,240,343	$ (790,059)	36.3%	$ 85,973	(919.0)%
CORP	6/30/2014	852,041	1,520,026	(667,985)	56.1%	350,313	(190.7)%

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 6/30/2014 and actuarial valuation as of 6/30/2012 that was used to determine the fiscal year 2014 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/2012	6/30/2012	6/30/2014	6/30/2014
Actuarial cost method	entry age normal	entry age normal	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	7.85%	7.85%
Projected salary increases	5.0 – 9.0%	5.0 – 8.25%	4.0 – 8.0%	4.0 – 7.25%
Payroll growth	5.0%	5.0%	4.0%	4.0%
Cost-of-living adjustments	none	none	n/a	(1)
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	24 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded	22 years for unfunded, 20 years for overfunded	22 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market
Permanent Benefit Increases (PBI)	n/a	n/a	(2)	n/a

(1) Members Retired on or before July 1, 2011: 2.25% of benefit. Members Retired on or after August 1, 2011: 0.5% of benefit.
(2) Members Retired on or before July 1, 2011: 2.0% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

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 three retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The ASRS is a defined benefit plan and the other two plans are defined contribution plans. The two 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 the contributed amounts and the returns earned on investments of those contributions. 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, 2014, 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 7.00% member contribution and a 7.59% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2014, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 31,590	$ 31,590	$ 63,180
Fidelity	22,550	22,550	45,100
ASRS	13	12	25

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 A.R.S. 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.

In addition to the pension benefits described, the EORP provides health insurance premium subsidy benefits to retired members, which is a cost-sharing, multiple employer defined benefit post-employment plan. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. As of July 1, 2013, the EORP administers a separate healthcare plan as defined under IRC § 401(h). In addition, the EORP is statutorily authorized, by A.R.S. § 38-817, to maintain a separate account for the health insurance subsidy assets and benefit payments. The health insurance subsidy assets are accounted for by employer and are available to pay only the health insurance benefit. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each provide 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 A.R.S. assigns the authority to establish and amend the health insurance premium subsidy benefit provisions to the Arizona State Legislature. As of July 1, 2013, the PSPRS and the CORP each administers a separate healthcare plan as defined under IRC § 401(h). In addition, the PSPRS and the CORP are statutorily authorized, by A.R.S. § 38-857 and A.R.S. § 38-906, respectively, to maintain a separate account for the health insurance premium subsidy assets and benefit payments. The health insurance premium subsidy assets are accounted for by employer and are available to pay only the health insurance premium benefit. In prior fiscal years, the health insurance premium subsidy benefit was not administered as a trust or equivalent arrangement and in accordance with GASB Statement No. 43, was reported as an agency fund. As a result of this treatment, contributions in excess of the health insurance subsidy benefit payments were reported as an OPEB obligation and as excess pension contributions in the pension benefit plan. In fiscal year 2014, the plans transferred prior year health insurance premium subsidy contributions that exceeded benefit payments from each plan’s pension fund to the new health insurance fund. 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, benefits, and refund payments for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B.

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. 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 A.R.S. These contribution requirements are established and may be amended by the Arizona State Legislature.

Cost-sharing plan

For the year ended June 30, 2014, 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 0.60% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2014, 2013, and 2012 were $4.5 million, $4.3 million, and $4.4 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, 2014, 2013, and 2012 were $11.3 million, $11.8 million, and $11.5 million, respectively, for the primary government which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2014, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.28 – 4.60% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 0.92 – 1.52% of covered payroll.

D. ANNUAL OPEB COST

The State's annual OPEB cost and OPEB contributions made to each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2014, is as follows (expressed in thousands):

	Annual OPEB Costs	OPEB Contributions Made
PSPRS	$ 2,070	$ 2,070
CORP	4,838	4,838

The State's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (refer to Note 6.A. for explanation) 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	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS	6/30/2014	$ 2,070	100.0%	$ -
	6/30/2013	2,158	74.6%	3,175
	6/30/2012	2,225	77.6%	2,627
CORP	6/30/2014	4,838	100.0%	-
	6/30/2013	5,179	41.7%	15,874
	6/30/2012	5,213	42.7%	12,854

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, 2014, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Funded AAL	Funded Ratio	Annual Covered Payroll	Funded AAL as a Percentage of Covered Payroll
PSPRS	6/30/2014	$ 35,607	$ 29,668	$ 5,939	120.0%	$ 85,973	6.9%
CORP	6/30/2014	72,713	62,623	10,090	116.1%	350,313	2.9%

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 6/30/2014 and actuarial valuation as of 6/30/2012 that was used to determine the fiscal year 2014 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/2012	6/30/2012	6/30/2014	6/30/2014
Actuarial cost method	entry age normal	entry age normal	entry age normal	entry age normal
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	7.85%	7.85%
Projected salary increases	5.0 – 9.0%	5.0 – 8.25%	4.0 – 8.0%	4.0 – 7.25%
Payroll growth	5.0%	5.0%	4.0%	4.0%
Cost-of-living adjustments	none	none	n/a	(1)
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	24 years for unfunded, 20 years for overfunded	24 years for unfunded, 20 years for overfunded	22 years for unfunded, 20 years for overfunded	22 years for unfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market
Permanent Benefit Increases	n/a	n/a	(2)	n/a

(1) Members Retired on or before July 1, 2011: 2.25% of benefit Members Retired on or after August 1, 2011: 0.5% of benefit.
(2) Members Retired on or before July 1, 2011: 2.0% compounded on average Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

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, 2014, pledged revenues totaled $174.4 million, of which 21.5% ($37.5 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 $562.5 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 and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $1.7 billion. During the year, no new Highway Revenue Bonds were issued.

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 $1.7 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 2038. The total principal and interest remaining to be paid on the bonds is $2.6 billion. Principal and interest paid for the current year and total pledged revenues were $139.0 million and $537.8 million, respectively. The annual principal and interest payments on the bonds required 25.8% of the pledged revenues.

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $926.0 million.

The ADOT has pledged future transportation excise taxes to repay $867.4 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 2025. The total principal and interest remaining to be paid on the bonds is $1.1 billion. Principal and interest paid for the current year and total pledged revenues were $103.6 million and $243.8 million, respectively. The annual principal and interest payments on the bonds required 42.5% of the pledged revenues.

In 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, 2014 totaled $709.3 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 these legally defeased bonds are not reflected in the accompanying financial statements.

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, 2014. 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, 2014, pledged revenues totaled $659.2 million, of which 12.2% ($80.5 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, 2020 is $504.6 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.

In fiscal year 2013, the U of A refunded, in advance of maturity, a portion of the outstanding System Revenue Bonds Series 2005A. At June 30, 2014, the outstanding principal balance on the refunded bonds was $26.5 million, which will be paid by investments held in an irrevocable trust with a fair value of $27.7 million. Accordingly, the trust account assets and liability for the defeased bonds are 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, any amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the U of A will receive a 7.2% reduction (totaling $116 thousand) in the federal interest subsidy for the August 1, 2014 debt service payment. There is no guidance from the Internal Revenue Service on sequestration reductions for February 1 and August 1, 2015 debt service payments.

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, 2014. 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. For fiscal year 2014, pledged revenues totaled $1.0 billion, of which 5.9% ($60.8 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, 2048 is $1.4 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 May 8, 2014, the NAU sold $67.3 million of Systems Revenue and Refunding Bonds Series 2014 (2014 Bonds) for the purpose of the construction and equipping approximately 120,000 square feet of regulation indoor aquatic and tennis spaces for athletic and intramural activities, 90,000 square feet of regulation outdoor tennis courts and a recreation field, renovation of approximately 254,000 gross square feet of existing residential units containing five residential properties to current fire codes, and improvements to infrastructure, including installation of new water supply piping through rock, roads, and existing landscaping. The 2014 Bonds include serial bonds of $43.0 million, with interest rates ranging from 3.00% to 5.00%. The 2014 Bonds also include two term bonds that are subject to annual sinking fund contributions. The first term bond is for $14.9 million with an interest rate of 5.00% that matures June 1, 2040. The second term bond is for $9.4 million with an interest rate of 5.00% that matures June 1, 2044. Refunded were $6.9 million of the 2004 Systems Revenue Bonds for maturities from June 1, 2018 to June 1, 2031, and $9.4 million from the Systems Revenue Bonds Series 2005 for maturities from June 1, 2016 through June 1, 2029 and June 1, 2036 through June 1, 2040. The refunding set aside $17.4 million into escrow that purchased SLGS Certificates with maturities between June 1, 2014 and June 1, 2015. The present value of the refunded debt prior to May 8, 2014 was $18.6 million and the net present value savings was $938 thousand. The advance refunding decreases the NAU's debt service by $377 thousand in year one. In addition, annual debt service decreases by an average of $33 thousand in years two through twenty-seven.

In the current and 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, 2014, $24.6 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. During fiscal year 2014, the Federal government reduced federal direct payment claims filed between December 1, 2013 and September 1, 2014 by 7.2% due to the federal budget sequestration resulting in a $271 thousand reduction in direct payments to the NAU. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 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, 2014. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged $214.1 million for the prior five years. For fiscal year 2014, pledged revenues totaled $252.2 million, of which 10.1% ($25.4 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 12% of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 are $904.5 million.

c. Arizona State University

At June 30, 2014, 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, 2014 totaled $16.5 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, 2014. These related system 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, 2014, pledged revenues totaled $1.2 billion, of which 7.3% ($84.4 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 senior and subordinate revenue bonds through final maturity of August 1, 2044 is $1.6 billion. In addition to a senior pledge of revenues for the ASU system revenue bonds, the ASU has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2014 were $7.0 million with annual debt service payments of approximately $1.2 million through July 1, 2021.

In June 2008, the Legislature approved the SPEED which provides the ASU with capital improvement funds for critical construction and deferred 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.

In April 2014, the ASU issued $77.6 million in SPEED revenue bonds, Series 2014, with an average maturity of 13.9 years and an average interest rate of 3.72%. The bonds were issued to fund classroom and laboratory renovations, building and infrastructure enhancements and modifications, and a portion of the construction costs for the College Avenue Commons, a new Tempe campus mixed-use facility.

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 owed on each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2014, the Federal government reduced federal direct payment claims by 7.2% due to federal budget sequestration resulting in a $300 thousand reduction in direct payments to the ASU. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

The ASU has outstanding two series of variable rate demand system revenue refunding bonds, Series 2008A and Series 2008B, totaling $94.3 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2014 was 0.04% for the Series 2008A Bonds and 0.07% 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 $47.14

million Series 2008A and $47.14 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, 2014 totaled $63.6 million.

The ASU presently plans to issue up to $170.4 million in system revenue bonds prior to calendar year end 2015.

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 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 is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2014 was 0.06%. At June 30, 2014, 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	(0.06)
Net interest rate swap payments		3.85
Variable-rate bond coupon payments	Spread to SIFMA	0.06
Synthetic fixed interest rate on bonds		3.91

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, 2014, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A by Fitch, A by S&P and A2 by Moody's as of June 30, 2014. 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, 2014, the swap had a fair value of $(14.1) million, which represents the cost to the ASU to terminate the swap. The June 30, 2013 fair value was $(14.1) 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, as amended by GASB 63, the fair value of the ASU's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources (interest rate swap) and a liability (derivative instrument - interest rate swap).

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2014 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2014
Governmental Activities:				
Department of Transportation	2001-2013	2015-2038	.60-5.25%	$ 2,542,175
School Facilities Board	2002-2013	2015-2020	.14-5.00%	472,835
Department of Administration	2010	2015-2029	3.00-5.00%	391,185
Business-type Activities:				
University Revenue Bonds	1992-2014	2015-2049	.06-6.64%	2,302,035

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2014 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
2015	$ 217,970	$ 149,585	$ 367,555	$ 75,010	$ 108,916	$ 3,507	$ 187,433
2016	240,260	140,677	380,937	76,730	105,791	3,401	185,922
2017	242,020	132,565	374,585	90,440	102,352	3,290	196,082
2018	271,085	123,493	394,578	83,945	99,137	3,173	186,255
2019	236,790	114,411	351,201	85,180	95,610	3,050	183,840
2020-2024	1,067,185	432,378	1,499,563	454,945	416,911	13,181	885,037
2025-2029	707,660	200,615	908,275	501,360	298,184	9,048	808,592
2030-2034	323,075	66,608	389,683	412,420	185,088	3,773	601,281
2035-2039	100,150	11,649	111,799	314,605	95,400	-	410,005
2040-2044	-	-	-	167,275	27,782	-	195,057
2045-2049	-	-	-	40,125	3,586	-	43,711
Total	$ 3,406,195	$ 1,371,981	$ 4,778,176	$ 2,302,035	$ 1,538,757	$ 42,423	$ 3,883,215

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of GANs issued in prior years and outstanding at the start of the fiscal year was $296.2 million.

In prior fiscal years, the ADOT refinanced various GAN issues through advance-refunding arrangements. Under the terms of the refunding GAN issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded GAN 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 GANs are not reflected in the accompanying financial statements. Refunded GANs for the ADOT at June 30, 2014 totaled $25.7 million.

The ADOT has pledged federal revenues to repay $247.7 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 $313.4 million. Principal and interest paid for the current year and total pledged revenues were $64.9 million and $688.1 million, respectively. The annual principal and interest payments on the GANs required 9.4% 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, 2014
Governmental Activities:				
Department of Transportation	2004-2012	2015-2026	3.00-5.25%	$ 247,710

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
2015	$ 53,040	$ 11,855	$ 64,895
2016	47,350	9,552	56,902
2017	11,770	7,393	19,163
2018	12,325	6,838	19,163
2019	12,925	6,240	19,165
2020-2024	74,785	21,035	95,820
2025-2026	35,515	2,816	38,331
Total	$ 247,710	$ 65,729	$ 313,439

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 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.

In prior fiscal years, the State 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 these legally defeased COPs are not reflected in the accompanying financial statements.

2. School Facilities Board

On December 19, 2013, the SFB issued Refunding Certificates of Participation Series 2013A-1 and 2013A-2 (2013A-1 COPs and 2013A-2 COPs) for $29.9 million and $49.6 million, respectively. The 2013A-1 COPs include $29.9 million of serial certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2015 to 2020. The 2013A-1 COPs are not subject to optional redemption prior to maturity, however, these COPs are subject to defeasance pursuant to the debt documents. The SFB realized net proceeds from the 2013A-1 COPs of $32.5 million, after receipt of $2.8 million issue premium and payment of $173 thousand for underwriters' discount and issuance costs. The net proceeds of the 2013A-1 COPs were used to advance-refund the Series 2003B COPs with an outstanding principal balance of $15.2 million, and to advance-refund $16.3 million of the Series 2004A COPs with an outstanding principal balance of $19.9 million. The advance-refundings resulted in combined debt service savings of $1.3 million and a combined net present value economic gain of $1.6 million (difference between the present values of the old debt and new debt service payments). The advance-refundings also resulted in an immaterial difference between the reacquisition price and the net carrying amount of the old debt of $162 thousand. This difference is reported as a reduction of interest expense in the accompanying financial statements. The refunded Series 2003B COPs were redeemed on January 21, 2014. The refunded Series 2004A COPs will be redeemed on September 1, 2014 by investments in United States government obligations held in an irrevocable trust. The 2013A-2 COPs include $49.6 million of serial certificates with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2015 to 2019. The 2013A-2 COPs are not subject to optional redemption prior to maturity; however, these COPs are subject to defeasance pursuant to the debt documents. The SFB realized net proceeds from the 2013A-2 COPs of $53.3 million, after receipt of $4.0 million issue premium and payment of $273 thousand for underwriters' discount and issuance costs. The net proceeds of the 2013A-2 COPs were used to advance-refund $29.5 million of the Series 2004B COPs with an outstanding principal balance of $43.2 million, and to advance-refund $21.3 million of the Series 2004C COPs with an outstanding principal balance of $24.9 million. The advance-refunding resulted in a debt service savings of $3.9 million and a net present value economic gain of $3.6 million (difference between the present values of the old debt and new debt service payments). The advance-refunding resulted in an immaterial difference between the reacquisition price and the net carrying amount of the old debt of $40 thousand. This difference was charged to interest expense in the accompanying financial statements. The refunded Series 2004B and 2004C COPs will be redeemed on September 1, 2014 by investments in United States government obligations held in an irrevocable trust.

On June 19, 2014, the SFB issued Taxable Refunding Certificates of Participation Series 2014A-1, 2014A-2, and 2014A-3 (2014 COPs) for a combined total of $226.1 million. The 2014 COPs include $226.1 million of serial certificates with interest rates ranging from .32% to 2.38% and maturity dates ranging from 2016 to 2020. The 2014 COPs are subject to optional prepayment prior to maturity pursuant to the debt documents. The SFB realized net proceeds from the 2014 COPs of $224.2 million, after payment of $767 thousand for underwriters' discount and issuance costs and payment of $1.1 million for accrued interest. The net proceeds of the 2014 COPs were used to advance-refund $208.9 million of the Series 2005A-1, 2005A-2, and 2005A-3 COPs with a combined outstanding principal balance of $320.0 million. The advance-refunding resulted in a combined debt service savings of $8.3 million and a combined net present value economic gain of $8.2 million (difference between the present values of the old debt and new debt service payments). The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $9.6 million. This difference, reported as a deferred outflow of resources in the accompanying financial statements, is being amortized to interest expense on a straight-line basis through fiscal year 2020. The refunded Series 2005A-1, 2005A-2, and 2005A-3 COPs will be redeemed on September 1, 2015 by investments in United States government obligations held in an irrevocable trust.

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. The SFB Series 2010 COPs are subject to extraordinary mandatory prepayment from unexpended proceeds pursuant to the debt documents. On February 6, 2014, the SFB redeemed $9.5 million of the Series 2010 COPs pursuant to the extraordinary mandatory prepayment provisions in the debt documents. Beginning August 15, 2012, annual deposits to the sinking fund were scheduled to be made on August 15 of each year through August 15, 2027, at which time, the accumulated balance (including investment earnings and losses) in the sinking fund will be sufficient to retire the Series 2010 COPs on their stated maturity date of September 1, 2027. The sinking fund deposit requirements were adjusted to reflect the extraordinary mandatory prepayment redemption which occurred on February 6, 2014.

In current and 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 these legally defeased COPs are not reflected in the accompanying financial statements.

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 are subject to prepayment.

b. Northern Arizona University

The NAU's COPs consist of various issues that are generally callable at a prescribed date with interest payable semiannually. All issues are at a fixed rate.

In prior fiscal years, the NAU defeased certain COPs by either placing the proceeds of new COPs, or cash and investments accumulated in a sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded COPs. Accordingly, the trust account assets and liability for the defeased COPs are not included in the accompanying financial statements. At June 30, 2014, $46.0 million of such outstanding COPs are considered defeased.

c. Arizona State University

At June 30, 2014, 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, 2014 was $67.4 million.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2014 totaled $7.2 million.

A summary of the COPs issued as of June 30, 2014 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	$ 238,990	$ 190,345	3.75 – 5.00
General Fund Budget Reconciliation 2010A	2010	2030	709,090	657,545	3.00 – 5.25
General Fund Budget Reconciliation 2010B	2010	2030	289,705	268,070	3.00 – 5.00
Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	62,630	51,585	2.00 – 5.00
School Facilities Board:					
New School Construction 2004A	2004	2015	47,160	3,585	5.00
New School Construction 2004B	2005	2015	190,040	13,680	4.25 – 5.25
New School Construction 2004C	2005	2015	47,585	3,600	5.00
Refunding Certificates of 2003A	2005	2016	201,125	92,885	5.00
Refunding Certificates of 2003B	2005	2016	80,055	17,795	3.50 – 5.00
Refunding Certificates of 2004B	2005	2016	53,045	435	3.50 – 3.63
New School Construction 2008	2009	2024	580,035	454,870	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	81,820	6.00
Refunding Certificates of 2003B and 2004A	2014	2020	29,945	29,945	2.00 – 5.00
Refunding Certificates of 2004B and 2004C	2014	2020	49,605	49,605	2.00 – 5.00
Refunding Certificates of 2005A-1	2014	2018	110,695	110,695	.32 – 1.47
Refunding Certificates of 2005A-2	2014	2019	60,390	60,390	.95 – 2.08
Refunding Certificates of 2005A-3	2014	2020	55,040	55,040	.95 – 2.38
Total Governmental Activities			$ 2,955,245	$ 2,200,675	

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	$ 935	4.76
2004 Certificates of Participation	2005	2031	80,275	23,330	4.89
2005A Certificates of Participation	2005	2031	110,115	63,430	4.36
2006 Certificates of Participation	2006	2031	15,810	12,525	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	7,365	4.27
2013 Refunding Certificates of Participation	2013	2027	64,780	63,340	3.09
University of Arizona:					
Fixed Student Union	1999	2020	21,607	2,305	5.13 – 5.30
Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A	2004	2015	42,020	275	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	14,715	4.13 – 5.00
Refund COPs 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	25,905	14,405	4.00 – 4.50
Refund COPs 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	58,650	53,460	4.13 – 5.00
Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	14,655	4.00 – 5.00
Refund COPs 2001A, 2001B, 2002A, 2004B	2007	2031	105,080	96,030	4.00 – 4.50
Refund COPs 2003A	2012	2022	10,190	9,380	1.71 – 3.42
Refund COPs 2002B	2012	2023	20,600	20,340	3.00 – 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	2,425	4.85
2005 Certificates of Participation	2006	2031	40,255	23,145	4.65
2006 Certificates of Participation	2006	2018	12,445	1,275	4.35
2013 Refunding Certificates of Participation	2013	2031	36,005	36,005	4.78
Total Business-type Activities			$ 1,046,472	$ 676,345	

Principal and interest debt service requirements on COPs outstanding at June 30, 2014 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
2015	$ 169,870	$ 96,652	$ 266,522	$ 32,234	$ 31,687	$ 63,921
2016	188,955	89,273	278,228	36,795	28,468	65,263
2017	196,540	81,620	278,160	42,820	27,822	70,642
2018	203,090	74,891	277,981	48,265	25,858	74,123
2019	174,635	67,946	242,581	50,870	23,755	74,625
2020-2024	682,045	235,703	917,748	239,926	82,629	322,555
2025-2029	503,490	91,819	595,309	161,060	34,334	195,394
2030-2031	82,050	2,049	84,099	64,375	3,186	67,561
Total	$ 2,200,675	$ 739,953	$ 2,940,628	$ 676,345	$ 257,739	$ 934,084

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 Position. 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, 2014 are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2015	$ 56,295	$ 11,423
2016	56,476	11,129
2017	54,493	10,764
2018	52,930	10,333
2019	50,198	10,200
2020-2024	241,105	51,359
2025-2029	125,883	49,667
2030-2034	31,240	43,025
2035-2039	-	8,522
2040-2072	-	2,191
Total minimum lease payments	668,620	208,613
Less: amount representing interest	(170,291)	(75,656)
Less: amount representing executory costs	(49,120)	-
Present Value of Net Minimum Lease Payments	$ 449,209	$ 132,957

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	$ 445	$ 5,175
Buildings	463,650	156,620
Equipment	40,607	1,857
	504,702	163,652
Less: accumulated depreciation	(73,626)	(36,369)
Carrying Value	$ 431,076	$ 127,283

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 2014, the State paid for compensated absences as follows: 74.53% from the General Fund, 18.49% from other funds, and 6.98% 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, 2013, as restated	Increases	Decreases	Balance June 30, 2014	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	$ 3,606,720	$ -	$ (200,525)	$ 3,406,195	$ 217,970	$ 3,188,225
Grant anticipation notes	296,240	-	(48,530)	247,710	53,040	194,670
Certificates of participation	2,360,595	305,675	(465,595)	2,200,675	169,870	2,030,805
Capital leases	360,316	113,914	(25,021)	449,209	30,332	418,877
Notes payable	105,817	29,130	(45,082)	89,865	-	89,865
Premiums and discounts on debt	474,747	6,770	(53,652)	427,865	38,435	389,430
Total Long-term Debt	7,204,435	455,489	(838,405)	6,821,519	509,647	6,311,872
Other Long-term Liabilities:						
Compensated absences	311,850	216,533	(204,499)	323,884	169,663	154,221
Pollution remediation obligations	22,083	-	(1,562)	20,521	5,196	15,325
Total Other Long-term Liabilities	333,933	216,533	(206,061)	344,405	174,859	169,546
Total Long-term Obligations	$ 7,538,368	$ 672,022	$ (1,044,466)	$ 7,165,924	$ 684,506	$ 6,481,418
Business-type Activities:						
Long-term Debt:						
Revenue bonds	$ 2,237,710	$ 144,880	$ (80,555)	$ 2,302,035	$ 75,010	$ 2,227,025
Certificates of participation	714,735	145	(38,535)	676,345	32,234	644,111
Capital leases	135,519	1,847	(4,409)	132,957	5,142	127,815
Installment purchase contracts	5,758	-	(1,660)	4,098	1,292	2,806
Premiums and discounts on debt	123,014	17,801	(10,500)	130,315	10,630	119,685
Total Long-term Debt	3,216,736	164,673	(135,659)	3,245,750	124,308	3,121,442
Other Long-term Liabilities:						
Compensated absences	78,293	93,203	(88,019)	83,477	20,493	62,984
Total Other Long-term Liabilities	78,293	93,203	(88,019)	83,477	20,493	62,984
Total Long-term Obligations	$ 3,295,029	$ 257,876	$ (223,678)	$ 3,329,227	$ 144,801	$ 3,184,426

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position because $159.001 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

The beginning balance for long-term debt has been restated due to the implementation of GASB Statement No. 65, which requires deferred losses on refundings to be reclassified from long-term liabilities to deferred outflows of resources (Note 3.B.).

NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2014 are as follows (expressed in thousands):

	Due To							
Due From	General Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ 190	$ 9,309	$ 200,486	$ -	$ 10	$ 2,380	$ 212,375
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	4,040	-	3,113	-	-	134	-	7,287
Land Endowments Fund	-	-	7,038	-	-	-	12	7,050
Non-Major Governmental Funds	24,848	-	1,663	-	3	-	431	26,945
Non-Major Enterprise Funds	7,199	-	4,390	17,573	-	-	-	29,162
Internal Service Funds	6	-	-	-	-	-	8	14
Total Due From	$ 36,093	$ 190	$ 25,513	$ 218,059	$ 3	$ 144	$ 2,831	$ 282,833

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, 2014 are as follows (expressed in thousands):

	Transferred To						
Transferred From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Funds	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Total Transfers Out
General Fund	$ -	$ 516	$ 31	$ 161,947	$ 719,743	$ -	$ 882,237
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	-	-	-	303,030	-	-	303,030
Land Endowments Fund	2,205	-	-	47,067	-	-	49,272
Non-Major Governmental Funds	146,423	395	-	7,975	-	8,000	162,793
Non-Major Enterprise Funds	94,760	-	-	54,622	17,573	-	166,955
Internal Service Funds	85,290	-	-	-	-	-	85,290
Total Transfers In	$ 328,678	$ 911	$ 31	$ 574,641	$ 737,316	$ 8,000	$ 1,649,577

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. ACCOUNTING CHANGES

A. FUND FINANCIAL STATEMENTS

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

	Proprietary Funds
	Universities
Net Position, as previously reported	$ 2,991,239
Prior period adjustment	(21,279)
Net Position, as restated	$ 2,969,960

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Business-type Activities
Net Position, as previously reported	$ 3,129,419
Prior period adjustment	(21,279)
Net Position, as restated	$ 3,108,140

Prior Period Adjustment

In fiscal year 2014, the State implemented GASB Statement No. 65. This Statement required debt issuance costs, except any portion related to prepaid insurance costs, to be expensed in the period incurred rather than amortized annually. Additionally, for ASU, the capital assets were restated as a result of the write-off of debt issuance costs that had been previously capitalized and depreciated.

NOTE 10. 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, 2014 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	$ 9,600	$ 6,833	$ -	$ -	$ 16,433
Permanent fund principal	-	-	4,871,849	-	4,871,849
Restricted for:					
General government	16,565	-	-	65,717	82,282
Health and welfare	57,204	-	-	13,029	70,233
Inspection and regulation	5,539	-	-	-	5,539
Education	3,761	-	-	491,771	495,532
Protection and safety	23,447	-	-	-	23,447
Natural resources	3,615	-	-	9,091	12,706
Debt service	-	-	-	57,342	57,342
Capital projects	-	793,713	-	311,011	1,104,724
School facilities improvements	14,259	-	-	-	14,259
Committed to:					
General government	-	-	-	134,861	134,861
Health and welfare	21,982	-	-	149,773	171,755
Inspection and regulation	2,204	-	-	118,023	120,227
Education	14,047	-	-	-	14,047
Protection and safety	11,155	-	-	89,921	101,076
Transportation	-	170,725	-	-	170,725
Natural resources	13,716	-	-	71,143	84,859
School facilities improvements	16,733	-	-	-	16,733
Unassigned:	(189,238)	-	(29,744)	-	(218,982)
Total Fund Balances	$ 24,589	$ 971,271	$ 4,842,105	$ 1,511,682	$ 7,349,647

NOTE 11. FUND DEFICIT

A. RISK MANAGEMENT FUND (RMF)

The RMF, an internal service fund, had a deficit of $353.9 million primarily due to the RMF receiving annual funding only for expected paid insurance losses (including loss adjustment expenditures) within the State's self-insured retention for the specific fiscal year. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

B. RETIREE ACCUMULATED 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 $153.9 million fund deficit is primarily due to the above funding mechanism.

NOTE 12. 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, 2014, the U of A has made cash contributions of $18.2 million toward the project's construction costs, which were recorded as noncurrent investments on the Statement of Net Position. 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, $815 thousand in calendar year 2013, as a reduction in its investment. At June 30, 2014, the investment totaled $12.8 million. According to the most recent draft financial statements of the LBT for the year ended December 31, 2013, assets, liabilities, revenues, and expenses totaled $125.0 million, $3.0 million, $13.0 million, and $16.0 million, respectively.

Information regarding the LBT's financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, AZ 85719-0521.

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, 2014, 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, 2014, the U of A has received payment on nine contracts related to the project: $24.3 million from Observatories of the Carnegie Institution of Washington for mirror construction and process development; $13.5 million from the GMTO for mirror construction; $8.6 million from the GMTO for acquisition of glass and mold materials; $3.8 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; $1.7 million from the GMTO for acquisition of glass; $371 thousand from the GMTO to develop mirror testing systems; $270 thousand from the GMTO for design study; and $37 thousand from the GMTO for engineering support.

NOTE 13. 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 Special Fund provides payment of workers' compensation benefits in the following areas: claims against uninsured employers; continuing benefits in claims against insolvent workers compensation insurance carriers and bankrupt self-insured

employers; payment for vocational rehabilitation; continuing medical benefits for pre-1973 workers compensation claims; and, partial coverage of benefits for second injury claims (apportionment claims).

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 and the Special Fund. As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Investment earnings (including interest, dividends, and securities lending income) and assessments on gross premium revenues primarily fund the Special Fund. To provide funding for the payment of these workers' compensation benefits, the Special Fund may direct the payment of assessments into the State Treasury under A.R.S. § 23-1065(A) (general liability assessment – not to exceed 1.5%), A.R.S. § 23-1065(F) (apportionment assessment - not to exceed .5%), and A.R.S. § 23-966(D) (insolvency assessment - not to exceed .5%), in a total amount not to exceed 2.5% of all premiums received by private insurance carriers and what would have been paid by self-insured employers if they had been fully insured by an insurance carrier authorized to transact workers compensation insurance during the immediately preceding calendar year. The Special Fund levied the following assessment taxes for calendar year 2014: 1.14% assessment under A.R.S. § 23-1065(A), .25% assessment under A.R.S. § 23-1065(F), and .36% assessment under A.R.S. § 23-966(D).

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2014. The total estimated loss reserve of $484.1 million increased by less than 2%, or $6.3 million, over the prior year estimated loss reserve of $477.8 million. Reserves were strengthened for uninsured claims in the amount of $6.6 million, but otherwise 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 80 out of 100 years. The reserves were discounted at an assumed rate of .64% for the compensation benefits and zero percent for the medical benefits. 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.

During fiscal year 2014, the Legislature passed Senate Bill 1181 (S. B. 1181), which will transfer all insolvent workers' compensation insurance carrier administration and related liabilities from the Special Fund to the Arizona Property and Casualty Guaranty Fund managed by the Department of Insurance effective July 1, 2015. The liability for bankrupt self-insured employers will remain a liability of the Special Fund. Additionally, as a result of the passage of S. B. 1181, the assessment authority for the Special Fund liability was reduced by 1%. Effective July 1, 2015, the Special Fund assessment that can be levied may not exceed 1.5%, which is allocated as follows: 1% under A.R.S. § 23-1065(A) (reduced from 1.5%) and .5% percent under A.R.S. § 23-1065(F). The A.R.S. § 23-966(D) assessment was eliminated.

The Special Fund has filed proofs of claim with ancillary receivers and liquidators regarding the recovery of statutory deposits and other monies for insolvencies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits as revenue at the time received rather than recording a receivable.

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

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, 2013 and June 30, 2014 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2013	$ 364,763	$ 80,719	$ 49,867	$ 395,615
2014	395,615	92,284	58,570	429,329
Industrial Commission Special Fund:				
2013	468,933	33,555	24,641	477,847
2014	477,847	31,177	24,880	484,144

B. LITIGATION

In *Cave Creek Unified School District vs. State of Arizona*, plaintiffs claimed that A.R.S. § 15-901.01, which the voters had enacted by referendum and required the Legislature to appropriate funds to adjust school equalization assistance funding for inflation by increasing both the base level and the transportation components of the revenue control limit each fiscal year by a statutorily defined growth rate, had been violated with the Legislature's fiscal year 2010-2011 K-12 education budget reconciliation bill because only the transportation component of the revenue control limit was increased. The plaintiffs further asserted that because the voters enacted A.R.S. § 15-901.01 by referendum, the bill also violated the Arizona Constitution's Voter Protection Act (VPA) provisions, which prohibit the Legislature from eliminating voter-enacted measures and from altering them except as the VPA allows. The Trial Court denied the plaintiff's application for declaratory judgment and injunctive relief and granted the State's motion to dismiss the amended complaint for failure to state a claim for which relief could be granted. The Court of Appeals reversed the Trial Court's decision. The State petitioned the Supreme Court for review, which it granted. The Supreme Court considered whether the voters could constitutionally impose a mandate on the Legislature to increase appropriations. The Supreme Court has found that the voters could impose restrictions on the Legislature's discretion through voter-protected statutes and that the Legislature must fund, on a go-forward basis, all components of the base level A.R.S. § 15-901.01. The Supreme Court remanded the case to Superior Court for further proceedings. The Superior Court then bi-furcated the post-judgment proceedings and has determined that the base level should be recalculated as though the Legislature had never stopped funding the inflation adjustments. This decision is now on appeal by the State. The State's opening brief has been stayed pending court-supervised mediation that began in February, 2015. The Superior Court also set a one week evidentiary hearing to determine whether the State should or could retroactively pay schools for the inflationary increases that it did not make. The Superior Court has stayed issuance of a decision on this issue pending court-supervised mediation. If the appellate court affirms the Superior Court's declaration that the Legislature must recalculate the revenue control limit by compounding the inflation increases that were not made in the past, it is possible that the State would have to appropriate approximately $320.0 million more in educational spending for fiscal year 2014-2015 to pay the cost of increasing inflation adjustments to the base level. The potential outcome of retroactive payment of unpaid past inflationary increase is uncertain at this time, but if there were an unfavorable outcome, it is possible that the State could incur losses of approximately $1.2 billion.

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 $156.7 million at June 30, 2014.

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 $1.1 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at $44.0 million and mutual funds valued at $10.1 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2014, $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, $49.2 million was deposited in the General Fund, and $1.2 million was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2014, $373.7 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 $632.2 million at June 30, 2014.

	(in thousands)	
	Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	$ 366,707	$ 167,821
Small urban roadways	72,543	20,656
Urban roadways	127,473	51,015
Large urban roadways	156,870	123,207
General roadways	109,946	64,614
Sub-total	833,539	427,313
Design contracts	346,306	89,679
Other commitments	347,787	115,179
Total	$ 1,527,632	$ 632,171

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. The 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. Purchases of annuities transfer liabilities for prizes to the insurance company. However, the Lottery may incur liabilities for prizes in the event of a default of an insurance company. Aggregate future payments to prize winners on existing annuities totaled $42.5 million at June 30, 2014. Approximately $38.2 million of the total aggregate future payments at June 30, 2014 relate to annuities purchased from five separate insurance companies, of which approximately $12.4 million relates to a single insurance company.

NOTE 14. 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 $100.8 million in the fund statements and the government-wide statements in fiscal year 2014. 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, 2014.

NOTE 15. SUBSEQUENT EVENTS

In December 2014, the ADOT issued $376.8 million in Transportation Excise Tax Revenue Refunding Bonds (Maricopa County Regional Area Road Fund) 2014 Series (2014 Bonds) to: (1) refund, in advance of maturity, the 2007 Series, 2009 Series, and 2010 Series, and (2) pay the costs of issuance. The 2014 Bonds include serial bonds with interest rates ranging from 4.00% to 5.00%, and maturity dates ranging from July 1, 2015 to July 1, 2025. The 2014 Bonds are subject to optional redemption prior to their respective maturity dates. The bonds being refunded will be paid by investments held in a trust account with U.S. Bank National Association.

In December 2014, the U of A issued $129.2 million in SPEED Revenue Bonds, Series 2014 (2014 Bonds), to: (1) acquire, construct, equip and improve the Bioscience Partnership Building project and the Bioscience Research Laboratories project, and (2) pay costs of issuance. The 2014 Bonds include both serial and term bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2017 to 2045. The 2014 Bonds are subject to optional and mandatory redemption prior to their stated maturity dates pursuant to the debt documents. The sources for payment of the 2014 Bonds debt service will be derived from certain revenues of the State Lottery and monies of the U of A.

In January 2015, the ADOT issued $377.5 million in Highway Revenue Refunding Bonds, Series 2015 (2015 Bonds), to: (1) refund, in advance of maturity, the Series 2005B, Series 2006, Series 2008A, and Series 2008B, and (2) pay costs of issuance. The 2015 Bonds include serial bonds with interest rates ranging from 2.00% to 5.00%, and maturity dates ranging from July 1, 2015 to July 1, 2033. The 2015 Bonds are subject to optional redemption prior to maturity pursuant to the debt documents. The bonds being refunded will be paid by investments held in a trust account with U.S. Bank National Association.

NOTE 16. 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.

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.

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. 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 comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, less an investment management fee.

In addition, investments include Universities' endowment funds totaling $335.4 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 ACFFC and, accordingly, there is no provision for income taxes in the accompanying financial statements. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any unrelated business income would be taxable. The ACFFC is exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

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. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the component units that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets. The component units' deferred outflows of resources represent losses resulting from debt refundings.

9. Endowments

The management of the ASU Foundation and the U of A Foundation endowments is governed by laws in the State of Arizona created under the Arizona Management of Charitable Funds Act.

The ASU Foundation has interpreted State statute as requiring the preservation of the fair value of the original gifts at the gift date of the donor restricted endowment funds. As a result of this interpretation, the ASU Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The ASU Foundation's investment policies are reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve intergenerational equity by achieving growth of the investments at a rate that at least keeps pace with the general rate of inflation, net of spending.

The U of A Foundation endowment payout rate is a percentage (4% of the average fair value at the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the U of A Foundation's Board. The U of A Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds: the net rate of return earned by each endowment account in each of the five most recent fiscal years; the net real rate of return (as measured by the Higher Education Price Index) earned by the endowment in each of the five most recent fiscal years (i.e., the duration and preservation of the endowment fund); payout rates established by other university endowments as published in the Commonfund and National Association of College and University Business Officers survey; any unusual or extraordinary circumstances impacting the U of A flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.); the extent to which programs benefiting from the payout rate rely on these funds to achieve their goals and objectives; general economic conditions; the possible effect of inflation or deflation; and the expected total return from income and appreciation of investments per the most recent asset allocation study.

The U of A Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the payout and the cost recovery fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The U of A Foundation expects its endowment funds to provide an annual average rate of return of 8.9% with a standard deviation of 8.8%.

10. 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, 2014 (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	11,533	11,533	-	-	-
U.S. agency securities	33,928	-	23,977	-	9,951
U.S. Treasury securities	244	-	244	-	-
Total	$ 125,809	$ 13,642	$ 62,698	$ -	$ 49,469

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, 2014 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Commercial paper	$ 4,013	$ 4,013	$ -	$ -	$ -
Global fixed income debt securities	2,782	502	1,673	607	-
Money market mutual funds	40,577	40,577	-	-	-
U.S. fixed income debt securities	39,044	3,551	20,684	5,463	9,346
U.S. Treasury securities	6,208	6,208	-	-	-
Total	$ 92,624	$ 54,851	$ 22,357	$ 6,070	$ 9,346

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The WIFA does not have a formal policy regarding credit risk but their investments are in accordance with the master bond indenture. The 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, 2014 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**
Guaranteed investment contracts	$ 80,104	$ 40,586	$ 39,518
Money market mutual funds	11,533	11,533	-
U.S. agency securities	33,928	-	33,928
Total	$ 125,565	$ 52,119	$ 73,446

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, 2014 (expressed in thousands):

Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**CCC Thru D**	**A-1**	**Not Rated**
Commercial paper	$ 4,013	$ -	$ -	$ -	$ -	$ -	$ 4,013	$ -
Global fixed income debt securities	2,782	-	1,752	807	223	-	-	-
Money market mutual funds	40,577	-	-	-	-	-	-	40,577
U.S. fixed income debt securities	39,044	16,410	7,257	5,390	8,130	4	-	1,853
Total	$ 86,416	$ 16,410	$ 9,009	$ 6,197	$ 8,353	$ 4	$ 4,013	$ 42,430

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2014, investments in any one issuer, that were more than 5% of the WIFA's total investments, are as follows: (i) Bayerische Landesbank (fair value of $40.6 million, or 12.6%), (ii) Royal Bank of Canada (fair value of $31.4 million, or 9.7%), and (iii) Federal Home Loan (fair value of $33.9 million, or 10.5%).

2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2014. Investments are stated at fair value (expressed in thousands):

	ASU Foundation	U of A Foundation
Money market funds and cash equivalents	$ 40,526	$ -
Domestic/international equity securities and mutual funds	542,429	256,670
U.S. fixed income obligations and mutual funds	107,687	135,719
Absolute return limited partnerships and funds	-	213,644
Other investments	69,788	162,125
Total Investments	$ 760,430	$ 768,158

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 2014 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	$ 769,097	$ 25,611	$ (47,099)	$ 747,609
Drinking Water Fund	346,215	34,497	(34,015)	346,697
Total	$ 1,115,312	$ 60,108	$ (81,114)	$ 1,094,306

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 3.00% annual administrative fee. When loans have been repaid, the principal and interest for the pledged loans are placed in restricted accounts used to make bond payments. For loans that are not pledged, the money is placed in a fund from which additional loans are made.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2014, the debt service reserve was $69 thousand and $2.0 million for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

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 1.20% 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.

Pledges receivable, as of June 30, 2014, include the following (expressed in thousands):

	ASU Foundation
Gross pledges receivable	$ 155,621
Present value discount	(10,289)
Allowance for uncollectible pledges	(39,808)
Net Pledges Receivable	$ 105,524

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, 2014 is $24.5 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 the ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 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. The ACFFC's net investment in the Nanotechnology facility direct financing lease is $31.0 million at June 30, 2014.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective 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. The ACFFC's net investment in the McAllister (HAV) direct financing lease is $12.1 million at June 30, 2014.

F. CAPITAL ASSETS

Capital asset activity for the UAHN for the fiscal year ended June 30, 2014 was as follows (expressed in thousands):

	University of Arizona Health Network and Subsidiaries				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 14,819	$ -	$ -	$ (16)	$ 14,803
Construction in progress	43,942	58,275	-	(89,130)	13,087
Total Non-depreciable Capital Assets	58,761	58,275	-	(89,146)	27,890
Depreciable capital assets:					
Buildings	455,456	13	-	6,125	461,594
Improvements other than buildings	1,210	-	-	16	1,226
Equipment	314,872	-	(852)	83,005	397,025
Total Depreciable Capital Assets	771,538	13	(852)	89,146	859,845
Less accumulated depreciation for:					
Buildings	(185,869)	(14,562)	-	-	(200,431)
Improvements other than buildings	(997)	(120)	-	-	(1,117)
Equipment	(236,959)	(31,855)	642	-	(268,172)
Total Accumulated Depreciation	(423,825)	(46,537)	642	-	(469,720)
Total Depreciable Capital Assets, Net	347,713	(46,524)	(210)	89,146	390,125
Total UAHN Capital Assets, Net	$ 406,474	$ 11,751	$ (210)	$ -	$ 418,015

Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2014 include the following (expressed in thousands):

	ACFFC	CRC	Downtown Phoenix Student Housing
Buildings and improvements	$ 185,011	$ 22,279	$ 114,091
Furniture, fixtures, and equipment	80,768	5,272	10,447
Total cost or donated value	265,779	27,551	124,538
Less: Accumulated Depreciation	(90,355)	(8,931)	(26,375)
Total Property and Equipment, Net	$ 175,424	$ 18,620	$ 98,163

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 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, 2014 totaled $271.7 million.

During fiscal year 2014, bond issuance premiums and deferred losses on refunding of bonds were amortized on a straight-line basis based on the term of the underlying bonds payable. In fiscal year 2014, the remaining balance of the deferred bond issuance costs of $4.2 million was written off per GASB 65. Amortization expense as of June 30, 2014 for bond issuance premiums and deferred losses on refunding of bonds was $7.7 million and $3.5 million, respectively.

The security for the bonds includes a pledge of monies and investments in the accounts held by the Trustee and the Financial Assistance accounts held for the WIFA by the State Treasurer and all pledged loans.

At the end of fiscal year 2014, the amount of money and investments held by the Trustee and the monies held by the State Treasurer was $323.6 million. The principal and interest repayments received on pledged loans in fiscal year 2014 were $103.7 million. The principal and interest paid on the outstanding bonds in fiscal year 2014 was $84.0 million.

b. University of Arizona Health Network and Subsidiaries

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 of the UMC.

For the year ended June 30, 2014, the UMC violated the debt service coverage ratio covenant included in the Indenture. The Indenture requires management to perform certain actions during the year immediately following the year of violation. If management performs these actions, an event of default is avoided. Management intends to fulfill these actions. At June 30, 2014, the bonds subject to the Indenture are not in default; accordingly, their maturities have not been adjusted from the original maturities.

The UPH is also subject to certain financial and nonfinancial covenants under its bond agreements. The UPH was in violation of certain covenants as of June 30, 2014; however, these covenant violations have been waived by the holder of the debt; accordingly, their maturities have not been adjusted from the original maturities.

The UAHN has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled $24.9 million at June 30, 2014, are held by the trustee and are reflected in assets 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.

<u>Summary of Revenue Bonds</u>

The following schedule summarizes revenue bonds outstanding at June 30, 2014 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2014
Component Units:				
Water Infrastructure Finance Authority	2004-2012	2015-2031	.2-5.00%	$ 818,750
University of Arizona Health Network and Subsidiaries	2004-2014	2015-2042	4.08-6.48%	336,597

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2014 are as follows (expressed in thousands):

	Annual Debt Service		
	Water Infrastructure Finance Authority		
Fiscal Year	Principal	Interest	Total
2015	$ 46,495	$ 36,742	$ 83,237
2016	49,990	34,695	84,685
2017	49,110	32,881	81,991
2018	52,300	31,077	83,377
2019	53,045	29,014	82,059
2020-2024	289,365	104,797	394,162
2025-2029	234,550	37,374	271,924
2030-2031	43,895	1,924	45,819
Total	$ 818,750	$ 308,504	$ 1,127,254

	Annual Debt Service		
	University of Arizona Health Network and Subsidiaries		
Fiscal Year	Principal	Interest	Total
2015	$ 6,947	$ 17,921	$ 24,868
2016	7,295	17,572	24,867
2017	7,670	17,195	24,865
2018	8,070	16,794	24,864
2019	8,490	16,374	24,864
2020-2024	49,635	74,687	124,322
2025-2029	64,210	60,115	124,325
2030-2034	83,515	40,815	124,330
2035-2039	85,005	16,551	101,556
2040-2042	15,760	485	16,245
Total	$ 336,597	$ 278,509	$ 615,106

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, 2013 as restated	Increases	Decreases	Balance June 30, 2014	Due Within One Year	Due Thereafter
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	$ 863,900	$ -	$ (45,150)	$ 818,750	$ 46,495	$ 772,255
Revenue bond premium	81,071	-	(7,074)	73,997	-	73,997
Total Long-term Debt	944,971	-	(52,224)	892,747	46,495	846,252
Other Long-term Liabilities:						
Compensated absences	93	96	(85)	104	104	-
Total Other Long-term Liabilities	93	96	(85)	104	104	-
Total Long-term Obligations	$ 945,064	$ 96	$ (52,309)	$ 892,851	$ 46,599	$ 846,252
University of Arizona Health Network and Subsidiaries:						
Long-term Debt:						
Revenue bonds	$ 310,128	$ 32,808	$ (6,339)	$ 336,597	$ 6,947	$ 329,650
Revenue bond premium and discount	(2,201)	155	(129)	(2,175)	-	(2,175)
Notes payable	9,737	-	(873)	8,864	534	8,330
Capital leases	640	-	(640)	-	-	-
Line of credit	19,734	20,000	(19,734)	20,000	20,000	-
Total Long-term Debt	338,038	52,963	(27,715)	363,286	27,481	335,805
Other Long-term Liabilities:						
Compensated absences	27,916	33,862	(27,916)	33,862	30,255	3,607
Other	281	1,487	(1,120)	648	-	648
Total Other Long-term Liabilities	28,197	35,349	(29,036)	34,510	30,255	4,255
Total Long-term Obligations	$ 366,235	$ 88,312	$ (56,751)	$ 397,796	$ 57,736	$ 340,060

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2014 include the following (expressed in thousands):

	Final Maturity	Amount
ASU Foundation:		
Series 2014A Revenue Refunding Bonds	2034	$ 39,050
Series 2014B Revenue Refunding Bonds	2016	4,360
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	7,460
ACFFC:		
Series 2011 Tax-Exempt Revenue Refunding Bonds	2018	13,475
Series 2009 Revenue Bonds	2024	34,475
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	8,310
Series 2008 Revenue Bonds	2028	14,010
Series 2008 Revenue Refunding Bonds	2039	142,125
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	37,095
Series 2005 Tax-Exempt Refunding Bonds	2035	15,580
Deferred Cost of Refunding		(299)
Unamortized Bond Premium		1,359
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	118,140
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,057)

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
2015	$ 2,600	$ 9,300	$ 610
2016	2,195	9,865	810
2017	2,275	10,555	1,025
2018	2,365	11,275	1,245
2019	2,480	12,040	1,480
Thereafter	61,375	236,050	134,613
Total	$ 73,290	$ 289,085	$ 139,783

H. 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 A.R.S. § 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 position of $12.0 million in the Pledged Collateral Reserve Fund. At June 30, 2014, the total outstanding face value of all bonds issued by the GADA was $408.4 million.

I. SUBSEQUENT EVENTS

In June 2014, the UAHN and the U of A executed a Principles of Agreement document with Banner Health, to create a statewide health care organization and a comprehensive new model for academic medicine. This merger is expected to close on February 27, 2015.

In December 2014, the WIFA issued $342.6 million of Water Quality Revenue Refunding Bonds, Series 2014A (2014A Bonds) to refund portions of the WIFA's outstanding bonds and to pay costs of issuance. The 2014A Bonds include serial bonds with interest rates ranging from 2.00% to 5.00% and maturity dates ranging from 2016 to 2031. The 2014A Bonds are subject to optional redemption prior to their stated maturity dates pursuant to the debt documents. The bonds being refunded will be paid by investments held in an irrevocable trust.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMINISTRATION, ARIZONA DEPARTMENT OF			
500 BED MAXIMUM SECURITY FY12-13	$ 18,942,751	$ 18,942,751	$ 14,904,399
500 BED MAXIMUM SECURITY FY13-14	30,000,000	30,000,000	16,607,301
ADMINISTRATIVE ADJUSTMENTS	-	994,697	994,697
ADULT INFORMATION MANAGEMENT SYSTEM	8,000,000	8,000,000	-
AFIS REPLACEMENT ERP	28,638,000	28,638,000	15,999,187
ANNUAL REV PERSONNEL DIV FUND ARS41-764C	-	2,037,041	2,037,041
AUTOMATION AND INFORMATION TECH PROJECTS	11,500,000	11,500,000	5,523,643
AUTOMATION PROJECTS GF	18,400,000	18,400,000	18,400,000
BUILDING RENEWAL FY09-10	-	1,321	-
BUILDING RENEWAL FY10-11	15,568	15,568	200
BUILDING RENEWAL FY11-12	1,142,917	1,142,917	1,129,487
BUILDING RENEWAL FY12-13	8,657,616	8,657,616	5,057,944
BUILDING RENEWAL FY13-14	9,000,000	9,000,000	1,066,172
CAPITOL MALL FIRE SYSTEM REPLACE FY08-09	6,764	6,764	-
CAPITOL MALL SECURITY SYSTEM	2,000,000	2,000,000	231,339
CASH TRANSFER BETWEEN FUNDS	2,400	2,400	2,400
CASH TRANSFER TO AUTOMATION PROJECTS FUND	11,530,700	11,530,700	11,530,700
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	60,107,800	60,107,800	60,107,800
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	24,012,000	24,012,000	24,012,000
CORRECTIONS BUILDING RENEWAL FY11-12	1,630,500	2,066,906	-
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY12-13	60,981	60,981	-
COUNTY ATTORNEYS IMMIGRATION ENFORCEMENT FY13-14	1,213,200	1,213,200	973,719
COUNTY SERVICES DISTRIBUTION	7,150,500	7,150,500	7,150,500
DATA SECURITY AND ENCRYPTION DOR	4,900,000	4,900,000	253,489
E LICENSING DEQ	5,000,000	5,000,000	4,483,524
HB1464 PERSONNEL REFORM FY98-99	273,045	45	-
IMPLEMENT UPGRADE TAXPAYER ACCTG SYSTEM	1,700,000	1,700,000	1,071,329
OPERATING LUMP SUM APPROPRIATION	39,986,900	40,853,400	35,467,006
OPERATING LUMP SUM APPROPRIATION - ST BD	212,500	231,000	228,743
PUBLIC SAFETY COMMUNICATIONS	549,700	549,700	261,243
RELIEF BILL CASH TRANSFER FY14	-	1,430	1,430
RELOCATION FY99-00	4,520	4,520	-
RELOCATION FY00-01	55,301	55,301	-
RELOCATION FY01-02	59,026	59,026	-
RELOCATION FY02-03	58,149	58,149	-
STATE SURPLUS PROPERTY SALES PROCEEDS	1,260,000	1,835,000	1,734,925
STATEWIDE INFO SECURITY AND PRIVACY OFC	857,800	857,800	784,044
STUDENT LONGITUDINAL DATA SYSTEM	7,000,000	7,000,000	7,000,000
UTILITIES	8,275,600	8,275,600	7,554,795
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	-
ADMINISTRATIVE HEARINGS, OFFICE OF			
OPERATING LUMP SUM APPROPRIATION	821,400	874,500	874,500
AGRICULTURE, ARIZONA DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	12,443	12,443
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
AGRICULTURE CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	128,500
ANIMAL DAMAGE CONTROL	65,000	65,000	47,814
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	-	198,434	198,434
OPERATING LUMP SUM APPROPRIATION	7,595,000	7,881,800	7,878,499
RED IMPORTED FIRE ANT	23,200	23,200	23,200
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM			
ACA ADULT EXPANSION	-	65,931,900	40,385,589
ADMINISTRATIVE ADJUSTMENTS	-	160,641,023	160,641,023
ALTCS SERVICES	1,220,006,600	1,220,006,600	1,192,101,604
CHILDREN'S REHABILITATIVE SERVICES	111,736,400	159,150,000	156,367,982
CHIP - SERVICES	12,081,300	12,081,300	9,469,104
DES ELIGIBILITY	53,799,300	120,774,100	88,533,292
DISPROPORTIONATE SHARE PAYMENTS	13,487,100	13,487,100	4,202,300

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DSH - VOLUNTARY	28,457,100	43,318,000	25,806,951
GRADUATE MEDICAL EDUCATION	160,184,900	186,490,100	159,376,439
KIDSCARE II FED	20,924,000	37,772,000	36,263,719
KIDSCARE II LOCAL GOVT MATCH	5,901,700	10,450,700	9,835,449
OPERATING LUMP SUM APPROPRIATION	75,747,800	91,696,600	82,821,585
PROP 204 AHCCCS ADMINISTRATION	6,635,800	8,831,800	8,080,305
PROP 204 DES ELIGIBILITY	37,793,600	26,393,100	24,106,805
PROPOSITION 204 SERVICES	1,029,647,500	1,331,828,200	1,272,319,321
RURAL HOSPITAL REIMBURSEMENT	13,858,100	13,858,100	13,008,100
SAFETY NET CARE POOL	166,000,000	487,953,400	476,367,179
TRADITIONAL MEDICAID SERVICES	3,593,266,500	3,446,490,100	3,152,899,036
ARIZONA STATE UNIVERSITY			
BIOMEDICAL INFORMATICS	1,955,200	1,955,200	1,955,200
DOWNTOWN PHOENIX CAMPUS	15,661,000	22,445,000	22,445,000
OPERATING LUMP SUM APPROPRIATION-EAST	12,511,400	18,289,400	18,289,400
OPERATING LUMP SUM APPROPRIATION-MAIN	143,370,400	211,828,600	211,828,600
OPERATING LUMP SUM APPROPRIATION-WEST	23,224,600	33,328,100	33,328,100
PARITY FUNDING POLY	3,497,800	3,497,800	3,497,800
PARITY FUNDING TEMPE	20,444,400	20,444,400	20,444,400
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	-	13,555,000	13,553,615
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT-POLY	-	917,000	917,000
ATTORNEY GENERAL - DEPARTMENT OF LAW			
ADMINISTRATIVE ADJUSTMENTS	-	26,230	26,230
CAPITAL POSTCONVICTION PROSECUTION	500,000	500,000	488,099
LEGAL ARIZONA WORKERS ACT FY07-08	100,000	100,000	-
MILITARY INSTALLATION/PLANNING FY11-12	206	206	-
MILITARY INSTALLATION/PLANNING FY12-13	316	316	-
MILITARY INSTALLATION/PLANNING FY13-14	-	85,800	85,800
OPERATING LUMP SUM APPROPRIATION	36,730,400	37,814,200	36,909,181
STATE GRAND JURY	177,500	177,500	177,344
AUDITOR GENERAL			
OPERATING LUMP SUM APPROPRIATION FY10-11	425,540	425,540	-
OPERATING LUMP SUM APPROPRIATION FY11-12	1,821,473	1,821,473	141,934
OPERATING LUMP SUM APPROPRIATION FY12-13	3,597,444	3,597,444	1,727,043
OPERATING LUMP SUM APPROPRIATION FY13-14	17,240,100	17,989,700	15,264,933
CHARTER SCHOOLS, STATE BOARD FOR			
ADMINISTRATIVE ADJUSTMENTS	-	5,185	5,185
OPERATING LUMP SUM APPROPRIATION	748,100	822,400	787,798
COMMISSION ON UNIFORM STATE LAWS			
DUES AND TRAVEL EXPENSES	75,000	75,000	75,000
CORPORATION COMMISSION			
OPERATING LUMP SUM APPROPRIATION	639,350	659,800	560,407
RAILROAD WARNING SYSTEMS FY00-01	47,510	47,510	-
CORRECTIONS, STATE DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	852,713	852,713
ASPC YUMA CHEYENNE REPAIRS	8,000,000	8,000,000	791,475
BUILDING RENEWAL FUND EXPENDITURES FY11-12	490,044	490,044	490,044
BUILDING RENEWAL FUND EXPENDITURES FY12-13	2,248,495	2,248,495	1,574,510
BUILDING RENEWAL FUND EXPENDITURES FY13-14	5,000,000	5,000,000	888,673
CASH TRANSFER TO AUTOMATION PROJECTS FUND	28,800	28,800	28,800
INMATE HEALTH CARE CONTRACTED SERVICES	115,274,900	116,274,900	116,239,900
OPERATING LUMP SUM APPROPRIATION	745,641,700	751,586,100	749,744,286
PRIVATE PRISON PER DIEM	106,884,100	106,884,100	106,843,959
COURT OF APPEALS DIVISION I			
ADMINISTRATIVE ADJUSTMENTS	-	15,689	15,689
OPERATING LUMP SUM APPROPRIATION - DIVISION I	9,640,000	9,896,900	9,875,070
COURT OF APPEALS DIVISION II			
OPERATING LUMP SUM APPROPRIATION - DIVISION II	4,227,600	4,289,800	4,289,797

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE			
ADMINISTRATION STATEWIDE	3,591,400	4,926,480	4,682,272
ADMINISTRATIVE ADJUSTMENTS	-	1,248,795	1,248,795
PHOENIX DAY SCHOOL FOR THE DEAF	3,503,700	3,648,142	3,316,447
PRESCHOOL AND OUTREACH PROGRAMS	1,845,900	1,978,776	1,900,137
REGIONAL COOPERATIVES	798,600	832,400	832,400
SCHOOL BUS REPLACEMENT	738,000	738,000	737,915
TUCSON CAMPUS	10,108,500	9,671,503	8,700,591
TUCSON CAMPUS DORM RENOVATIONS	1,000,000	1,000,000	1,000,000
ECONOMIC SECURITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	128,840,142	128,840,142
ADOPTION SERVICES	177,554,600	177,554,600	76,960,934
ADULT SERVICES	6,924,100	7,924,100	7,540,474
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	215,622,000	231,026,100	194,308,944
ATTORNEY GENERAL LEGAL SERVICES	10,830,500	10,867,300	9,006,503
AZ TRAINING PROGRAM COOLIDGE-TITLE XIX	20,327,100	22,302,000	19,486,974
CASE MANAGEMENT-STATE ONLY	3,846,000	3,926,600	3,798,089
CASE MANAGEMENT-TITLE XIX	49,143,800	61,900,800	54,806,949
CHILDREN SUPPORT SERVICES	143,293,700	159,852,200	84,614,748
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	3,018,028
CONTINGENCY FUNDING	10,500,000	10,500,000	10,500,000
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,121,230
COORDINATED HUNGER	1,754,600	1,754,600	1,164,095
COUNTY PARTICIPATION	8,600,200	8,600,200	5,347,854
CPS EMERGENCY AND RESIDENTIAL PLACEMENT	84,219,300	81,869,300	37,394,335
DAY CARE SUBSIDY	130,396,600	126,396,600	110,191,082
DCYF ATTORNEY GENERAL LEGAL SERVICES	20,068,700	20,446,700	12,684,400
DCYF OPERATING LUMP SUM	165,648,500	179,890,800	121,874,487
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	8,637,695
FOSTER CARE PLACEMENT	50,351,200	50,351,200	25,651,430
GRANDPARENT STIPENDS	1,000,000	1,000,000	339,978
HOME AND COMMUNITY BASED SERVICES-STATE ONLY	33,443,400	19,343,200	12,568,399
HOME AND COMMUNITY BASED SERVICES-TITLE XIX	982,631,300	964,697,500	887,592,888
INDEPENDENT LIVING MAINTENANCE	3,469,300	2,969,300	2,219,300
INDEPENDENT LIVING REHABILITATION SERVICES	166,000	116,000	116,000
INSTITUTIONAL SERVICES-TITLE XIX	25,712,300	28,795,500	24,688,694
INTENSIVE FAMILY SERVICES	5,000,000	5,000,000	5,000,000
JOBS	11,894,700	11,924,700	9,865,098
MEDICAL CLAWBACK	3,072,000	3,072,000	3,072,000
MEDICAL SERVICES-TITLE XIX	188,890,200	176,460,500	169,053,244
PERMANENT GUARDIAN SUBSIDY	11,215,300	11,715,300	10,330,943
REHABILITATION SERVICES	3,594,400	2,594,400	2,594,400
SPECIAL SUPPLEMENTAL APPROPRIATION	28,500,000	63,500,000	63,500,000
STATE FUNDED LONG-TERM CARE SERVICES	26,528,100	28,328,100	25,012,206
TANF CASH BENEFITS	44,999,400	40,499,400	40,467,478
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
WORKFORCE INVESTMENT ACT SERVICES	51,654,600	51,654,600	39,130,167
EDUCATION, DEPARTMENT OF			
ACHIEVEMENT TESTING	3,218,400	3,223,600	3,223,600
ADDITIONAL STATE AID TO SCHOOLS	339,269,300	339,269,300	336,776,400
ADMINISTRATIVE ADJUSTMENTS	-	15,591,276	15,591,276
ADULT EDUCATION	4,500,000	4,500,000	4,500,000
ARIZONA STRUCTURED ENGLISH IMMERSION	8,791,400	8,791,400	8,791,400
BASIC STATE AID DEFERRED PAYMENT FY13	952,627,700	952,627,700	929,332,067
BASIC STATE AID ENTITLEMENT	2,228,951,900	2,275,951,900	2,275,464,511
CASH TRANSFER TO AUTOMATION PROJECTS FUND	1,998,242	1,998,242	1,982,176
EMPOWERMENT SCHOLARSHIP ACCOUNT	137,843	137,843	36,857
ENGLISH LANGUAGE ACQUISITION FY06-07	2,827	2,827	-
ENGLISH LEARNER ADMINISTRATION	3,967,700	4,016,200	4,016,200

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ENGLISH LEARNER TEACHER FY04-05	477,154	477,154	-
K-3 READING	40,000,000	40,007,600	40,007,600
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	8,163,800	8,461,000	8,459,599
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	1,213,600	1,234,700	1,234,700
OTHER STATE AID TO DISTRICTS FY07	983,900	983,900	56,440
PERFORMANCE INCENTIVE FUND DEPOSIT	2,400,000	2,400,000	2,400,000
READING FIRST INITIATIVE FY07-08	97,003	97,003	97,003
SCHOOL SAFETY PROGRAM	3,646,400	3,646,400	2,972,278
SPECIAL EDUCATION FUND	33,242,100	33,242,100	33,242,100
STATE BLOCK GRANT FOR VOCATIONAL EDUCATION	11,494,500	11,575,400	11,575,400
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF			
ADMINISTRATION	1,706,000	1,822,900	1,814,754
COCONINO COUNTY CAMPBELL FLOOD FY11-12	25,358	25,358	25,358
DISASTER DECLARATION	-	4,000,000	4,000,000
EMERGENCY MANAGEMENT	709,900	729,900	729,329
EUZ701 SEARCH AND RESCUE FY11-12	7,220	7,220	7,219
EUZ701 SEARCH AND RESCUE FY12-13	4,022	4,022	4,022
FEBRUARY 2005 WINTER STORMS FY07-08	92,475	92,475	62,379
FEBRUARY 2005 WINTER STORMS FY10-11	34,039	34,039	1,067
GREENLEE COUNTY FLOODING	58,451	58,451	58,450
HAZARD MATERIALS CONTINGENCY FY03-04	3,539	3,539	3,539
HAZARD MATERIALS CONTINGENCY FY07-08	48,358	48,358	46,461
JANUARY 2010 WINTER STORM FY09-10	3,452	3,452	3,452
MILITARY AFFAIRS	1,199,500	1,194,800	1,183,808
MILITARY AFFAIRS COMMISSION FY10-11	39,649	39,649	-
MILITARY AFFAIRS COMMISSION FY11-12	23,218	23,218	-
MILITARY AFFAIRS COMMISSION FY12-13	38,605	38,605	-
MILITARY AFFAIRS COMMISSION FY13-14	-	90,000	90,000
NORTHERN ARIZONA WINTER STORM FY10-11	261,084	261,084	8,207
NORTHERN GREENLEE COUNTY FLOODING FY11-12	24,752	24,752	24,752
NORTHERN GREENLEE COUNTY FLOODING FY12-13	100,000	100,000	100,000
NUCLEAR EMERGENCY MANAGEMENT FUND-BUCKEYE GF TRF	-	69,909	69,909
NUCLEAR EMERGENCY MANAGEMENT FUND-GF TSF	-	524,008	524,008
NUCLEAR EMERGENCY MANAGEMENT FUND-MARICOPA-GF TRF	-	665,916	665,916
POST-GLADIATOR FIRE FLOODING	36,243	36,243	36,242
SCHULTZ FIRE POST-FIRE FLOOD FY10-11	1	1	(69,460)
SERVICE CONTRACTS FY12-13	642,098	642,098	407,744
SERVICE CONTRACTS FY13-14	1,215,000	1,215,000	578,495
SUMMER 2006 MONSOONS AND FLOODING FY07-08	3,539	3,539	3,539
SUMMER 2006 MONSOONS AND FLOODING FY11-12	166,035	166,035	6,271
ENVIRONMENTAL QUALITY, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	59,555	59,555
CASH TRANSFER TO AUTOMATION PROJECTS FUND	93,700	93,700	93,700
OPERATING LUMP SUM APPROPRIATION	13,008,700	13,308,500	2,958,305
EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF			
ADMINISTRATIVE ADJUSTMENTS	-	41	41
OPERATING LUMP SUM APPROPRIATION	187,100	188,500	188,423
EQUALIZATION, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	742	742
OPERATING LUMP SUM APPROPRIATION	629,500	639,500	520,422
EXECUTIVE CLEMENCY, BOARD OF			
OPERATING LUMP SUM APPROPRIATION	821,500	838,400	824,733
FINANCIAL INSTITUTIONS, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	2,912,800	3,019,100	3,011,159
FIRE, BUILDING AND LIFE SAFETY, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	1,969,100	2,026,000	1,945,413
FORESTER, OFFICE OF THE STATE			
ADMINISTRATIVE ADJUSTMENTS	-	169,532	169,532
ENVIRONMENTAL COUNTY GRANTS	175,000	175,000	175,000

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
FIRE SUPPRESSION SLI	1,000,000	1,000,000	1,000,000
GENERAL FUND TRANSFER TO FIRE SUPPRESSION	-	3,000,000	3,000,000
INMATE FIRE CREWS	695,700	695,700	669,899
OPERATING LUMP SUM APPROPRIATION	2,291,700	2,365,700	2,334,670
RESOURCE MANAGEMENT PLAN GRANTS	100,000	100,000	-
GENERAL ACCOUNTING OFFICE			
CAPITAL OUTLAY STATE AID COCHISE	450,400	450,400	450,400
CAPITAL OUTLAY STATE AID COCONINO	147,500	147,500	147,500
CAPITAL OUTLAY STATE AID GILA	50,000	50,000	50,000
CAPITAL OUTLAY STATE AID GRAHAM	218,100	218,100	218,100
CAPITAL OUTLAY STATE AID MOHAVE	211,700	211,700	211,700
CAPITAL OUTLAY STATE AID NAVAJO	122,600	122,600	122,600
CAPITAL OUTLAY STATE AID PINAL	257,700	257,700	257,700
CAPITAL OUTLAY STATE AID SANTA CRUZ	16,700	16,700	16,700
CAPITAL OUTLAY STATE AID YAVAPAI	248,600	248,600	248,600
CAPITAL OUTLAY STATE AID YUMA LA PAZ	276,700	276,700	276,700
EQUALIZATION AID - COCHISE	4,712,400	4,712,400	4,712,400
EQUALIZATION AID - GRAHAM	16,075,100	16,075,100	16,075,100
EQUALIZATION AID - NAVAJO	5,514,200	5,514,200	5,514,200
HR PRORATA ADJUSTMENTS	1,605,400	71,300	-
LEASE PURCHASE ADJUSTMENTS	67,800	-	-
NAMED CLAIMANTS BILL	-	193,632	193,632
OPERATING STATE AID - COCHISE	5,710,100	5,710,100	5,710,100
OPERATING STATE AID - COCONINO	1,840,400	1,840,400	1,840,400
OPERATING STATE AID - GILA	370,700	370,700	370,700
OPERATING STATE AID - GRAHAM	2,345,700	2,345,700	2,345,700
OPERATING STATE AID - MARICOPA	7,913,300	7,913,300	7,913,300
OPERATING STATE AID - MOHAVE	1,659,400	1,659,400	1,659,400
OPERATING STATE AID - NAVAJO	1,646,600	1,646,600	1,646,600
OPERATING STATE AID - PIMA	7,136,600	7,136,600	7,136,600
OPERATING STATE AID - PINAL	2,135,000	2,135,000	2,135,000
OPERATING STATE AID - SANTA CRUZ	58,700	58,700	58,700
OPERATING STATE AID - YAVAPAI	893,900	893,900	893,900
OPERATING STATE AID - YUMA LA PAZ	2,754,400	2,754,400	2,754,400
RETENTION PAYMENT ADJUSTMENTS	23,500,000	119,200	-
RISK MANAGEMENT ADJUSTMENTS	327,100	5,400	-
RURAL COUNTY REIMBURSEMENT SUBSIDY	848,800	848,800	848,800
WOOLSEY FLOOD DISTRICT	-	117,597	117,597
GEOLOGICAL SURVEY, ARIZONA			
OPERATING LUMP SUM APPROPRIATION	853,600	941,400	941,400
GOVERNOR, OFFICE OF THE			
OPERATING LUMP SUM APPROPRIATION FY10-11	110,493	110,493	110,493
OPERATING LUMP SUM APPROPRIATION FY11-12	747,616	747,616	747,616
OPERATING LUMP SUM APPROPRIATION FY12-13	3,137,461	3,137,461	1,071,345
OPERATING LUMP SUM APPROPRIATION FY13-14	6,586,600	6,926,000	4,673,019
OPERATING LUMP SUM APPROPRIATION-OSPB FY10-11	1,251,613	1,251,613	281,839
OPERATING LUMP SUM APPROPRIATION-OSPB FY11-12	124,535	124,535	-
OPERATING LUMP SUM APPROPRIATION-OSPB FY12-13	38,412	38,412	22,418
OPERATING LUMP SUM APPROPRIATION-OSPB FY13-14	1,871,700	1,993,200	1,919,976
HEALTH SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	934,727	934,727
ADULT CYSTIC FIBROSIS	105,200	105,200	78,900
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	115,612,200	117,586,700	102,362,761
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	902,745
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	844,167
CASH TRANSFER TO AUTOMATION PROJECTS FUND	64,000	64,000	64,000
COMMUNITY PLACEMENT TREATMENT	1,130,700	1,130,700	-

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COUNTY TUBERCULOSIS PROVIDER CARE AND CONTROL	590,700	590,700	522,297
CRISIS SERVICES	14,141,100	14,141,100	14,132,767
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,487,870
MEDICAID BEHAVIORAL HEALTH - PROP 204	105,251,500	255,251,500	84,573,800
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	843,287,300	693,287,300	206,465,900
MEDICAID BEHAVIORAL HEALTH COMPREHENSIVE AND DENTAL	140,896,200	140,896,200	46,684,300
MEDICAID INSURANCE PREMIUM PAYMENTS	22,487,100	22,487,100	7,450,800
MEDICARE CLAWBACK PAYMENTS	14,925,100	14,925,100	14,925,100
MENTAL HEALTH FIRST AID	250,000	250,000	167,214
NON MEDICAID SERIOUSLY MENTAL ILL SVS	78,846,900	78,846,900	76,261,062
NON RENAL DISEASE MANAGEMENT	198,000	198,000	44,322
ONE TIME ELECTRONIC MED RECORDS START UP	3,850,000	3,850,000	-
POISON CONTROL CENTER FUNDING	990,000	990,000	742,500
PROP 204 ADMINISTRATION TITLE XIX MATCH	6,446,700	6,446,700	2,131,400
REG HA DISPENSERS-AUDIOL PATHOL FY03-04	62,243	62,243	-
RURAL HOSPITAL EMERGENCY AND TRAUMA SVS	300,000	300,000	300,000
SUPPORTED HOUSING	5,324,800	5,324,800	5,249,535
TANF PERINATAL SERVICES FY99-00	47,270	47,270	-
TITLE XIX SUPPLEMENTAL	-	167,439,300	28,636,191
HISTORICAL SOCIETY OF ARIZONA, PRESCOTT			
ADMINISTRATIVE ADJUSTMENTS	-	42,567	42,567
OPERATING LUMP SUM APPROPRIATION	804,200	826,000	751,824
HISTORICAL SOCIETY, ARIZONA			
ARIZONA EXPERIENCE MUSEUM	410,500	428,300	428,300
FIELD SERVICES AND GRANTS	65,100	66,000	66,000
OPERATING LUMP SUM APPROPRIATION	2,033,800	2,116,500	2,116,500
PAPAGO PARK MUSEUM	532,700	544,200	544,200
HOUSE OF REPRESENTATIVES			
OPERATING LUMP SUM APPROPRIATION FY09-10	2,778,308	2,778,308	124,243
OPERATING LUMP SUM APPROPRIATION FY10-11	1,353,951	1,353,951	-
OPERATING LUMP SUM APPROPRIATION FY11-12	1,087,704	1,087,704	-
OPERATING LUMP SUM APPROPRIATION FY12-13	1,285,746	1,285,746	-
OPERATING LUMP SUM APPROPRIATION FY13-14	13,067,100	13,422,200	12,376,524
INDEPENDENT REDISTRICTING COMMISSION			
OPERATING EXPENDITURES	-	1,462,701	279,173
OPERATING LUMP SUM APPROPRIATION FY12-13	60	60	60
OPERATING LUMP SUM APPROPRIATION FY13-14	1,100,000	1,115,100	1,115,100
INDIAN AFFAIRS, ARIZONA COMMISSION OF			
ADMINISTRATIVE ADJUSTMENTS	-	91	91
OPERATING LUMP SUM APPROPRIATION	53,700	56,900	53,992
INSURANCE, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	5,169,600	5,364,900	5,334,710
JOINT LEGISLATIVE BUDGET COMMITTEE			
OPERATING LUMP SUM APPROPRIATION FY11-12	676,598	676,598	676,598
OPERATING LUMP SUM APPROPRIATION FY12-13	2,455,474	2,455,474	1,348,165
OPERATING LUMP SUM APPROPRIATION FY13-14	2,418,800	2,492,000	905
JUVENILE CORRECTIONS, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	66,796	66,796
CASH TRANSFER TO AUTOMATION PROJECTS FUND	16,300	16,300	16,300
OPERATING LUMP SUM APPROPRIATION	46,084,400	46,118,900	41,683,683
LAND DEPARTMENT, STATE			
CAP USER FEES	513,300	641,600	641,520
CASH TRANSFER TO AUTOMATION PROJECTS FUND	3,600	3,600	3,600
DUE DILIGENCE FUND	500,000	500,000	7,339
NATURAL RESOURCE CONSERVATION DISTRICTS	390,000	390,000	377,000
OPERATING LUMP SUM APPROPRIATION	11,134,800	11,442,100	11,407,384
LEGISLATIVE COUNCIL			
OMBUDSMAN-CITIZENS AID OFFICE FY09-10	17	17	-
OMBUDSMAN-CITIZENS AID OFFICE FY10-11	6,241	6,241	6,188

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OMBUDSMAN-CITIZENS AID OFFICE FY11-12	61,487	61,487	61,428
OMBUDSMAN-CITIZENS AID OFFICE FY12-13	41,262	41,262	14,358
OMBUDSMAN-CITIZENS AID OFFICE FY13-14	608,000	629,034	522,041
OPERATING LUMP SUM APPROPRIATION FY09-10	1	1	-
OPERATING LUMP SUM APPROPRIATION FY11-12	28	28	21
OPERATING LUMP SUM APPROPRIATION FY12-13	2,358,644	2,358,644	1,927,702
OPERATING LUMP SUM APPROPRIATION FY13-14	7,276,700	7,417,466	3,825,327
LIBRARY, ARCHIVES, AND PUBLIC RECORDS, ARIZONA STATE			
GRANTS-IN-AID FY09-10	31,309	31,309	31,309
LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	3,115	3,115
CASH TRANSFER TO AUTOMATION PROJECTS FUND	20,500	20,500	20,500
IMPROVEMENT OF DATA PROCESSING SYSTEM FY06-07	98,265	98,265	18,539
OPERATING LUMP SUM APPROPRIATION	2,850,400	2,932,300	2,932,179
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	-
MINE INSPECTOR, STATE			
ABANDONED MINES SAFETY FUND DEPOSIT	189,000	194,700	175,978
ADMINISTRATIVE ADJUSTMENTS	-	4,394	4,394
OPERATING LUMP SUM APPROPRIATION	994,600	1,028,600	1,016,563
NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	701	701
LEGAL EXPENSES SUPPLEMENTAL	-	150,000	82,334
OPERATING LUMP SUM APPROPRIATION	126,200	129,200	124,127
NORTHERN ARIZONA UNIVERSITY			
NAU - YUMA	3,066,700	3,066,700	3,066,700
OPERATING LUMP SUM APPROPRIATION	60,887,700	91,382,500	91,382,500
PARITY FUNDING	6,605,200	6,605,200	6,605,200
RESEARCH INFRASTRUCTURE LEASE-PURCHASE PAYMENT	-	5,900,000	5,900,000
TEACHER TRAINING	2,290,600	2,290,600	2,290,600
NURSING, STATE BOARD OF			
GF SUPPLEMENTAL APPROPRIATION FOR CNA PROGRAM	-	150,000	150,000
OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD			
OPERATING LUMP SUM APPROPRIATION	13,989	13,989	2,292
PARKS BOARD, ARIZONA STATE			
ADMINISTRATIVE ADJUSTMENTS	-	200,790	200,790
CASH TRANSFER TO AUTOMATION PROJECTS FUND	91,100	91,100	91,100
GF C/O YARNELL HILL MEMORIAL SITE ACQUIS	-	500,000	-
KARTCHNER CAVERNS STATE PARK	2,197,700	2,228,700	2,098,862
OPERATING LUMP SUM APPROPRIATION	10,451,800	10,592,400	10,099,880
SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	-	1,000,000	190,144
PERSONNEL BOARD			
ADMINISTRATIVE ADJUSTMENTS	-	281	281
CASH TRANSFER TO AUTOMATION PROJECTS FUND	2,600	2,600	2,600
OPERATING LUMP SUM APPROPRIATION	364,500	374,900	311,933
PIONEERS' HOME, ARIZONA			
ADMINISTRATIVE ADJUSTMENTS	-	2,296	2,296
OPERATING LUMP SUM APPROPRIATION	1,604,800	1,602,800	1,602,799
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			
CASH TRANSFER TO AUTOMATION PROJECTS FUND	25,500	25,500	25,500
GIITEM	21,303,600	21,304,100	20,560,792
GIITEM IMPACT APPROPRIATION FY11-12	1,142	1,142	-
GIITEM IMPACT APPROPRIATION FY12-13	365,489	365,489	362,115
GIITEM IMPACT APPROPRIATION FY13-14	2,603,400	2,603,400	2,165,512
GIITEM SUBACCOUNT	2,390,000	2,390,000	2,240,912

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(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GITTEM-GANG INTELLIGENCE TEAM ENFORCEMENT FY09-10	15	15	-
MICROWAVE COMMUNICATION SYSTEM FY06-07	265,760	265,760	168,364
MOTOR VEHICLE FUEL	3,704,200	3,704,200	3,688,758
OPERATING LUMP SUM APPROPRIATION	28,336,100	28,048,600	28,048,175
RACING, ARIZONA DEPARTMENT OF			
ARIZONA BREEDERS AWARD	250,000	250,000	250,000
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
RADIATION REGULATORY AGENCY			
CASH TRANSFER TO AUTOMATION PROJECTS FUND	4,100	4,100	4,100
NUCLEAR EMERGENCY MANAGEMENT FUND	-	695,250	695,250
OPERATING LUMP SUM APPROPRIATION	1,308,600	1,352,900	1,352,153
REAL ESTATE DEPARTMENT, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	4,188	4,188
OPERATING LUMP SUM APPROPRIATION	2,902,200	2,988,700	2,608,281
REGENTS, ARIZONA BOARD OF			
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	2,350,300	2,349,300	2,349,300
PERFORMANCE FUNDING	5,000,000	5,000,000	5,000,000
STUDENT FINANCIAL ASSISTANCE	10,041,200	10,041,200	10,041,200
WESTERN INTERSTATE COMMISSION OFFICE	125,000	131,000	131,000
WICHE STUDENT SUBSIDIES	4,106,000	4,100,000	4,077,394
REVENUE, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	282,002	282,002
BRITS OPERATIONAL SUPPORT	7,452,200	7,452,200	7,426,563
CASH TRANSFER TO AUTOMATION PROJECTS FUND	187,700	187,700	187,700
OPERATING LUMP SUM APPROPRIATION	62,358,500	63,870,500	62,337,626
UNCLAIMED PROPERTY ADMINISTRATION/AUDIT	1,770,000	1,770,000	1,497,068
SCHOOL FACILITIES BOARD			
ADMINISTRATIVE ADJUSTMENTS	-	477	477
BUILDING RENEWAL GRANT	16,667,900	16,667,900	16,667,900
NEW SCHOOL CONSTRUCTION	672,000	672,000	672,000
NEW SCHOOL FACILITIES DEBT SERVICE	174,165,000	172,719,800	172,719,800
OPERATING LUMP SUM APPROPRIATION	1,610,700	1,676,500	1,598,936
SECRETARY OF STATE			
BUILDING RENOVATION AND CODE COMPLIANCE	-	228,700	106,882
CASH TRANSFER TO AUTOMATION PROJECTS FUND	4,100	4,100	4,100
ELECTION SERVICES	1,000,000	1,000,000	997,208
HELP AMERICA VOTE ACT FY12-13	877,521	877,521	(356)
HELP AMERICA VOTE ACT FY13-14	2,934,500	2,941,000	2,697,876
LIBRARY GRANTS-IN-AID FY11-12	3,438	3,438	-
LIBRARY GRANTS-IN-AID FY12-13	121,400	121,400	85,900
LIBRARY GRANTS-IN-AID FY13-14	651,400	651,400	531,691
OPERATING LUMP SUM APPROPRIATION	10,450,500	10,628,100	10,574,278
STATEWIDE RADIO READING SERVICE FOR BLIND	97,000	97,000	97,000
SENATE			
BORDER SECURITY TRUST FUND	263,667	263,667	-
OPERATING LUMP SUM APPROPRIATION FY11-12	784,184	784,184	-
OPERATING LUMP SUM APPROPRIATION FY12-13	206,625	206,625	76,061
OPERATING LUMP SUM APPROPRIATION FY13-14	8,036,300	8,333,800	8,254,217
SUPREME COURT			
ADMINISTRATIVE ADJUSTMENTS	-	6,103	6,103
ADOA BUILDING RENEWAL FUND FY09-10	1,321	1,321	1,321
ADULT INTENSIVE PROBATION	10,741,200	10,654,500	10,649,447
ADULT STANDARD PROBATION	13,526,700	13,443,200	13,420,985
AUTOMATION	3,332,600	3,352,800	2,955,806
CASE AND CASH MANAGEMENT SYSTEM	139,400	139,400	-
CASH TRANSFER BETWEEN FUNDS	11,700	11,700	11,700
COMMISSION ON JUDICIAL CONDUCT	506,800	522,300	521,981

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(continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT APPOINTED SPECIAL ADVOCATE	102,000	102,000	102,000
DOMESTIC RELATIONS	640,300	655,400	634,076
DRUG COURT	1,013,600	1,013,600	1,013,599
DRUG COURT FY06-07	61,322	61,322	-
FOSTER CARE REVIEW BOARD	3,532,000	3,617,100	3,616,999
INTERSTATE COMPACT	641,800	648,000	647,616
JUDGES COMPENSATION	7,488,200	8,199,500	8,180,120
JUDICIAL NOMINATION AND PERFORMANCE REVIEW	417,200	428,400	427,566
JUVENILE DIVERSION CONSEQUENCES	9,024,900	9,024,900	9,024,900
JUVENILE FAMILY COUNSELING	660,400	660,400	653,416
JUVENILE INTENSIVE PROBATION	9,166,500	8,858,600	8,809,251
JUVENILE STANDARD PROBATION	4,600,500	4,606,200	4,574,951
JUVENILE TREATMENT SERVICES	22,314,900	22,341,400	22,245,005
MENTAL HEALTH COURT REPORT	90,000	90,000	18,724
MODEL COURT	447,600	447,600	447,429
OPERATING LUMP SUM APPROPRIATION	10,695,700	10,761,500	10,532,208
SPECIAL WATER MASTER	94,000	94,000	94,000
TAX APPEALS, STATE BOARD OF			
ADMINISTRATIVE ADJUSTMENTS	-	213	213
OPERATING LUMP SUM APPROPRIATION	254,800	264,700	262,809
TOURISM, OFFICE OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,010,268	1,010,268
TOURISM FUND DEPOSIT	7,000,000	7,102,600	7,102,600
TRANSPORTATION, DEPARTMENT OF			
OPERATING LUMP SUM APPROPRIATION	50,500	50,400	4,137
TREASURER, STATE			
ADMINISTRATIVE ADJUSTMENTS	-	269,595	269,595
BUDGET STABILIZATION INTEREST TRANSFERS	-	2,000,000	2,000,000
CASH TRANSFER TO AUTOMATION PROJECTS FUND	19,300	19,300	19,300
COMMUNITY COLLEGE REIMBURSEMENT ARS 15-1469.01	-	3,273,119	3,273,119
CORPORATE INCOME TAX TRANSFER	-	7,000,000	7,000,000
JUSTICE OF THE PEACE SALARIES	1,205,100	1,205,100	937,912
OPERATING LUMP SUM APPROPRIATION	2,731,000	2,820,900	2,714,896
UNIVERSITY OF ARIZONA			
AGRICULTURE	28,540,300	30,608,300	30,608,300
ARIZONA COOPERATIVE EXTENSION	11,079,800	11,268,200	11,268,200
CLINICAL RURAL ROTATION	357,600	362,600	362,600
CLINICAL TEACHING SUPPORT	8,587,000	8,587,000	8,587,000
FREEDOM CENTER	500,000	500,000	500,000
LIVER RESEARCH INSTITUTE	458,500	448,900	448,900
OPERATING LUMP SUM APPROPRIATION - MAIN	90,254,200	142,745,400	142,745,400
OPERATING LUMP SUM APPROPRIATION-HSC	18,860,500	40,468,200	40,468,200
PHOENIX MEDICAL CAMPUS	22,691,100	23,475,300	23,475,300
RESEARCH INFRASTRUCTURE FACILITIES	-	14,253,000	14,253,000
SIERRA VISTA CAMPUS	2,858,100	3,515,000	3,515,000
TELEMEDICINE NETWORK	1,853,900	1,854,400	1,854,400
VETERANS' SERVICES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	9,265	9,265
MILITARY FAMILY RELIEF FUND	15,291	15,291	-
OPERATING LUMP SUM APPROPRIATION	2,089,100	2,177,662	2,128,260
SOUTHERN ARIZONA CEMETERY	275,600	288,162	288,160
TUCSON VETERAN HOME CONSTRUCTION FY09-10	37,858	37,858	10,000
VETERANS BENEFIT COUNSELING	2,848,100	2,970,476	2,712,445
WATER RESOURCES, DEPARTMENT OF			
ADJUDICATION SUPPORT	1,212,900	1,256,700	1,208,949
ADMINISTRATIVE ADJUSTMENTS	-	4,338	4,338
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	1,662,700	1,723,100	1,722,433
AUTOMATED GROUNDWATER MONITORING	401,100	410,200	403,546

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CONSERVATION AND DROUGHT PROGRAM	395,700	410,000	405,383
LOWER COLORADO RIVER LITIGATION EXPENSES	500,000	500,000	330,900
OPERATING LUMP SUM APPROPRIATION	6,721,300	6,858,700	6,740,987
RURAL WATER STUDIES	1,139,600	1,167,700	1,152,519
WEIGHTS AND MEASURES, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	-	1,609	1,609
GENERAL SERVICES	1,284,000	1,325,800	1,324,452
TOTAL GENERAL FUND BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS	16,746,011,398	18,300,356,592	16,165,157,991
Less:			
Department of Health Services' Medicaid Behavioral Health appropriations for Insurance Premium Payments, Comprehensive and Dental, Prop 204 Administration Title XIX Match, Prop 204, Traditional, Title XIX Supplemental, and other appropriations that were duplicate expenditure authorizations	(782,624,100)	(921,630,709)	-
TOTAL GENERAL FUND BUDGETARY EXPENDITURES AFTER ADJUSTMENTS	$ 15,963,387,298	$ 17,378,725,883	$ 16,165,157,991

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, 2014
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION, DEPARTMENT OF			
ADMINISTRATIVE ADJUSTMENTS	$ -	$ 798,524	$ 798,524
AIRPORT PLANNING AND DEVELOPMENT FY07-08	8,665,445	8,665,445	-
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	13,097,765	13,097,765	-
AIRPORT PLANNING AND DEVELOPMENT FY12-13	6,555,574	6,555,574	-
AIRPORT PLANNING AND DEVELOPMENT FY13-14	21,123,700	36,123,700	14,667,836
ASBESTOS AND LEAD INSPECTIONS FY01-02	94,798	94,798	-
ASBESTOS AND LEAD INSPECTIONS FY02-03	589,466	589,466	-
ATTORNEY GENERAL LEGAL SERVICES	2,895,600	2,895,600	2,895,600
BUILDING RENEWAL FY11-12	33,931	33,931	33,931
BUILDING RENEWAL FY12-13	930,784	930,784	800,730
BUILDING RENEWAL FY13-14	3,188,200	3,188,200	867,974
CASH TRANSFER TO AUTOMATION PROJECTS FUND	2,397,400	2,397,400	2,397,400
DE ICER BUILDINGS	2,280,000	2,280,000	538,731
FRAUD INVESTIGATION	755,400	773,300	770,477
HIGHWAY MAINTENANCE FY12-13	2,926,663	2,926,663	2,920,866
HIGHWAY MAINTENANCE FY13-14	131,195,400	132,716,500	127,133,228
HIGHWAY TO DPS TRANSFER - DOUBLE LOAD	6,780,000	6,743,800	6,743,800
HURF TO DPS TRANSFER - DOUBLE LOAD	119,961,000	119,247,100	119,247,100
LIE TO WMA TRANSFER	319,200	330,000	330,000
MOTOR CARRIER TOWING REGULATION FY04-05	11,108	11,108	-
MVD SECURITY ENHANCEMENT ISSUES FY02-03	715,687	715,687	-
NEW THIRD PARTY FUNDING	943,700	971,100	965,551
OPERATING LUMP SUM APPROPRIATION	203,223,500	206,902,200	203,548,180
SEF TO DPS TRANSFER - DOUBLE LOAD	1,574,700	1,566,300	1,566,300
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	40,590,578	40,590,578	-
STATEWIDE HIGHWAY CONSTRUCTION FY12-13	65,367,932	65,367,932	-
STATEWIDE HIGHWAY CONSTRUCTION FY13-14	220,293,000	220,293,000	141,918,862
VEHICLE WASH SYSTEMS	3,000,000	3,000,000	85,467
TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES	$ 963,665,196	$ 983,961,120	$ 628,230,557

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, 2013 that affect available appropriations during fiscal year 2014. The final budget represents any appropriation bills passed during fiscal year 2014 for fiscal year 2014 plus the original budget. Appropriation bills passed after the end of fiscal year 2014 for fiscal year 2014 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	$ 16,165,158	$ 628,231
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2013 to fiscal year end 2014.	3,200	468,776
Increase in unpaid payroll expenditures from fiscal year end 2013 to fiscal year end 2014. For budgetary reporting, final June 2013 payroll expenditures were charged to fiscal year 2014 budget and final June 2014 payroll expenditures were charged to fiscal year 2015 budget.	4,940	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,120,000	-
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.	592,501	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	100,678	13,236
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2014.	4,016,414	1,411,399
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(882,237)	(303,030)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 21,120,654	$ 2,218,612

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

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting (OSPB), unless an extension is granted for up to an additional 30 days by the OSPB Director. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. 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 funds. Among the choices are the following:

> Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review.
>
> Lump Sum with Special Line Items – The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are 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 $20.3 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, 2014

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 final budget amount of $693.3 million for the Department of Health Services' Medicaid Behavioral Health - Traditional on **page 136**, which includes $486.8 million of duplicate expenditure authorizations. 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 140**.

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), as amended, the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,800 center lane miles (21,390 travel lane miles) of roads and 4,787 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 2014 and beyond was adopted by the Transportation Board on June 25, 2013.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on "programmed" projects which may or may not be spent in the current year of the Program. Programmed expenditures consist of those items that are planned for the future, with contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were programmed for a prior year's Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State's success in achieving condition levels that exceed the established levels.

Roads

The mission of the 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 PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called the "Present Serviceability Rating" (PSR). 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 2014, an overall rating of 3.69 was achieved, as shown in the following graph:

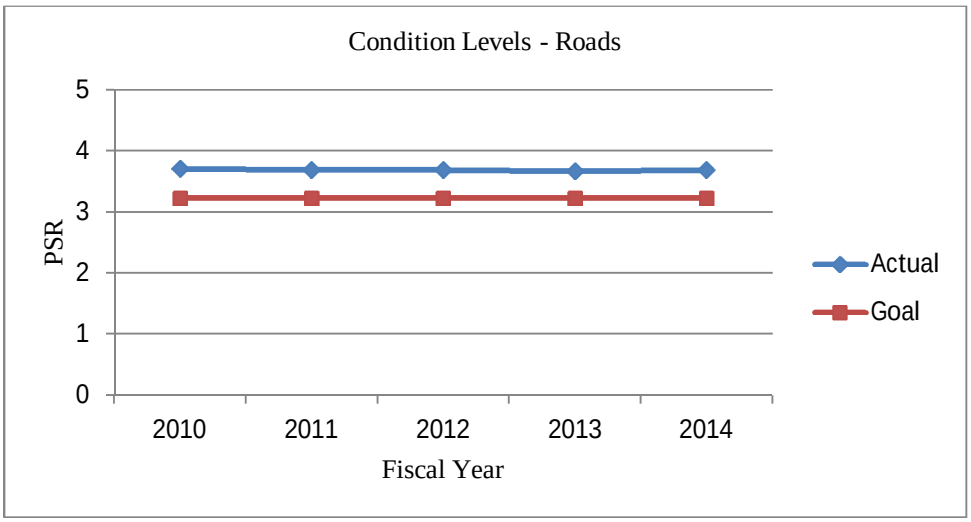


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT's PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2010 through 2014 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2010	$227.4	$220.9
2011	$265.7	$373.4
2012	$261.9	$373.6
2013	$276.3	$291.3
2014	$271.2	$287.2

Bridges

The State's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2014, the State owned and maintained 4,787 bridges with an approximate total deck area of 49,066,801 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 other three 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 2014, the CRI was computed at 93.8%.

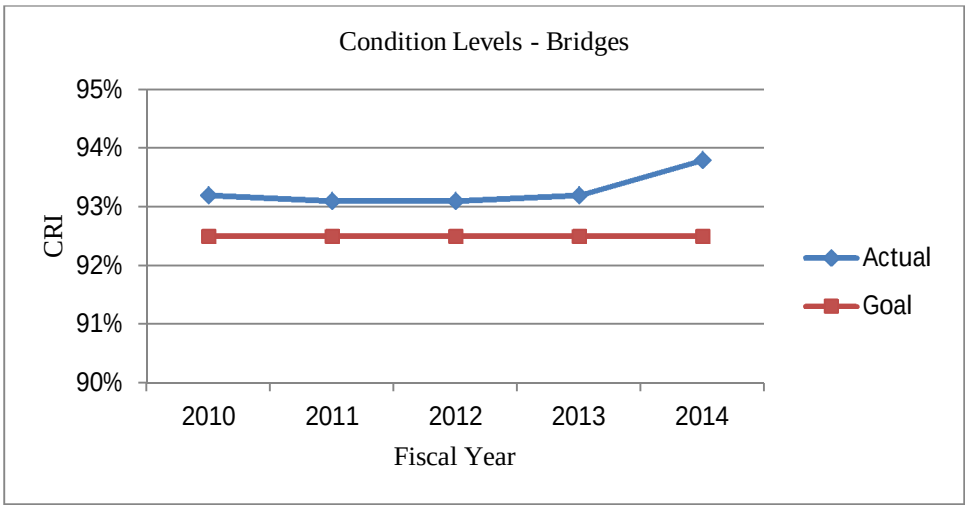


Figure 2

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 56% of the bridges in the State were constructed prior to the 1970s while only 14% have been constructed since 2000.

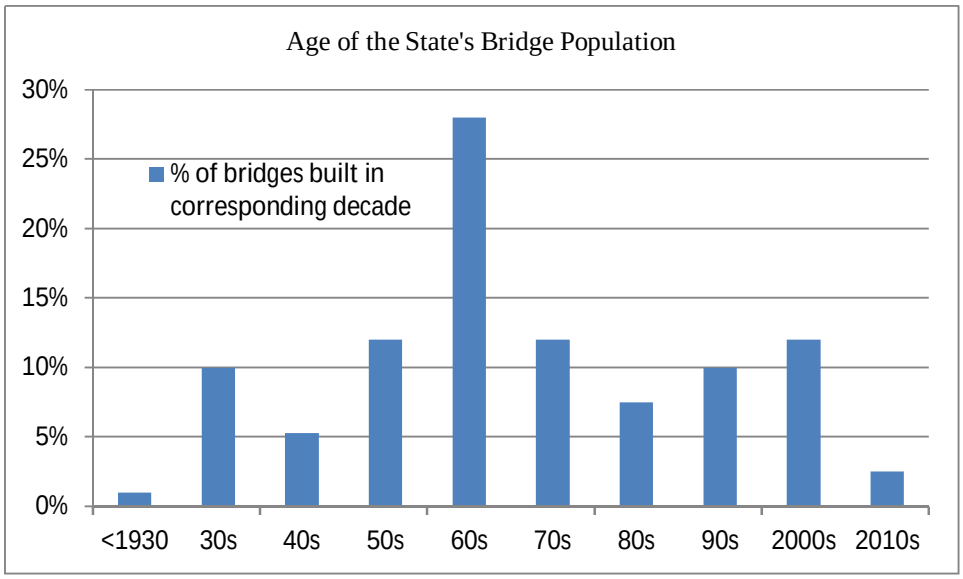


Figure 3

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 2010 through 2014 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2010	$16.1	$22.4
2011	$11.8	$26.0
2012	$12.5	$20.6
2013	$14.7	$10.7
2014	$21.2	$20.5

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
AGENT BENEFIT PLANS' FUNDING PROGRESS
JUNE 30, 2014

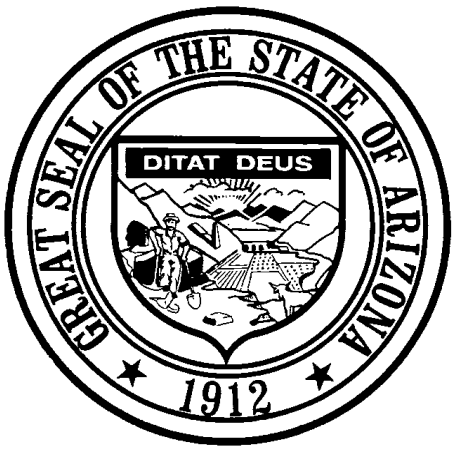
Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

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	6/30/2014	$ 450,284	$ 1,240,343	$ (790,059)	36.3%	$ 85,973	(919.0)%
	6/30/2013	505,249	1,067,721	(562,472)	47.3%	82,363	(682.9)%
	6/30/2012	522,980	1,043,064	(520,084)	50.1%	82,352	(631.5)%
CORP	6/30/2014	852,041	1,520,026	(667,985)	56.1%	350,313	(190.7)%
	6/30/2013	900,160	1,289,715	(389,555)	69.8%	346,980	(112.3)%
	6/30/2012	888,879	1,244,672	(355,793)	71.4%	370,041	(96.1)%

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)	Funded/ (Unfunded) AAL	Funded Ratio	Annual Covered Payroll	Funded/ (Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2014	$ 35,607	$ 29,668	$ 5,939	120.0%	$ 85,973	6.9%
	6/30/2013	-	29,165	(29,165)	0.0%	82,363	(35.4)%
	6/30/2012	-	29,183	(29,183)	0.0%	82,352	(35.4)%
CORP	6/30/2014	72,713	62,623	10,090	116.1%	350,313	2.9%
	6/30/2013	-	59,723	(59,723)	0.0%	346,980	(17.2)%
	6/30/2012	-	58,596	(58,596)	0.0%	370,041	(15.8)%

As described in Note 6.A., due to a change in statute, the PSPRS and CORP established separate funds for the health insurance premium subsidy benefit contributions. As a result, the plans transferred prior year health insurance premium subsidy benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.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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

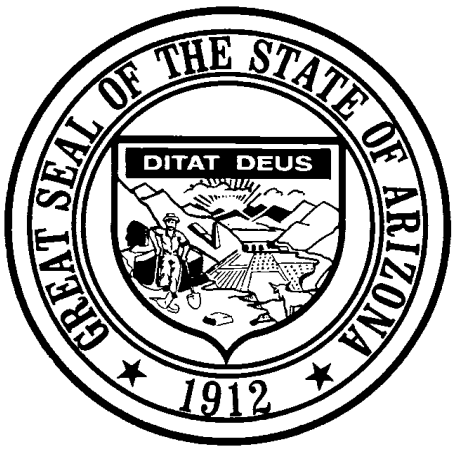
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 1,377	$ -	$ -	$ 1,377
Cash and pooled investments with State Treasurer	814,913	1,282	-	816,195
Collateral investment pool	14,898	-	-	14,898
Receivables, net of allowances:				
Taxes	73,579	-	-	73,579
Other	25,949	-	-	25,949
Due from U.S. Government	10,705	-	-	10,705
Due from other Funds	21,763	3,750	-	25,513
Restricted assets:				
Cash and pooled investments with State Treasurer	395,962	41,065	311,011	748,038
Cash held by trustee	-	11,571	-	11,571
Total Assets	$ 1,359,146	$ 57,668	$ 311,011	$ 1,727,825
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 37,372	$ 326	$ -	$ 37,698
Accrued liabilities	47,555	-	-	47,555
Obligations under securities loan agreements	14,898	-	-	14,898
Due to local governments	77,434	-	-	77,434
Due to others	10,436	-	-	10,436
Due to other Funds	26,945	-	-	26,945
Unearned revenue	381	-	-	381
Total Liabilities	215,021	326	-	215,347
Deferred Inflows of Resources	796	-	-	796
Fund Balances:				
Restricted	579,608	57,342	311,011	947,961
Committed	563,721	-	-	563,721
Total Fund Balances	1,143,329	57,342	311,011	1,511,682
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,359,146	$ 57,668	$ 311,011	$ 1,727,825

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 476,826	$ 56,225	$ -	$ 533,051
Income	41	-	-	41
Tobacco	246,270	-	-	246,270
Property	2,000	-	-	2,000
Motor vehicle and fuel	154,111	-	-	154,111
Other	107,778	-	-	107,778
Intergovernmental	95,665	-	-	95,665
Licenses, fees, and permits	284,897	-	-	284,897
Hospital and nursing facility assessments	91,578	-	-	91,578
Earnings on investments	44,293	1,752	3,831	49,876
Sales and charges for services	23,310	-	-	23,310
Fines, forfeitures, and penalties	146,162	-	-	146,162
Gaming	80,195	-	-	80,195
Other	18,513	21	-	18,534
Total Revenues	1,771,639	57,998	3,831	1,833,468
EXPENDITURES				
Current:				
General government	131,199	-	-	131,199
Health and welfare	347,729	-	-	347,729
Inspection and regulation	118,683	-	-	118,683
Education	696,184	-	-	696,184
Protection and safety	249,230	-	-	249,230
Transportation	-	-	15,309	15,309
Natural resources	111,865	-	-	111,865
Debt service:				
Principal	9,795	301,500	-	311,295
Interest and other fiscal charges	15,918	232,837	-	248,755
Capital outlay	21,589	-	134,895	156,484
Total Expenditures	1,702,192	534,337	150,204	2,386,733
Excess (Deficiency) of Revenues Over Expenditures	69,447	(476,339)	(146,373)	(553,265)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,274	484,367	-	574,641
Transfers out	(151,847)	(10,680)	(266)	(162,793)
Total Other Financing Sources (Uses)	(61,573)	473,687	(266)	411,848
Net Change in Fund Balances	7,874	(2,652)	(146,639)	(141,417)
Fund Balances - Beginning	1,135,455	59,994	457,650	1,653,099
Fund Balances - Ending	$ 1,143,329	$ 57,342	$ 311,011	$ 1,511,682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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, 2014
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	$ 1,329	$ -	$ -	$ -	$ -	$ 18
Cash and pooled investments with State Treasurer	125,938	103,608	79,373	20,221	139,536	129,295
Collateral investment pool	-	-	-	13,239	1,659	-
Receivables, net of allowances:						
Taxes	4,732	-	4,091	14,308	-	-
Other	2	-	7,127	1,317	7	3,154
Due from U.S. Government	-	-	10,702	3	-	-
Due from other Funds	4,366	5,121	1,939	870	1,599	272
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	863	395,099	-	-
Total Assets	$ 136,367	$ 108,729	$ 104,095	$ 445,057	$ 142,801	$ 132,739
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 21,119	$ 3,992	$ 2,244	$ 1,180	$ 3,303	$ 2,217
Accrued liabilities	4,724	444	37,951	345	595	2,038
Obligations under securities loan agreements	-	-	-	13,239	1,659	-
Due to local governments	-	-	-	-	-	-
Due to others	-	-	-	10,237	-	199
Due to other Funds	669	93	1,303	14,398	7	10,262
Unearned revenue	-	-	381	-	-	-
Total Liabilities	26,512	4,529	41,879	39,399	5,564	14,716
Deferred Inflows of Resources	-	-	796	-	-	-
Fund Balances:						
Restricted	-	-	13,029	405,658	41,313	-
Committed	109,855	104,200	48,391	-	95,924	118,023
Total Fund Balances	109,855	104,200	61,420	405,658	137,237	118,023
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 136,367	$ 108,729	$ 104,095	$ 445,057	$ 142,801	$ 132,739

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 30	$ -	$ -	$ -	$ -	$ -	$ 1,377
46,054	12,239	22,073	94,008	19,103	23,465	814,913
-	-	-	-	-	-	14,898
-	-	-	50,448	-	-	73,579
2,047	-	7	12,288	-	-	25,949
-	-	-	-	-	-	10,705
207	351	-	7,038	-	-	21,763
-	-	-	-	-	-	395,962
$ 48,338	$ 12,590	$ 22,080	$ 163,782	$ 19,103	$ 23,465	$ 1,359,146
$ 2,870	$ 301	$ 4	$ 95	$ -	$ 47	$ 37,372
1,110	87	95	139	17	10	47,555
-	-	-	-	-	-	14,898
-	-	-	77,434	-	-	77,434
-	-	-	-	-	-	10,436
205	6	1	1	-	-	26,945
-	-	-	-	-	-	381
4,185	394	100	77,669	17	57	215,021
-	-	-	-	-	-	796
9,091	-	996	86,113	-	23,408	579,608
35,062	12,196	20,984	-	19,086	-	563,721
44,153	12,196	21,980	86,113	19,086	23,408	1,143,329
$ 48,338	$ 12,590	$ 22,080	$ 163,782	$ 19,103	$ 23,465	$ 1,359,146

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	$ 17,105	$ -	$ 4,903	$ -	$ -	$ -
Income	-	-	-	-	-	-
Tobacco	5,931	-	7,953	232,386	-	-
Property	-	-	2,000	-	-	-
Motor vehicle and fuel	127,568	16,441	-	-	-	330
Other	53,714	2,428	-	-	-	51,636
Intergovernmental	19,863	-	41,700	2,263	1,443	174
Licenses, fees, and permits	21,024	68,912	18,237	-	25,965	95,734
Hospital and nursing facility assessments	-	-	91,578	-	-	-
Earnings on investments	269	519	116	9,343	1,414	130
Sales and charges for services	11,470	-	3,337	-	491	2,540
Fines, forfeitures, and penalties	73,625	-	10,845	-	50,782	2,176
Gaming	-	-	21,455	-	-	9,698
Other	2,635	395	2,710	827	2,707	2,115
Total Revenues	333,204	88,695	204,834	244,819	82,802	164,533
EXPENDITURES						
Current:						
General government	27,471	1,217	3,131	575	77,780	1,750
Health and welfare	-	77,401	193,226	69,187	-	7,915
Inspection and regulation	-	1,504	-	-	31	117,148
Education	-	-	-	158,906	-	-
Protection and safety	249,230	-	-	-	-	-
Natural resources	27,119	358	-	-	-	-
Debt service:						
Principal	9,235	-	-	-	-	-
Interest and other fiscal charges	15,150	-	-	-	-	-
Capital outlay	13,200	132	496	28	479	756
Total Expenditures	341,405	80,612	196,853	228,696	78,290	127,569
Excess (Deficiency) of Revenues Over Expenditures	(8,201)	8,083	7,981	16,123	4,512	36,964
OTHER FINANCING SOURCES (USES)						
Transfers in	37,249	7,000	6,822	1,418	3,107	2,592
Transfers out	(27,638)	(4,387)	(2,595)	(37,045)	(58,904)	(16,497)
Total Other Financing Sources (Uses)	9,611	2,613	4,227	(35,627)	(55,797)	(13,905)
Net Change in Fund Balances	1,410	10,696	12,208	(19,504)	(51,285)	23,059
Fund Balances - Beginning	108,445	93,504	49,212	425,162	188,522	94,964
Fund Balances - Ending	$ 109,855	$ 104,200	$ 61,420	$ 405,658	$ 137,237	$ 118,023

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ 454,818	$ -	$ -	$ 476,826
-	-	-	41	-	-	41
-	-	-	-	-	-	246,270
-	-	-	-	-	-	2,000
900	8,580	-	292	-	-	154,111
-	-	-	-	-	-	107,778
27,223	-	1,907	1,092	-	-	95,665
37,977	3,181	4,181	2,836	6,850	-	284,897
-	-	-	-	-	-	91,578
342	87	185	31,759	129	-	44,293
3,039	-	301	2,124	8	-	23,310
131	-	-	-	10	8,593	146,162
6,131	-	-	42,911	-	-	80,195
1,271	-	3,086	87	2,447	233	18,513
77,014	11,848	9,660	535,960	9,444	8,826	1,771,639
-	1,932	10,661	-	-	6,682	131,199
-	-	-	-	-	-	347,729
-	-	-	-	-	-	118,683
-	-	14	537,264	-	-	696,184
-	-	-	-	-	-	249,230
70,516	7,143	-	-	6,729	-	111,865
560	-	-	-	-	-	9,795
768	-	-	-	-	-	15,918
4,798	1,033	11	621	-	35	21,589
76,642	10,108	10,686	537,885	6,729	6,717	1,702,192
372	1,740	(1,026)	(1,925)	2,715	2,109	69,447
10,058	-	212	21,516	300	-	90,274
(3,819)	(62)	(586)	(151)	(64)	(99)	(151,847)
6,239	(62)	(374)	21,365	236	(99)	(61,573)
6,611	1,678	(1,400)	19,440	2,951	2,010	7,874
37,542	10,518	23,380	66,673	16,135	21,398	1,135,455
$ 44,153	$ 12,196	$ 21,980	$ 86,113	$ 19,086	$ 23,408	$ 1,143,329

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ACCOUNTANCY, ARIZONA STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	$ 1,933,700	$ 1,522,758
ACUPUNCTURE BOARD OF EXAMINERS		
ADMINISTRATIVE ADJUSTMENTS	262	262
OPERATING LUMP SUM APPROPRIATION	150,200	143,137
ADMINISTRATION, ARIZONA DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	65,977	65,977
CASH TRANSFER TO AUTOMATION PROJECTS FUND	9,100	9,100
OPERATING LUMP SUM APPROPRIATION	1,500,000	1,146,229
AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM		
ALTCS SERVICES	51,567,500	49,771,727
PROPOSITION 204 SERVICES	93,284,500	93,284,500
TRADITIONAL MEDICAID SERVICES	37,389,300	32,864,685
APPRAISAL, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	38,027	38,027
OPERATING LUMP SUM APPROPRIATION	808,700	777,093
REGISTERED TRAINEE AND SUPERVISORY APPRAISALS	42,880	-
ATHLETIC TRAINING, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	297	297
OPERATING LUMP SUM APPROPRIATION	118,200	118,200
ATTORNEY GENERAL - DEPARTMENT OF LAW		
ADMINISTRATIVE ADJUSTMENTS	74,935	74,935
CASH TRANSFER TO AUTOMATION PROJECTS FUND	117,200	117,200
OPERATING LUMP SUM APPROPRIATION	9,738,200	9,386,773
PAD NATIONAL MORTGAGE SETTLEMENT	47,762,938	7,610,577
VICTIMS RIGHTS	3,997,800	3,971,552
AUTOMOBILE THEFT AUTHORITY		
AUTOMOBILE THEFT AUTHORITY GRANTS	4,607,700	4,567,361
CASH TRANSFER TO AUTOMATION PROJECTS FUND	30,800	30,800
OPERATING LUMP SUM APPROPRIATION	639,900	530,306
REIMBURSABLE PROGRAMS	50,000	15,000
BARBERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	4,495	4,495
OPERATING LUMP SUM APPROPRIATION	333,800	316,112
BEHAVIORAL HEALTH EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	7,190	7,190
OPERATING LUMP SUM APPROPRIATION	1,758,100	1,447,232
BOARD OF MASSAGE THERAPY		
OPERATING LUMP SUM APPROPRIATION	457,200	451,240
CHIROPRACTIC EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,682	1,682
OPERATING LUMP SUM APPROPRIATION	469,400	362,664
CONTRACTORS, REGISTRAR OF		
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	221,200
OPERATING LUMP SUM APPROPRIATION	11,175,700	7,746,895
RESIDENTIAL CONTRACTOR'S RECOVERY FUND	2,700,000	2,700,000
CORPORATION COMMISSION		
ADMINISTRATIVE ADJUSTMENTS	128,606	128,606
CASH TRANSFER TO AUTOMATION PROJECTS FUND	179,300	179,300
CORPORATION FILINGS, SAME DAY SERVICE	400,400	-
OPERATING LUMP SUM APPROPRIATION	25,452,000	24,962,041
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY09-10	380,000	336,050
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY10-11	380,000	40
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY11-12	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY12-13	380,000	-
UTILITIES, AUDITS, STUDIES, INVEST, HEAR FY13-14	380,000	-
CORRECTIONS, STATE DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	26,408	26,408
CASH TRANSFER TO AUTOMATION PROJECTS FUND	284,900	284,900

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CASH TRANSFER TO BUILDING RENEWAL FUND	9,250,000	9,250,000
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	9,930,242
OPERATING LUMP SUM APPROPRIATION	6,054,400	4,793,303
PRIVATE PRISON PER DIEM	24,517,000	23,631,873
COSMETOLOGY, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	680	680
OPERATING LUMP SUM APPROPRIATION	1,784,500	1,701,319
CRIMINAL JUSTICE COMMISSION, ARIZONA		
CASH TRANSFER BETWEEN FUNDS	83,500	83,500
CASH TRANSFER TO ATTORNEY GENERAL	500,000	500,000
CASH TRANSFER TO AUTOMATION PROJECTS FUND	83,500	83,500
OPERATING LUMP SUM APPROPRIATION	888,100	676,137
STATE AID TO COUNTY ATTORNEYS	973,600	973,600
VICTIM COMPENSATION AND ASSISTANCE	4,092,500	3,478,992
DEAF AND HARD OF HEARING, COMMISSION FOR THE		
ADMINISTRATIVE ADJUSTMENTS	14,984	14,984
CASH TRANSFER TO AUTOMATION PROJECTS FUND	27,000	27,000
INTERPRETER FOR CERTIFICATION AND LICENSURE FY04-05	255,313	-
OPERATING LUMP SUM APPROPRIATION	3,776,400	3,462,912
DENTAL EXAMINERS, STATE BOARD OF		
OPERATING LUMP SUM APPROPRIATION	1,214,800	1,114,805
ECONOMIC SECURITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,411,217	1,411,217
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	2,601,000	441,975
ATTORNEY GENERAL LEGAL SERVICES	91,600	2,628
CASH TRANSFER TO AUTOMATION PROJECTS FUND	39,000	39,000
CHILDREN SUPPORT SERVICES	1,459,100	-
DCYF OPERATING LUMP SUM	207,700	55,997
DOMESTIC VIOLENCE PREVENTION	2,220,000	2,220,000
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	1,088,647
JOBS	1,110,900	-
REHABILITATION SERVICES	204,700	10,368
EDUCATION, DEPARTMENT OF		
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY11-12	-	(3,400)
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY12-13	7,716	7,716
ACCOUNTABILITY-SCHOOL SAFETY-PROP 301 FY13-14	7,800,000	7,739,956
ACHIEVEMENT TESTING-PROP 301 FY10-11	693,131	693,130
ACHIEVEMENT TESTING-PROP 301 FY11-12	3,089,185	1,367,944
ACHIEVEMENT TESTING-PROP 301 FY12-13	6,999,871	1,424,458
ACHIEVEMENT TESTING-PROP 301 FY13-14	7,000,000	-
ADDITIONAL SCHOOL DAYS-PROP 301 FY12-13	1	1
ADDITIONAL SCHOOL DAYS-PROP 301 FY13-14	86,280,500	86,280,500
CHARACTER EDUCATION-PROP 301 FY11-12	30	30
CHARACTER EDUCATION-PROP 301 FY12-13	85,853	85,853
CHARACTER EDUCATION-PROP 301 FY13-14	200,000	108,994
FAILING SCHOOL TUTORING-PROP 301 FY12-13	211,024	211,025
FAILING SCHOOL TUTORING-PROP 301 FY13-14	1,500,000	1,306,335
OPERATING LUMP SUM APPROPRIATION-ADMINISTRATION	138,100	134,705
OPERATING LUMP SUM APPROPRIATION-STATE BOARD	379,700	307,362
SCHOOL ACCOUNTABILITY-PROP 301 FY08-09	8,881	8,882
SCHOOL ACCOUNTABILITY-PROP 301 FY09-10	121,803	-
TEACHER CERTIFICATION	1,841,900	1,691,742
EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF		
CASH TRANSFER TO AUTOMATION PROJECTS FUND	1,000	1,000
EMERGENCY MANAGEMENT	132,700	111,507
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,112,142	1,112,142
AIR QUALITY FEE FUND STATE TRANSFERS	400,000	400,000
AIR QUALITY PROGRAM - CONTINUING FY01-02	186,035	-

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
AIR QUALITY PROGRAM - CONTINUING FY02-03	182,451	-
CASH TRANSFER TO AUTOMATION PROJECTS FUND	5,386,200	5,386,200
EMISSIONS CAP AND TRADING PROGRAM FY01-02	70,576	-
EMISSIONS CAP AND TRADING PROGRAM FY02-03	266,582	-
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	21,919,500	21,500,204
OPERATING LUMP SUM APPROPRIATION	32,106,000	22,229,926
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		
OPERATING LUMP SUM APPROPRIATION	936,700	882,508
FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	717	717
OPERATING LUMP SUM APPROPRIATION	353,600	327,766
GAME AND FISH DEPARTMENT, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	1,135	1,135
BECKER LAKE FACILITY IMPROVEMENT FY07-08	9,094	-
BELLEMONT SHOOTING RANGE FY04-05	191	-
BEN AVERY IMPROVEMENTS FY09-10	1	-
BEN AVERY IMPROVEMENTS FY10-11	77,026	75,000
BLACK CANYON DAM MODIFICATIONS FY05-06	579,181	210,860
BLACK CANYON DAM MODIFICATIONS FY06-07	183,613	183,612
BLACK CANYON DAM MODIFICATIONS FY13-14	327,200	327,200
BOAT SHADE CANOPIES FY07-08	8,947	8,947
BOAT SHADE CANOPIES FY08-09	58,458	1,923
BUILDING RENEWAL FY12-13	523,300	446,557
BUILDING RENEWAL FY13-14	547,600	-
CASH TRANSFER TO AUTOMATION PROJECTS FUND	39,900	39,900
DAM MAINTENANCE FY11-12	434,294	-
DAM MAINTENANCE FY12-13	500,000	-
FLAGSTAFF SHOOTING RANGE PLANNING FY02-03	2,673	-
HEADQUARTERS SECURITY SYSTEM FY03-04	1	-
LAKE HAVASU SHOOTING RANGE FY03-04	4,722	-
LOWER COLORADO MULTI-SPECIES CONSERVATION	350,000	350,000
MIGRATORY WATERFOWL DEVELOPMENT FY01-02	151	-
MIGRATORY WATERFOWL DEVELOPMENT FY02-03	6,426	-
MIGRATORY WATERFOWL DEVELOPMENT FY03-04	16,715	500
MIGRATORY WATERFOWL HABITAT FY10-11	65,505	19,500
OPERATING LUMP SUM APPROPRIATION	33,927,800	30,460,668
PERFORMANCE INCENTIVE PAY FY12-13	346,100	-
PERFORMANCE INCENTIVE PAY FY13-14	346,100	-
PITTMAN-ROBERTSON/DINGELL-JOHNSON ACT	3,808,000	2,558,000
PROPERTY MAINTENANCE FY11-12	131,261	-
PROPERTY MAINTENANCE FY12-13	326,412	287,637
RADIO TOWER FY09-10	250,000	-
RADIO TOWER FY10-11	250,000	-
REGIONAL KINGMAN OFFICE REMODEL FY09-10	885,736	62,550
SHOOTING RANGE ACCESS IMPROVEMENTS FY09-10	1	-
SHOOTING RANGE ACCESS IMPROVEMENTS FY10-11	1	-
SILVER CREEK HATCHERY REMODEL FY09-10	1,650,933	-
SILVER CREEK HATCHERY REMODEL FY10-11	1,000,000	-
STATEWIDE PREVENTATIVE MAINTENANCE FY09-10	1	-
STATEWIDE PREVENTATIVE MAINTENANCE FY11-12	1	-
STATEWIDE PREVENTATIVE MAINTENANCE FY12-13	1	-
TRI-STATE SHOOTING RANGE DEVELOPMENT FY04-05	112,606	17,221
WATERCRAFT GRANT PROGRAM	1,000,000	-
WATERCRAFT SAFETY EDUCATION PROGRAM	250,000	241,003

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GAMING, DEPARTMENT OF		
ADDITIONAL OPERATING EXPENSES	800,400	-
CASINO OPERATION CERTIFICATION	2,104,000	1,938,715
OPERATING LUMP SUM APPROPRIATION	8,329,900	7,944,658
PROBLEM GAMBLING	2,262,700	1,990,564
GOVERNOR, OFFICE OF THE		
OPERATING LUMP SUM APPROPRIATION	192,300	-
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	179,951	179,951
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	18,640,300	15,717,942
ALZHEIMER DISEASE RESEARCH	1,000,000	1,000,000
CASH TRANSFER BETWEEN FUNDS	300	300
CASH TRANSFER TO AUTOMATION PROJECTS FUND	165,200	165,200
CRISIS SERVICES	2,250,000	2,250,000
FOLIC ACID	400,000	379,824
HIGH RISK PERINATAL SERVICES	450,000	341,382
MEDICAID BEHAVIORAL HEALTH - TRADITIONAL	34,767,000	34,767,000
NEWBORN SCREENING PROGRAM	6,307,000	5,785,331
NURSING FACILITY STUDY	90,000	58,725
RENAL DENTAL CARE AND NUTRITION SUPPLEMT	300,000	975
HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	219	219
OPERATING LUMP SUM APPROPRIATION	102,100	81,058
HOUSING, ARIZONA DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	313,800	313,800
INDUSTRIAL COMMISSION OF ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	53,110	53,110
CASH TRANSFER TO AUTOMATION PROJECTS FUND	142,500	142,500
OPERATING LUMP SUM APPROPRIATION	19,989,500	19,421,487
JUVENILE CORRECTIONS, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	3,003	3,003
CASH TRANSFER TO AUTOMATION PROJECTS FUND	3,800	3,800
OPERATING LUMP SUM APPROPRIATION	530,600	332,296
LAND DEPARTMENT, STATE		
NATURAL RESOURCE CONSERVATION DISTRICTS	260,000	173,669
MEDICAL EXAMINERS BOARD		
ADMINISTRATIVE ADJUSTMENTS	6,273	6,273
CREDENTIALS VERIFICATION CONTRACT	855,000	-
OPERATING LUMP SUM APPROPRIATION	5,738,700	5,654,161
PERFORMANCE BASED INCENTIVE PROGRAM	150,000	86,782
MINE INSPECTOR, STATE		
ADMINISTRATIVE ADJUSTMENTS	62	62
AGGREGATE MINED LAND RECLAMATION	112,500	28,805
CASH TRANSFER BETWEEN FUNDS	600	600
CASH TRANSFER TO AUTOMATION PROJECTS FUND	800	800
NATUROPATHIC PHYSICIANS MEDICAL BOARD		
ADMINISTRATIVE ADJUSTMENTS	14,478	14,478
OPERATING LUMP SUM APPROPRIATION	174,700	152,706
NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF		
OPERATING LUMP SUM APPROPRIATION	420,200	345,538
NURSING, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	17,207	17,207
OPERATING LUMP SUM APPROPRIATION	4,275,600	4,269,690
OCCUPATIONAL THERAPY EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,016	1,016
OPERATING LUMP SUM APPROPRIATION	172,500	172,413
OPTICIANS, STATE BOARD OF DISPENSING		
ADMINISTRATIVE ADJUSTMENTS	297	297

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	135,800	131,454
OPTOMETRY, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	760	760
OPERATING LUMP SUM APPROPRIATION	206,000	199,373
OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF		
OPERATING LUMP SUM APPROPRIATION	775,500	744,202
PEST MANAGEMENT, OFFICE OF		
OPERATING LUMP SUM APPROPRIATION	2,039,000	1,264,740
PHARMACY, ARIZONA STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,694	1,694
AZ POISON AND DRUG INFORMATION CENTER	200,000	200,000
CONTROLLED SUBSTANCE PRESCRIPTION MONITORING PROGRAM	350,000	350,000
OPERATING LUMP SUM APPROPRIATION	2,103,700	1,901,485
PHYSICAL THERAPY EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,469	2,469
OPERATING LUMP SUM APPROPRIATION	432,600	411,375
PODIATRY EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	181	181
OPERATING LUMP SUM APPROPRIATION	147,300	124,871
POSTSECONDARY EDUCATION, COMMISSION FOR		
ADMINISTRATIVE ADJUSTMENTS	3,915	3,915
ARIZONA COLLEGE AND CAREER GUIDE	21,300	16,145
AZ MINORITY ED POLICY ANALYSIS CENTER	100,000	18,996
LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP	1,098,700	1,098,700
OPERATING LUMP SUM APPROPRIATION FY08-09	-	(143,635)
OPERATING LUMP SUM APPROPRIATION FY13-14	184,800	104,784
TWELVE PLUS PARTNERSHIP	130,500	44,037
PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR		
OPERATING LUMP SUM APPROPRIATION	641,200	616,373
PSYCHOLOGIST EXAMINERS, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	3,998	3,998
OPERATING LUMP SUM APPROPRIATION	375,500	359,970
PUBLIC SAFETY, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	5,708	5,708
CASH TRANSFER TO AUTOMATION PROJECTS FUND	1,296,600	1,296,600
DNA TESTING	38,680	-
DNA TESTING FY02-03	1,258,331	-
DNA TESTING FY03-04	678,704	-
DNA TESTING FY07-08	938,531	-
MOTOR VEHICLE FUEL	231,300	231,300
OPERATING LUMP SUM APPROPRIATION	176,867,600	174,827,073
PUBLIC SAFETY EQUIPMENT FY09-10	2,728,719	-
PUBLIC SAFETY EQUIPMENT FY11-12	244,856	-
PUBLIC SAFETY EQUIPMENT FY12-13	277,463	192,895
PUBLIC SAFETY EQUIPMENT FY13-14	1,200,000	1,123,615
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,390,000	2,086,210
RACING, ARIZONA DEPARTMENT OF		
CASH TRANSFER TO AUTOMATION PROJECTS FUND	20,400	20,400
OPERATING LUMP SUM APPROPRIATION	2,895,900	2,815,860
RADIATION REGULATORY AGENCY		
CASH TRANSFER TO AUTOMATION PROJECTS FUND	1,900	1,900
OPERATING LUMP SUM APPROPRIATION	273,300	235,993
RESIDENTIAL UTILITY CONSUMER OFFICE		
ADMINISTRATIVE ADJUSTMENTS	727	727
CASH TRANSFER TO AUTOMATION PROJECTS FUND	9,400	9,400
OPERATING LUMP SUM APPROPRIATION	1,189,400	1,000,716
PROFESSIONAL WITNESSES FY08-09	234	234
PROFESSIONAL WITNESSES FY09-10	2,625	2,625
PROFESSIONAL WITNESSES FY10-11	57,817	57,622

(continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PROFESSIONAL WITNESSES FY11-12	125,871	81,075
PROFESSIONAL WITNESSES FY12-13	134,923	-
PROFESSIONAL WITNESSES FY13-14	145,000	31,274
RESPIRATORY CARE EXAMINERS, BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	1,243	1,243
OPERATING LUMP SUM APPROPRIATION	297,100	294,934
REVENUE, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,048	1,048
OPERATING LUMP SUM APPROPRIATION	679,300	574,345
SUPREME COURT		
AUTOMATION	7,991,800	6,432,217
CASE AND CASH MANAGEMENT SYSTEM	3,187,100	2,501,691
CASH TRANSFER BETWEEN FUNDS	171,900	171,900
CASH TRANSFER TO AUTOMATION PROJECTS FUND	283,700	283,700
CASH TRANSFER TO GENERAL FUND	675,000	675,000
COMMUNITY PUNISHMENT	2,310,100	1,451,393
COURT APPOINTED SPECIAL ADVOCATE	2,940,900	2,550,706
JUVENILE CRIME REDUCTION	5,192,100	3,883,257
OPERATING LUMP SUM APPROPRIATION	3,311,100	2,620,021
PROBATION SURCHARGE	6,029,200	6,019,161
STATE AID	5,949,100	4,653,657
TECHNICAL REGISTRATION, STATE BOARD OF		
ADMINISTRATIVE ADJUSTMENTS	2,908	2,908
OPERATING LUMP SUM APPROPRIATION	2,119,500	1,774,737
TREASURER, STATE		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	1,931,590
VETERANS' SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	1,484	1,484
OPERATING LUMP SUM APPROPRIATION	906,300	526,709
VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE		
ADMINISTRATIVE ADJUSTMENTS	7,459	7,459
OPERATING LUMP SUM APPROPRIATION	483,400	435,810
WATER RESOURCES, DEPARTMENT OF		
ASSURED AND ADEQUATE WATER SUPPLY ADMIN	266,400	5,076
CASH TRANSFER TO AUTOMATION PROJECTS FUND	2,900	2,900
OPERATING LUMP SUM APPROPRIATION	640,400	82,779
WEIGHTS AND MEASURES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	67,582	67,582
CASH TRANSFER TO AUTOMATION PROJECTS FUND	12,500	12,500
GENERAL SERVICES	330,000	329,999
OXYGENATED FUEL	845,200	845,043
VAPOR RECOVERY	618,600	616,951
TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES	$ 963,005,010	$ 832,855,897

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
LAND ENDOWMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CORRECTIONS, STATE DEPARTMENT OF		
CASH TRANSFER TO BUILDING RENEWAL FUND	$ 1,250,000	$ 1,250,000
OPERATING LUMP SUM APPROPRIATION	360,000	359,880
PRIVATE PRISON PER DIEM	979,200	892,271
DEAF AND BLIND, ARIZONA SCHOOLS FOR THE		
CASH TRANSFER TO AUTOMATION PROJECTS FUND	97,800	97,800
PHOENIX DAY SCHOOL FOR THE DEAF	5,700,000	5,700,000
PRESCHOOL AND OUTREACH PROGRAMS	3,575,500	2,173,363
TUCSON CAMPUS	4,020,600	4,020,600
VOUCHER FUND ADJUSTMENT	289,400	275,093
EDUCATION, DEPARTMENT OF		
BASIC STATE AID ENTITLEMENT	46,475,500	46,475,500
HEALTH SERVICES, DEPARTMENT OF		
ADMINISTRATIVE ADJUSTMENTS	396,000	396,000
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	650,000	623,680
JUVENILE CORRECTIONS, DEPARTMENT OF		
OPERATING LUMP SUM APPROPRIATION	1,098,600	1,098,600
LAND DEPARTMENT, STATE		
OPERATING LUMP SUM APPROPRIATION	3,174,500	1,155,588
PIONEERS' HOME, ARIZONA		
ADMINISTRATIVE ADJUSTMENTS	6	6
OPERATING LUMP SUM APPROPRIATION	4,456,600	4,254,911
PRESCRIPTION DRUGS	200,000	139,239
TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES	$ 72,723,706	$ 68,912,531

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, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board.

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.

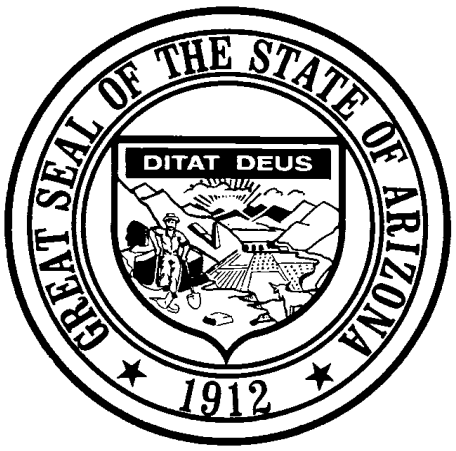
The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ -	$ 1,002	$ 280	$ 1,282
Due from other Funds	3,750	-	-	-	3,750
Restricted assets:					
Cash and pooled investments with State Treasurer	-	179	-	40,886	41,065
Cash held by trustee	-	-	155	11,416	11,571
Total Assets	$ 3,750	$ 179	$ 1,157	$ 52,582	$ 57,668
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ -	$ -	$ 326	$ -	$ 326
Total Liabilities	-	-	326	-	326
Fund Balances:					
Restricted	$ 3,750	$ 179	$ 831	$ 52,582	$ 57,342
Total Liabilities and Fund Balances	$ 3,750	$ 179	$ 1,157	$ 52,582	$ 57,668

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
REVENUES					
Sales taxes	$ -	$ -	$ -	$ 56,225	$ 56,225
Earnings on investments	-	868	-	884	1,752
Other	-	-	21	-	21
Total Revenues	-	868	21	57,109	57,998
EXPENDITURES					
Debt service:					
Principal	17,445	165,615	52,445	65,995	301,500
Interest and other fiscal charges	20,055	139,805	58,429	14,548	232,837
Total Expenditures	37,500	305,420	110,874	80,543	534,337
(Deficiency) of Revenues Over Expenditures	(37,500)	(304,552)	(110,853)	(23,434)	(476,339)
OTHER FINANCING SOURCES (USES)					
Transfers in	37,500	303,030	112,275	31,562	484,367
Transfers out	-	-	(10,680)	-	(10,680)
Total Other Financing Sources	37,500	303,030	101,595	31,562	473,687
Net Change in Fund Balances	-	(1,522)	(9,258)	8,128	(2,652)
Fund Balances - Beginning	3,750	1,701	10,089	44,454	59,994
Fund Balances - Ending	$ 3,750	$ 179	$ 831	$ 52,582	$ 57,342


GREAT SEAL OF THE STATE OF ARIZONA
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1912

NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

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

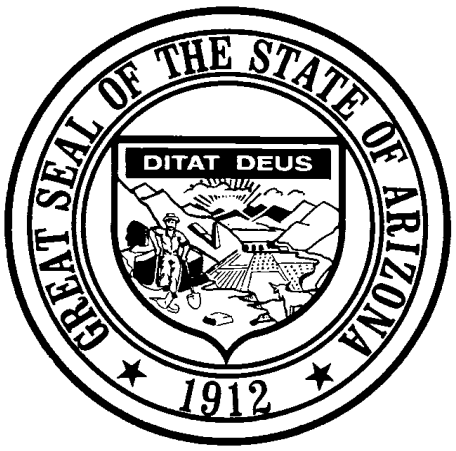
The Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
ASSETS	
Restricted assets:	
Cash and pooled investments with State Treasurer	$ 311,011
Total Assets	$ 311,011
FUND BALANCES	
Fund Balances:	
Restricted	$ 311,011
Total Fund Balances	311,011
Total Fund Balances	$ 311,011

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	TOTAL
REVENUES			
Earnings on investments	$ 3,830	$ 1	$ 3,831
Total Revenues	3,830	1	3,831
EXPENDITURES			
Current:			
Transportation	15,309	-	15,309
Capital outlay	134,883	12	134,895
Total Expenditures	150,192	12	150,204
(Deficiency) of Revenues Over Expenditures	(146,362)	(11)	(146,373)
OTHER FINANCING (USES)			
Transfers out	-	(266)	(266)
Total Other Financing (Uses)	-	(266)	(266)
Net Change in Fund Balances	(146,362)	(277)	(146,639)
Fund Balances - Beginning	457,373	277	457,650
Fund Balances - Ending	$ 311,011	$ -	$ 311,011


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

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 Lottery Fund accounts for the revenues received from the sale of lottery tickets, the receipt of license fees, prize payments, operational expenses, including consulting, promotional, and advertising expenses, and transfers of monies to other State Funds.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) 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 Unemployment Compensation Fund pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

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 POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER
ASSETS					
Current Assets:					
Cash	$ 4,173	$ -	$ 60	$ -	$ 60
Cash with U.S. Treasury	-	-	-	-	-
Cash and pooled investments with State Treasurer	2	44,979	5,306	3,292	3,102
Restricted cash and pooled investments with State Treasurer	-	-	-	-	-
Receivables, net of allowances:					
Taxes	-	-	-	-	-
Other	2,329	7,623	3,551	156	65
Due from U.S. Government	73	-	-	-	-
Due from other Funds	10	-	-	33	-
Inventories, at cost	2,372	5,957	4,987	286	-
Other current assets	106	-	136	302	116
Total Current Assets	9,065	58,559	14,040	4,069	3,343
Noncurrent Assets:					
Other noncurrent assets	-	9,862	-	-	-
Capital assets:					
Land and other non-depreciable	182	951	693	8	70
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,779	2,748	3,293	16	9,182
Total Noncurrent Assets	1,961	13,561	3,986	24	9,252
Total Assets	11,026	72,120	18,026	4,093	12,595
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	416	3,429	853	53	50
Accrued liabilities	229	-	298	36	68
Due to U.S. Government	-	-	-	-	-
Due to others	-	28,678	-	-	-
Due to component units	-	260	-	-	-
Due to other funds	-	28,813	-	-	-
Unearned revenue	29	-	-	2,040	83
Current portion of other long-term liabilities	223	322	474	153	173
Total Current Liabilities	897	61,502	1,625	2,282	374
Noncurrent Liabilities:					
Other long-term liabilities	73	-	-	-	-
Total Noncurrent Liabilities	73	-	-	-	-
Total Liabilities	970	61,502	1,625	2,282	374
NET POSITION					
Net investment in capital assets	1,961	3,699	3,986	24	9,252
Restricted for:					
Unemployment Compensation	-	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	-
Unrestricted	8,095	6,919	12,415	1,787	2,969
Total Net Position	$ 10,056	$ 10,618	$ 16,401	$ 1,811	$ 12,221

UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ -	$ -	$ -	$ 4,293
8,244	-	-	-	8,244
-	-	7,257	4,580	68,518
-	77,833	-	-	77,833
91,906	-	-	-	91,906
13,684	-	-	2,946	30,354
-	-	-	-	73
-	-	-	101	144
-	-	-	-	13,602
-	-	-	-	660
113,834	77,833	7,257	7,627	295,627
-	-	-	-	9,862
-	-	-	980	2,884
-	-	-	6,835	23,853
-	-	-	7,815	36,599
113,834	77,833	7,257	15,442	332,226
19	-	3	466	5,289
28,874	-	1	433	29,939
13,025	-	-	-	13,025
13,982	-	-	-	42,660
-	-	-	-	260
349	-	-	-	29,162
-	-	-	-	2,152
-	-	-	528	1,873
56,249	-	4	1,427	124,360
-	-	-	-	73
-	-	-	-	73
56,249	-	4	1,427	124,433
-	-	-	7,815	26,737
57,585	-	-	-	57,585
-	77,833	-	-	77,833
-	-	7,253	6,200	45,638
$ 57,585	$ 77,833	$ 7,253	$ 14,015	$ 207,793

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

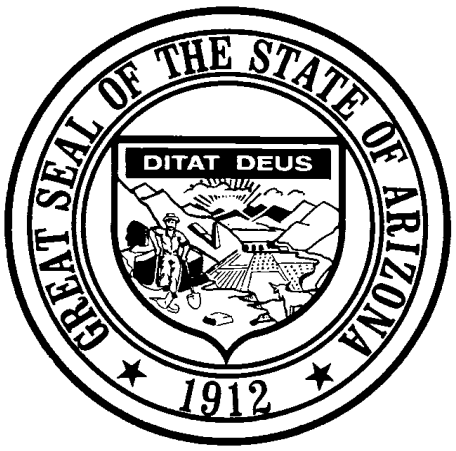
	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER
OPERATING REVENUES					
Sales and charges for services	$ 17,820	$ 723,955	$ 37,997	$ 4,507	$ 11,050
Unemployment assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-
Other	260	340	-	657	963
Total Operating Revenues	18,080	724,295	37,997	5,164	12,013
OPERATING EXPENSES					
Cost of sales and benefits	8,411	525,492	32,135	2,511	1,827
Personal services	6,200	5,890	4,064	1,563	4,251
Contractual services	2,236	15,594	-	618	3,729
Depreciation and amortization	355	275	623	7	633
Insurance	-	40	-	-	276
Other	877	1,488	-	86	1,275
Total Operating Expenses	18,079	548,779	36,822	4,785	11,991
Operating Income	1	175,516	1,175	379	22
NON-OPERATING REVENUES (EXPENSES)					
(Loss) on sale of capital assets	-	-	(9)	-	-
Investment income	9	104	36	27	11
Other non-operating revenue	-	-	-	-	-
Distributions	-	(14,763)	-	-	-
Interest expense	-	-	-	-	-
Other non-operating expense	-	-	-	(3)	-
Total Non-Operating Revenues (Expenses)	9	(14,659)	27	24	11
Income Before Contributions and Transfers	10	160,857	1,202	403	33
Capital grants and contributions	-	-	-	-	107
Transfers out	-	(160,858)	(1,303)	(34)	(80)
Change in Net Position	10	(1)	(101)	369	60
Total Net Position - Beginning	10,046	10,619	16,502	1,442	12,161
Total Net Position - Ending	$ 10,056	$ 10,618	$ 16,401	$ 1,811	$ 12,221

UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ -	$ 11,747	$ 31,652	$ 838,728
455,979	-	-	-	455,979
84,094	-	-	-	84,094
1,878	-	-	-	1,878
5,507	-	-	73	7,800
547,458	-	11,747	31,725	1,388,479
452,025	-	10,396	45	1,032,842
-	-	586	19,555	42,109
-	-	79	3,827	26,083
-	-	1	338	2,232
-	-	-	410	726
-	-	107	5,117	8,950
452,025	-	11,169	29,292	1,112,942
95,433	-	578	2,433	275,537
-	-	-	-	(9)
1,688	664	59	10	2,608
-	-	62	-	62
-	-	-	-	(14,763)
(2,538)	-	-	-	(2,538)
-	(46)	(7)	-	(56)
(850)	618	114	10	(14,696)
94,583	618	692	2,443	260,841
-	-	-	-	107
(4,279)	-	-	(401)	(166,955)
90,304	618	692	2,042	93,993
(32,719)	77,215	6,561	11,973	113,800
$ 57,585	$ 77,833	$ 7,253	$ 14,015	$ 207,793

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 17,862	$ 333,644	$ 38,094	$ 4,486	$ 11,050
Receipts from assessments	-	-	-	-	-
Receipts from grants and contracts	1	-	-	-	-
Receipts from settlement income	-	-	-	-	-
Payments to suppliers, prize winners, claimants, or insurance companies	(7,906)	(174,741)	(19,028)	(3,135)	(7,084)
Payments to employees	(6,189)	(5,906)	(19,568)	(1,565)	(4,233)
Other receipts	258	15,394	-	657	963
Other payments	(3,114)	-	-	-	-
Net Cash Provided (Used) by Operating Activities	912	168,391	(502)	443	696
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Distributions	-	(14,763)	-	-	-
Interest paid on loan due to U.S. Government	-	-	-	-	-
Transfers to other Funds	-	(184,683)	(1,303)	(34)	(80)
Net Cash (Used) by Non-capital Financing Activities	-	(199,446)	(1,303)	(34)	(80)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	30	-	-
Acquisition and construction of capital assets	-	(61)	(799)	-	(370)
Net Cash (Used) by Capital and Related Financing Activities	-	(61)	(769)	-	(370)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends from investments	10	94	35	25	11
Change in cash collateral received from securities lending transactions	-	-	-	-	-
Net Cash Provided by Investing Activities	10	94	35	25	11
Net Increase (Decrease) in Cash and Cash Equivalents	922	(31,022)	(2,539)	434	257
Cash and Cash Equivalents - Beginning	3,253	76,001	7,905	2,858	2,905
Cash and Cash Equivalents - Ending	$ 4,175	$ 44,979	$ 5,366	$ 3,292	$ 3,162
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	$ 1	$ 175,516	$ 1,175	$ 379	$ 22
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	355	275	623	7	633
Provision for uncollectible accounts	-	-	13	-	-
Miscellaneous income	-	-	-	-	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	12	(1,227)	90	22	(31)
Decrease in due from U.S. Government	1	-	-	-	-
(Increase) decrease in due from other Funds	(1)	-	-	-	-
(Increase) decrease in inventories, at cost	572	(2,009)	(1,110)	62	-
(Increase) decrease in other assets	(94)	(558)	(7)	42	(27)
Increase (decrease) in accounts payable	61	(2,193)	(1,369)	(24)	50
Increase (decrease) in accrued liabilities	(22)	(1,413)	82	6	11
(Decrease) in due to U.S. Government	-	-	-	-	-
(Decrease) in due to other Funds	-	-	-	-	-
(Decrease) in due to others	-	-	-	-	-
Increase (decrease) in unearned revenue	29	-	-	(43)	31
Increase (decrease) in other liabilities	(2)	-	1	(8)	7
Net Cash Provided (Used) by Operating Activities	$ 912	$ 168,391	$ (502)	$ 443	$ 696
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Contribution of capital assets from other Funds	$ -	$ -	$ -	$ -	$ 107
(Loss) on disposal of capital assets, net	-	-	(9)	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ -	$ (9)	$ -	$ 107

UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ -	$ 8,748	$ 31,383	$ 445,267
458,133	-	-	-	458,133
84,094	-	-	-	84,095
-	-	62	-	62
(447,350)	-	(10,836)	(9,351)	(679,431)
-	-	(642)	(18,942)	(57,045)
-	-	-	73	17,345
(91,262)	-	-	-	(94,376)
3,615	-	(2,668)	3,163	174,050
-	-	-	-	(14,763)
(7,751)	-	-	-	(7,751)
(4,254)	-	-	(401)	(190,755)
(12,005)	-	-	(401)	(213,269)
-	-	-	-	30
-	-	(7)	(106)	(1,343)
-	-	(7)	(106)	(1,313)
1,690	662	59	10	2,596
-	(44)	-	-	(44)
1,690	618	59	10	2,552
(6,700)	618	(2,616)	2,666	(37,980)
14,944	77,215	9,873	1,914	196,868
$ 8,244	$ 77,833	$ 7,257	$ 4,580	$ 158,888
$ 95,433	$ -	$ 578	$ 2,433	$ 275,537
-	-	1	338	2,232
-	-	-	-	13
-	-	62	-	62
9,498	-	-	(313)	8,051
-	-	-	-	1
-	-	-	44	43
-	-	-	-	(2,485)
-	-	-	-	(644)
-	-	(25)	50	(3,450)
4,399	-	(229)	85	2,919
(98,444)	-	-	-	(98,444)
-	-	-	(2)	(2)
(7,271)	-	-	-	(7,271)
-	-	(2,999)	-	(2,982)
-	-	(56)	528	470
$ 3,615	$ -	$ (2,668)	$ 3,163	$ 174,050
$ -	$ -	$ -	$ -	$ 107
-	-	-	-	(9)
$ -	$ -	$ -	$ -	$ 98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DITAT DEUS
1912

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 Automation Operations Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Accumulated Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
ASSETS				
Current Assets:				
Cash and pooled investments with State Treasurer	$ 74,193	$ -	$ 333,561	$ 894
Receivables, net of allowances:				
Other	40	-	9,637	149
Due from U.S. Government	-	-	3,600	-
Due from other Funds	5	-	1	-
Inventories, at cost	-	3,122	-	-
Other current assets	4,202	-	8	-
Total Current Assets	78,440	3,122	346,807	1,043
Noncurrent Assets:				
Restricted assets:				
Cash and pooled investments with State Treasurer	-	975	-	-
Capital assets:				
Land and other non-depreciable	-	-	-	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	93	66,447	23	52
Total Noncurrent Assets	93	67,422	23	52
Total Assets	78,533	70,544	346,830	1,095
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	2,141	-	132,096	226
Accrued liabilities	281	297	53	25
Due to other Funds	7	-	7	-
Current portion of accrued insurance losses	59,786	-	-	-
Current portion of other long-term liabilities	705	577	160	66
Total Current Liabilities	62,920	874	132,316	317
Noncurrent Liabilities:				
Accrued insurance losses	369,543	-	-	-
Other long-term liabilities	-	229	-	-
Total Noncurrent Liabilities	369,543	229	-	-
Total Liabilities	432,463	1,103	132,316	317
NET POSITION				
Net investment in capital assets	93	66,447	23	52
Unrestricted (deficit)	(354,023)	2,994	214,491	726
Total Net Position	$ (353,930)	$ 69,441	$ 214,514	$ 778

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	TOTAL
$ 14,048	$ 2,803	$ 612	$ 426,111
970	-	425	11,221
-	-	-	3,600
2,155	-	670	2,831
-	-	51	3,173
1,307	-	15	5,532
18,480	2,803	1,773	452,468
-	-	-	975
76	-	-	76
3,879	-	11,718	82,212
3,955	-	11,718	83,263
22,435	2,803	13,491	535,731
1,365	-	582	136,410
194	-	15	865
-	-	-	14
-	-	-	59,786
479	8,143	42	10,172
2,038	8,143	639	207,247
-	-	-	369,543
-	148,600	-	148,829
-	148,600	-	518,372
2,038	156,743	639	725,619
3,955	-	11,718	82,288
16,442	(153,940)	1,134	(272,176)
$ 20,397	$ (153,940)	$ 12,852	$ (189,888)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

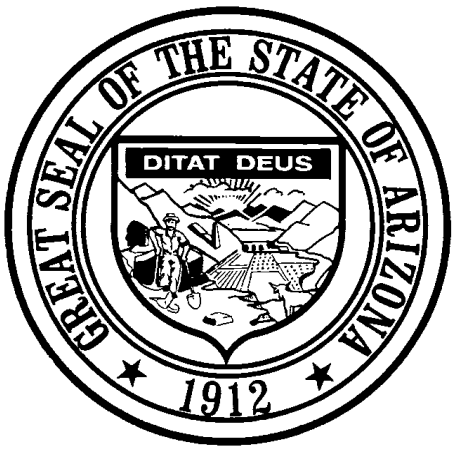
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
OPERATING REVENUES				
Sales and charges for services	$ 103,733	$ 27,326	$ 823,774	$ 1,347
Other	-	54	-	2
Total Operating Revenues	103,733	27,380	823,774	1,349
OPERATING EXPENSES				
Cost of sales and benefits	-	13,949	755,161	2
Personal services	12,950	13,389	2,603	1,010
Contractual services	18,900	200	1,286	339
Depreciation and amortization	41	10,080	5	525
Insurance	81,285	-	757	19
Other	1,482	859	299	452
Total Operating Expenses	114,658	38,477	760,111	2,347
Operating Income (Loss)	(10,925)	(11,097)	63,663	(998)
NON-OPERATING REVENUES				
Gain on sale of capital assets	-	26	-	5
Investment income	-	4	-	-
Other non-operating revenue	-	91	-	-
Total Non-Operating Revenues	-	121	-	5
Income (Loss) Before Contributions and Transfers	(10,925)	(10,976)	63,663	(993)
Capital grants and contributions	-	19,121	-	-
Transfers out	(2,454)	(192)	(73,761)	(52)
Change in Net Position	(13,379)	7,953	(10,098)	(1,045)
Total Net Position - Beginning	(340,551)	61,488	224,612	1,823
Total Net Position - Ending	$ (353,930)	$ 69,441	$ 214,514	$ 778

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	TOTAL
$ 28,298	$ 13,095	$ 8,931	$ 1,006,504
-	-	-	56
28,298	13,095	8,931	1,006,560
5,975	14,941	5,101	795,129
8,472	68	879	39,371
1,802	4	148	22,679
1,531	-	1,491	13,673
368	-	511	82,940
1,667	-	686	5,445
19,815	15,013	8,816	959,237
8,483	(1,918)	115	47,323
5	-	-	36
-	-	-	4
-	-	221	312
5	-	221	352
8,488	(1,918)	336	47,675
844	-	792	20,757
(8,671)	(88)	(72)	(85,290)
661	(2,006)	1,056	(16,858)
19,736	(151,934)	11,796	(173,030)
$ 20,397	$ (153,940)	$ 12,852	$ (189,888)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE-COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 103,737	$ 27,346	$ 824,336	$ 1,349
Payments to suppliers or insurance companies	(84,783)	(14,365)	(738,966)	(827)
Payments to employees	(12,470)	(13,339)	(2,642)	(997)
Payments to retirees	-	-	-	-
Other receipts	-	54	-	-
Net Cash Provided (Used) by Operating Activities	6,484	(304)	82,728	(475)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other Funds	(2,454)	(192)	(73,761)	(52)
Net Cash (Used) by Non-capital Financing Activities	(2,454)	(192)	(73,761)	(52)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	968	-	47
Receipts from insurance recoveries	-	90	-	-
Acquisition and construction of capital assets	-	(6)	(10)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	1,052	(10)	47
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	6	-	-
Net Cash Provided by Investing Activities	-	6	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	4,030	562	8,957	(480)
Cash and Cash Equivalents - Beginning	70,163	413	324,604	1,374
Cash and Cash Equivalents - Ending	$ 74,193	$ 975	$ 333,561	$ 894
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (10,925)	$ (11,097)	$ 63,663	$ (998)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	41	10,080	5	525
Miscellaneous income	-	-	-	-
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	-	20	(1,240)	-
Decrease in due from U.S. Government	-	-	1,800	-
(Increase) decrease in due from other Funds	4	-	2	-
(Increase) decrease in inventories, at cost	-	567	-	-
(Increase) decrease in other assets	(109)	-	4	-
Increase (decrease) in accounts payable	(1,384)	(4)	18,529	105
Increase (decrease) in accrued liabilities	51	63	-	8
Increase (decrease) in due to other Funds	(15,337)	-	4	(120)
(Decrease) in unearned revenues	-	-	-	-
Increase in accrued insurance losses	33,714	-	-	-
Increase (decrease) in other liabilities	429	67	(39)	5
Net Cash Provided (Used) by Operating Activities	$ 6,484	$ (304)	$ 82,728	$ (475)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other Funds	$ -	$ 19,121	$ -	$ -
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ 19,121	$ -	$ -

AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	TOTAL
$ 29,045	$ 13,095	$ 8,889	$ 1,007,797
(8,645)	(4)	(6,273)	(853,863)
(8,444)	(68)	(891)	(38,851)
-	(12,172)	-	(12,172)
-	-	221	275
11,956	851	1,946	103,186
(8,671)	(88)	(72)	(85,290)
(8,671)	(88)	(72)	(85,290)
109	-	221	1,345
-	-	-	90
(76)	-	(1,951)	(2,043)
33	-	(1,730)	(608)
-	-	-	6
-	-	-	6
3,318	763	144	17,294
10,730	2,040	468	409,792
$ 14,048	$ 2,803	$ 612	$ 427,086
$ 8,483	$ (1,918)	$ 115	$ 47,323
1,531	-	1,491	13,673
-	-	221	221
649	-	13	(558)
-	-	-	1,800
111	-	(55)	62
-	-	(18)	549
141	-	3	39
1,030	-	207	18,483
37	-	(2)	157
(4)	-	(19)	(15,476)
(13)	-	-	(13)
-	-	-	33,714
(9)	2,769	(10)	3,212
$ 11,956	$ 851	$ 1,946	$ 103,186
$ 844	$ -	$ 792	$ 20,757
$ 844	$ -	$ 792	$ 20,757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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.

The Administrative Office of the Courts Probation Officers (AOC) is a cost-sharing, multiple-employer pension plan within CORP that benefits county probation officers.

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

The ASRS Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The ASRS Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

The PSPRS Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The EORP Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The CORP Health Benefit Supplement Fund is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The AOC Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	PENSION TRUST FUNDS				
	ASRS	PSPRS	EORP	CORP	AOC
ASSETS					
Cash	$ 2,365	$ 268,644	$ 12,669	$ 44,047	$ 11,834
Receivables, net of allowances:					
Accrued interest and dividends	60,474	5,397	285	1,080	290
Securities sold	40,792	32,652	1,726	6,531	1,755
Forward contracts receivable	419,880	-	-	-	-
Contributions	69,136	20,001	664	1,090	849
Court fees	-	-	683	-	-
Due from other Funds	612	-	-	-	-
Other	545	5,147	1,025	10	3
Total receivables	591,439	63,197	4,383	8,711	2,897
Investments, at fair value:					
Temporary investments	1,621,617	-	-	-	-
Fixed income securities	6,671,668	556,947	29,436	111,402	29,931
Corporate stocks	20,122,143	1,793,970	94,816	358,836	96,410
Global tactical asset allocation	3,327,760	538,588	28,466	107,730	28,944
Real assets	-	403,746	21,339	80,759	21,698
Real estate	1,985,698	634,687	33,545	126,952	34,109
Private equity	-	785,759	41,529	157,170	42,228
Opportunistic investments	-	519,008	27,431	103,814	27,892
Collateral investment pool	14,784	425,445	22,486	85,099	22,864
Other investments	101,399	435,846	23,035	87,181	23,423
Total investments	33,845,069	6,093,996	322,083	1,218,943	327,499
Property and equipment, net of accumulated depreciation	-	3,488	245	490	132
Total Assets	34,438,873	6,429,325	339,380	1,272,191	342,362
LIABILITIES					
Accounts payable and other current liabilitites	27,165	47,364	1,481	3,167	851
Payable for securities purchased	293,994	20,992	1,109	4,199	1,128
Obligation under securities loan agreements	14,784	425,445	22,486	85,099	22,864
Forward contracts payable	399,465	-	-	-	-
Due to other Funds	9,760	-	-	-	-
Total Liabilities	745,168	493,801	25,076	92,465	24,843
NET POSITION					
Held in Trust for:					
Pension benefits	33,693,705	5,935,524	314,304	1,179,726	317,519
Other post-employment benefits	-	-	-	-	-
Total Net Position	$ 33,693,705	$ 5,935,524	$ 314,304	$ 1,179,726	$ 317,519

OTHER EMPLOYEE BENEFIT TRUST FUNDS						
ASRS HEALTH BENEFIT SUPPLEMENT FUND	ASRS LONG-TERM DISABILITY FUND	PSPRS HEALTH BENEFIT SUPPLEMENT FUND	EORP HEALTH BENEFIT SUPPLEMENT FUND	CORP HEALTH BENEFIT SUPPLEMENT FUND	AOC HEALTH BENEFIT SUPPLEMENT FUND	TOTAL
$ 87	$ 250	$ 10,703	$ 839	$ 3,503	$ 231	$ 355,172
2,641	-	254	20	83	5	70,529
1,731	-	1,605	126	525	35	87,478
18,308	-	-	-	-	-	438,188
1,087	869	718	29	47	42	94,532
-	-	-	-	-	-	683
6,647	2,501	-	-	-	-	9,760
29,852	3,244	11	1	4	-	39,842
60,266	6,614	2,588	176	659	82	741,012
125,339	2,835	-	-	-	-	1,749,791
291,584	60,162	27,377	2,146	8,959	592	7,790,204
874,875	186,242	88,183	6,912	28,859	1,905	23,653,151
143,613	-	26,474	2,075	8,664	572	4,212,886
-	-	19,846	1,556	6,495	429	555,868
87,405	22,382	31,198	2,445	10,210	674	2,969,305
-	-	38,624	3,027	12,640	835	1,081,812
-	-	25,512	2,000	8,349	551	714,557
643	-	20,913	1,639	6,844	452	601,169
4,442	7,311	21,424	1,678	7,012	463	713,214
1,527,901	278,932	299,551	23,478	98,032	6,473	44,041,957
-	-	-	-	-	-	4,355
1,588,254	285,796	312,842	24,493	102,194	6,786	45,142,496
1,274	280	-	-	-	-	81,582
12,676	-	1,032	81	338	22	335,571
643	-	20,913	1,639	6,844	452	601,169
17,419	-	-	-	-	-	416,884
-	-	-	-	-	-	9,760
32,012	280	21,945	1,720	7,182	474	1,444,966
-	-	-	-	-	-	41,440,778
1,556,242	285,516	290,897	22,773	95,012	6,312	2,256,752
$ 1,556,242	$ 285,516	$ 290,897	$ 22,773	$ 95,012	$ 6,312	$ 43,697,530

STATE OF ARIZONA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

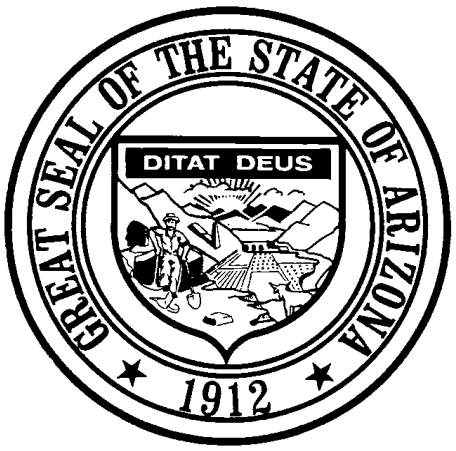
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

(Expressed in Thousands)

	PENSION TRUST FUNDS				
	ASRS	PSPRS	EORP	CORP	AOC
ADDITIONS:					
Member contributions	$ 995,284	$ 141,066	$ 8,938	$ 42,697	$ 9,039
Employer contributions	965,969	413,846	16,287	62,246	15,552
Non-employer entity contributions	-	-	5,000	-	-
Member purchase of service credit	32,441	10,957	51	373	93
Court fees	-	-	8,541	-	-
Investment income:					
Net increase in fair value of investments	5,114,686	736,692	39,564	148,194	38,129
Interest income	185,226	7,074	379	1,423	366
Dividends	338,194	41,812	2,237	8,414	2,165
Other investment income	17,949	55,200	2,956	11,094	2,854
Securities lending income	2,196	1,937	103	390	100
Total investment income	5,658,251	842,715	45,239	169,515	43,614
Less investment expenses:					
Investment activity expenses	143,731	118,998	6,319	24,023	6,181
Securities lending expenses	274	290	15	58	15
Net investment income	5,514,246	723,427	38,905	145,434	37,418
Other additions	1,044	775	116	44	253
Total Additions	7,508,984	1,290,071	77,838	250,794	62,355
DEDUCTIONS:					
Retirement, disability, and survivor benefits	2,566,372	612,105	53,984	91,319	15,768
Health insurance subsidy	-	-	-	-	-
Refunds to withdrawing members, including interest	246,201	14,435	155	29,132	1,315
Administrative expense	26,107	5,826	316	1,143	294
Other deductions	2,029	50	23	437	61
Total Deductions	2,840,709	632,416	54,478	122,031	17,438
Change in net position held in trust for:					
Pension benefits	4,668,275	657,655	23,360	128,763	44,917
Other post-employment benefits	-	-	-	-	-
Net Position - Beginning	29,025,430	5,277,869	290,944	1,050,963	272,602
Net Position - Ending	$ 33,693,705	$ 5,935,524	$ 314,304	$ 1,179,726	$ 317,519

OTHER EMPLOYEE BENEFIT TRUST FUNDS						
ASRS HEALTH BENEFIT SUPPLEMENT FUND	ASRS LONG-TERM DISABILITY FUND	PSPRS HEALTH BENEFIT SUPPLEMENT FUND	EORP HEALTH BENEFIT SUPPLEMENT FUND	CORP HEALTH BENEFIT SUPPLEMENT FUND	AOC HEALTH BENEFIT SUPPLEMENT FUND	TOTAL
$ -	$ 21,151	$ -	$ -	$ -	$ -	$ 1,218,175
53,405	21,628	19,534	1,072	5,477	1,204	1,576,220
-	-	-	-	-	-	5,000
-	-	-	-	-	-	43,915
-	-	-	-	-	-	8,541
223,003	45,231	34,372	2,708	11,186	701	6,394,466
8,040	-	330	26	107	7	202,978
14,703	-	1,951	153	635	40	410,304
779	-	2,575	202	837	52	94,498
95	-	90	7	29	2	4,949
246,620	45,231	39,318	3,096	12,794	802	7,107,195
6,071	281	5,552	432	1,813	114	313,515
11	-	13	1	4	-	681
240,538	44,950	33,753	2,663	10,977	688	6,792,999
29,848	-	-	-	-	-	32,080
323,791	87,729	53,287	3,735	16,454	1,892	9,676,930
101,746	62,044	-	-	-	-	3,503,338
-	-	13,578	951	2,728	309	17,566
-	-	-	-	-	-	291,238
1,137	2,542	-	-	-	-	37,365
-	247	-	-	-	-	2,847
102,883	64,833	13,578	951	2,728	309	3,852,354
-	-	-	-	-	-	5,522,970
220,908	22,896	39,709	2,784	13,726	1,583	301,606
1,335,334	262,620	251,188	19,989	81,286	4,729	37,872,954
$ 1,556,242	$ 285,516	$ 290,897	$ 22,773	$ 95,012	$ 6,312	$ 43,697,530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DITAT DEUS
1912

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 POSITION
INVESTMENT TRUST FUNDS
JUNE 30, 2014
(Expressed in Thousands)

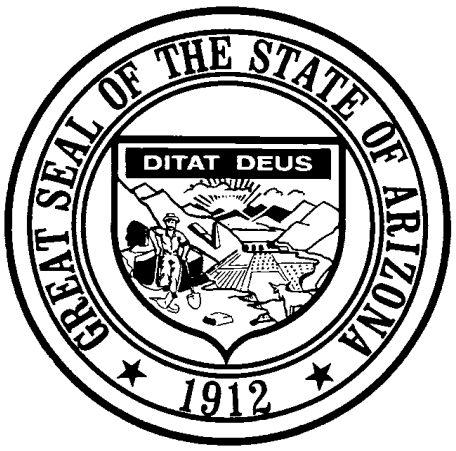
	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM FF&C
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ 19,000	$ -	$ 2,000	$ -
Receivables, net of allowances:					
Accrued interest and dividends	1,088	453	619	519	358
Investments, at fair value:					
Fixed income securities	301,130	1,060,944	254,201	934,704	164,856
Collateral investment pool	5,150	86	11,479	-	-
Total investments	306,280	1,061,030	265,680	934,704	164,856
Total Assets	307,368	1,080,483	266,299	937,223	165,214
LIABILITIES					
Management fee payable	13	58	11	47	8
Obligations under securities loan agreements	5,150	86	11,479	-	-
Total Liabilities	5,163	144	11,490	47	8
NET POSITION					
Held in trust for pool participants	$ 302,205	$ 1,080,339	$ 254,809	$ 937,176	$ 165,206
Net position consist of:					
Participant shares outstanding	299,310	1,080,339	246,505	937,176	164,085
Participants' net position value (net position/shares outstanding)	$ 1.01	$ 1.00	$ 1.03	$ 1.00	$ 1.01

LEHMAN BROTHERS POOL	TOTAL
$ -	$ 21,000
-	3,037
4,475	2,720,310
-	16,715
4,475	2,737,025
4,475	2,761,062
-	137
-	16,715
-	16,852
$ 4,475	$ 2,744,210
23,735	2,751,150
$ 0.19	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(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
ADDITIONS:					
Investment income:					
Net increase (decrease) in fair value of investments	$ (93)	$ 39	$ 982	$ 6	$ 333
Interest income	5,400	2,102	3,548	979	2,447
Securities lending income	15	1	14	153	4
Total investment income	5,322	2,142	4,544	1,138	2,784
Less: Investment activity expenses					
Investment activity expenses	159	707	137	538	98
Securities lending expenses	7	-	7	77	2
Net investment income	5,156	1,435	4,400	523	2,684
Capital share and individual account transactions:					
Shares sold	35,336	2,590,664	55,317	1,666,128	5,582
Reinvested interest income	5,414	1,403	2,866	500	1,648
Shares redeemed	(25,510)	(2,678,445)	(47,216)	(1,818,401)	(19,531)
Transfers in (out)	-	3,962	-	-	-
Net capital share and individual account transactions	15,240	(82,416)	10,967	(151,773)	(12,301)
Total Additions	20,396	(80,981)	15,367	(151,250)	(9,617)
DEDUCTIONS:					
Dividends to investors	5,156	1,435	4,400	523	2,684
Total Deductions	5,156	1,435	4,400	523	2,684
Change in net position held in trust for pool participants	15,240	(82,416)	10,967	(151,773)	(12,301)
Net Position - Beginning	286,965	1,162,755	243,842	1,088,949	177,507
Net Position - Ending	$ 302,205	$ 1,080,339	$ 254,809	$ 937,176	$ 165,206

LEHMAN BROTHERS POOL	TOTAL
$ 1,751	$ 3,018
-	14,476
-	187
1,751	17,681
-	1,639
-	93
1,751	15,949
-	4,353,027
-	11,831
-	(4,589,103)
(3,962)	-
(3,962)	(224,245)
(2,211)	(208,296)
-	14,198
-	14,198
(2,211)	(222,494)
6,686	2,966,704
$ 4,475	$ 2,744,210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DITAT DEUS
1912

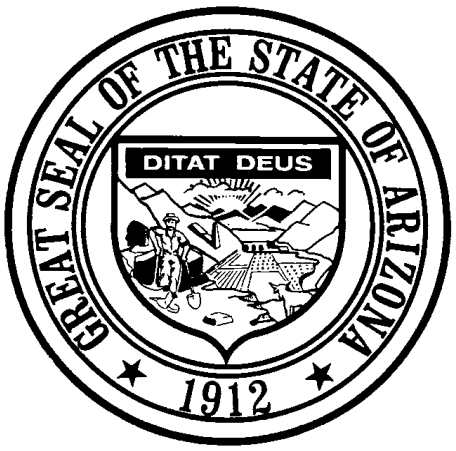
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, 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 Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2014
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 50,315	$ 50,315
Cash and pooled investments with State Treasurer	-	11,685	58,195	69,880
Short-term investments	-	-	8,236	8,236
Receivables, net of allowances:				
Accrued interest	-	-	1	1
Other	-	-	2	2
Due from others	-	-	82,589	82,589
Custodial securities in safekeeping	3,805,147	-	41,343	3,846,490
Other assets	-	-	1,658	1,658
Total Assets	$ 3,805,147	$ 11,685	$ 242,339	$ 4,059,171
LIABILITIES				
Due to local governments	$ -	$ 48	$ 964	$ 1,012
Due to others	3,805,147	11,637	241,375	4,058,159
Total Liabilities	$ 3,805,147	$ 11,685	$ 242,339	$ 4,059,171

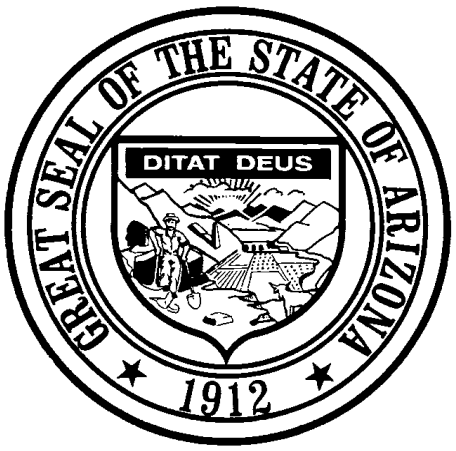
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	BALANCE JULY 1, 2013	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2014
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 3,560,332	$ 6,173,677	$ 5,928,862	$ 3,805,147
Total Assets	$ 3,560,332	$ 6,173,677	$ 5,928,862	$ 3,805,147
Liabilities:				
Due to others	$ 3,560,332	$ 6,173,677	$ 5,928,862	$ 3,805,147
Total Liabilities	$ 3,560,332	$ 6,173,677	$ 5,928,862	$ 3,805,147
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 15,001	$ 108,586	$ 111,902	$ 11,685
Total Assets	$ 15,001	$ 108,586	$ 111,902	$ 11,685
Liabilities:				
Due to local governments	$ 48	$ 93,145	$ 93,145	$ 48
Due to others	14,953	24,998	28,314	11,637
Total Liabilities	$ 15,001	$ 118,143	$ 121,459	$ 11,685
OTHER FUNDS				
Assets:				
Cash	$ 53,684	$ 790,520	$ 793,889	$ 50,315
Cash and pooled investments with State Treasurer	213,836	1,802,067	1,957,708	58,195
Short-term investments	3,392	8,236	3,392	8,236
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Other	2	2	2	2
Due from others	82,552	82,589	82,552	82,589
Custodial securities in safekeeping	39,905	41,343	39,905	41,343
Other assets	1,782	1,658	1,782	1,658
Total Assets	$ 395,154	$ 2,726,415	$ 2,879,230	$ 242,339
Liabilities:				
Due to local governments	$ 153,475	$ 2,512,876	$ 2,665,387	$ 964
Due to others	241,679	1,119,762	1,120,066	241,375
Total Liabilities	$ 395,154	$ 3,632,638	$ 3,785,453	$ 242,339

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	BALANCE JULY 1, 2013	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2014
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 53,684	$ 790,520	$ 793,889	$ 50,315
Cash and pooled investments with State Treasurer	228,837	1,910,653	2,069,610	69,880
Short-term investments	3,392	8,236	3,392	8,236
Receivables, net of allowances:				
Accrued interest	1	-	-	1
Other	2	2	2	2
Due from others	82,552	82,589	82,552	82,589
Custodial securities in safekeeping	3,600,237	6,215,020	5,968,767	3,846,490
Other assets	1,782	1,658	1,782	1,658
Total Assets	$ 3,970,487	$ 9,008,678	$ 8,919,994	$ 4,059,171
Liabilities:				
Due to local governments	$ 153,523	$ 2,606,021	$ 2,758,532	$ 1,012
Due to others	3,816,964	7,318,437	7,077,242	4,058,159
Total Liabilities	$ 3,970,487	$ 9,924,458	$ 9,835,774	$ 4,059,171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DITAT DEUS
1912

NON-MAJOR
COMPONENT UNITS

Component units are legally separate entities for which the State is considered to be financially accountable. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Arizona Power Authority purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws.

The Rio Nuevo Multipurpose Facilities District (Rio Nuevo) utilizes tax incremental financing to help develop multipurpose facilities in the downtown Tucson area.

The 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 POSITION
NON-MAJOR COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
ASSETS					
Current Assets:					
Cash	$ -	$ 13,926	$ -	$ 9,945	$ 23,871
Cash and pooled investments with State Treasurer	5,908	-	1,306	120,780	127,994
Collateral investment pool	-	-	-	2,452	2,452
Restricted investments held by trustee	5,343	-	-	-	5,343
Receivables, net of allowances:					
Taxes	-	2,672	-	-	2,672
Interest	-	-	15	-	15
Loans and notes	-	-	-	1,673	1,673
Other	3,151	45	-	887	4,083
Other current assets	922	1,032	-	440	2,394
Total Current Assets	15,324	17,675	1,321	136,177	170,497
Noncurrent Assets:					
Restricted assets:					
Cash and pooled investments with State Treasurer	-	-	11,965	-	11,965
Cash held by trustee	-	17,342	-	-	17,342
Investments held by trustee	7,757	-	-	-	7,757
Loans and notes receivable, net of allowances	-	16,482	-	6,657	23,139
Other noncurrent assets	599	-	-	7	606
Capital assets:					
Land and other non-depreciable	-	11,277	-	-	11,277
Buildings, equipment, and other depreciable, net of accumulated depreciation	93	25,155	-	758	26,006
Total Noncurrent Assets	8,449	70,256	11,965	7,422	98,092
Total Assets	23,773	87,931	13,286	143,599	268,589
DEFERRED OUTFLOWS OF RESOURCES	33,791	-	-	-	33,791
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	2,583	8,332	-	731	11,646
Accrued liabilities	613	30	7	-	650
Obligations under securities loan agreements	-	-	-	2,452	2,452
Current portion of long-term debt	5,330	4,830	-	-	10,160
Total Current Liabilities	8,526	13,192	7	3,183	24,908
Noncurrent Liabilities:					
Long-term debt	44,397	72,611	-	-	117,008
Total Noncurrent Liabilities	44,397	72,611	-	-	117,008
Total Liabilities	52,923	85,803	7	3,183	141,916
NET POSITION					
Net investment in capital assets	93	33,178	-	758	34,029
Restricted for:					
Debt service	13,100	10,254	11,965	-	35,319
Loans and other financial assistance	-	-	-	58,593	58,593
Other	-	-	-	22,596	22,596
Unrestricted	(8,552)	(41,304)	1,314	58,469	9,927
Total Net Position	$ 4,641	$ 2,128	$ 13,279	$ 140,416	$ 160,464

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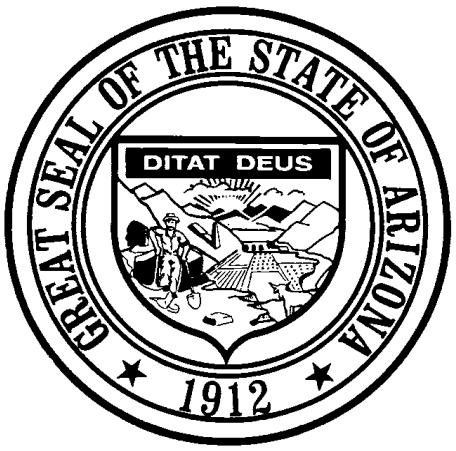
STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Arizona Power Authority	$ 28,411	$ 27,744	$ -
Rio Nuevo	6,687	1,376	-
Greater Arizona Development Authority	90	-	-
Arizona Commerce Authority	24,959	844	8,072
Total	$ 60,147	$ 29,964	$ 8,072

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

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	GREATER AZ DEVELOPMENT AUTHORITY	ARIZONA COMMERCE AUTHORITY	TOTAL
$ (667)	$ -	$ -	$ -	$ (667)
-	(5,311)	-	-	(5,311)
-	-	(90)	-	(90)
-	-	-	(16,043)	(16,043)
-	9,117	-	-	9,117
-	-	-	12,637	12,637
8	54	210	997	1,269
-	-	-	57	57
-	-	-	36,924	36,924
17	-	-	-	17
(642)	3,860	120	34,572	37,910
5,283	(1,732)	13,159	105,844	122,554
$ 4,641	$ 2,128	$ 13,279	$ 140,416	$ 160,464


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

NON-MAJOR
UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of Downtown Phoenix Student Housing, LLC, the ASU Preparatory Academy, Inc. (ASU Prep) – formerly known as the University Public Schools, Inc., and Campus Research Corporation (CRC). The Downtown Phoenix Student Housing, LLC is included due to the nature and significance of the financial arrangement that it has with the State and that the State believes would be misleading to exclude. The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.

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.

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.

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.

The Arizona State University Preparatory Academy, Inc. participates with the ASU faculty and staff in implementing various educational innovations in the form of teaching methods, teacher preparation, curriculum, and educational research.

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.

The University of Arizona Eller Executive Education was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2014
(Expressed in Thousands)

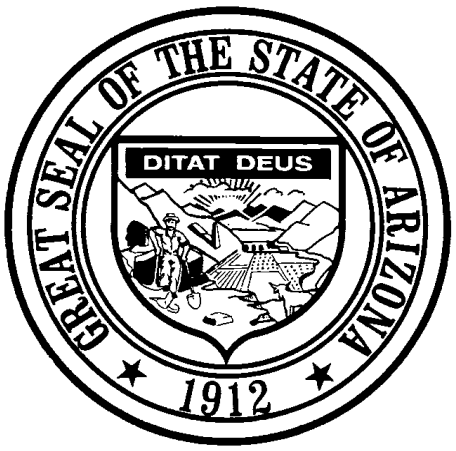
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
ASSETS					
Cash and cash equivalent investments	$ 1,290	$ 2,849	$ 396	$ 1,817	$ 253
Receivables:					
Pledges receivable	7,059	5,025	-	-	78
Other receivables	537	183	-	17,535	108
Total receivables	7,596	5,208	-	17,535	186
Investments:					
Investments in securities	129,783	-	8,545	1,291	16,357
Other investments	12,065	-	664	-	-
Total investments	141,848	-	9,209	1,291	16,357
Net direct financing leases	7,375	-	-	-	-
Property and equipment, net of accumulated depreciation	-	10	-	5,029	-
Other assets	964	172	31	2,554	42
Total Assets	159,073	8,239	9,636	28,226	16,838
LIABILITIES					
Accounts payable and accrued liabilities	146	443	5	130	106
Liability under endowment trust agreements	27,545	-	-	-	-
Long term debt	-	-	-	7,000	-
Deferred revenue	5,422	20	-	13,303	33
Other liabilities	2,001	-	4,000	1,546	12
Total Liabilities	35,114	463	4,005	21,979	151
NET ASSETS					
Permanently restricted	59,295	-	1,842	-	-
Temporarily restricted	52,378	7,287	841	-	302
Unrestricted (deficit)	12,286	489	2,948	6,247	16,385
Total Net Assets	$ 123,959	$ 7,776	$ 5,631	$ 6,247	$ 16,687

DOWNTOWN PHOENIX STUDENT HOUSING	ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
$ 1,398	$ 3,355	$ 804	$ 4,803	$ 1,354	$ 267	$ 18,586
-	-	425	-	108	-	12,695
107	554	-	961	726	43	20,754
107	554	425	961	834	43	33,449
14,675	-	11,339	-	6,840	-	188,830
-	-	188	-	-	-	12,917
14,675	-	11,527	-	6,840	-	201,747
-	-	-	-	-	-	7,375
98,163	286	-	18,620	53	-	122,161
5,761	17	7	6,294	79	20	15,941
120,104	4,212	12,763	30,678	9,160	330	399,259
16,025	859	212	1,069	180	-	19,175
-	-	-	-	-	-	27,545
139,783	181	-	6,654	28	-	153,646
11	1,523	-	3,267	2,385	-	25,964
1,961	500	11	765	-	-	10,796
157,780	3,063	223	11,755	2,593	-	237,126
-	-	4,643	-	-	-	65,780
-	-	4,459	-	-	192	65,459
(37,676)	1,149	3,438	18,923	6,567	138	30,894
$ (37,676)	$ 1,149	$ 12,540	$ 18,923	$ 6,567	$ 330	$ 162,133

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
REVENUES					
Contributions	$ 13,468	$ 15,068	$ -	$ -	$ 2,649
Rental revenue	-	-	-	8,854	-
Sales and services	-	506	-	-	2,321
Net investment income	16,538	10	655	5	2,173
Grants and aid	-	-	-	-	-
Other revenues	4,001	30	-	67	71
Total Revenues	34,007	15,614	655	8,926	7,214
EXPENSES					
Program services:					
Payments to Universities	-	10,871	-	2,046	-
Leasing related expenses	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-
Other program services	7,178	-	-	-	-
Management and general expenses	517	1,426	113	1,023	5,340
Fundraising expenses	3,074	-	-	-	-
Interest	-	-	173	328	-
Depreciation and amortization	1,176	-	-	411	-
Other expenses	-	1,343	-	151	194
Total Expenses	11,945	13,640	286	3,959	5,534
Increase (decrease) in Net Assets, before extraordinary items	22,062	1,974	369	4,967	1,680
Extraordinary items (Primarily equity transfers)	(472)	-	-	-	-
Increase (decrease) in Net Assets, after extraordinary items	21,590	1,974	369	4,967	1,680
Net Assets - Beginning, as restated	102,369	5,802	5,262	1,280	15,007
Net Assets - Ending	$ 123,959	$ 7,776	$ 5,631	$ 6,247	$ 16,687

DOWNTOWN PHOENIX STUDENT HOUSING	ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
$ -	$ 2,856	$ 3,372	$ -	$ 223	$ 23	$ 37,659
10,017	-	-	11,681	-	-	30,552
-	1,083	-	-	1,107	1,065	6,082
19	1	1,374	8	785	-	21,568
-	11,846	-	-	-	-	11,846
153	417	289	646	2,474	200	8,348
10,189	16,203	5,035	12,335	4,589	1,288	116,055
-	-	-	-	-	166	13,083
-	-	-	10,330	-	-	10,330
-	-	1,576	-	3,032	726	5,334
-	-	-	-	-	-	7,178
2,797	14,699	82	1,283	710	116	28,106
-	-	88	-	190	-	3,352
7,235	-	-	-	-	-	7,736
4,807	-	-	-	-	-	6,394
817	-	-	-	-	-	2,505
15,656	14,699	1,746	11,613	3,932	1,008	84,018
(5,467)	1,504	3,289	722	657	280	32,037
-	-	-	-	-	-	(472)
(5,467)	1,504	3,289	722	657	280	31,565
(32,209)	(355)	9,251	18,201	5,910	50	130,568
$ (37,676)	$ 1,149	$ 12,540	$ 18,923	$ 6,567	$ 330	$ 162,133


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

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 POSITION BY COMPONENT (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013, as restated	2012, as restated	2011	2010
GOVERNMENTAL ACTIVITIES:					
Net investment in capital assets	$ 18,027,844	$ 17,410,055	$ 16,940,512	$ 16,326,569	$ 15,738,121
Restricted (3)	6,829,299	6,116,083	5,447,576	5,125,527	4,648,280
Unrestricted	(2,663,019)	(2,527,441)	(3,351,315)	(4,243,824)	(4,155,346)
Total Governmental Activities Net Position	$ 22,194,124	$ 20,998,697	$ 19,036,773	$ 17,208,272	$ 16,231,055
BUSINESS-TYPE ACTIVITIES:					
Net investment in capital assets (4)	$ 1,581,436	$ 1,526,777	$ 1,483,416	$ 1,397,683	$ 1,352,658
Restricted	660,480	531,972	496,444	501,437	550,102
Unrestricted (2,4)	1,227,233	1,049,391	810,810	695,862	576,426
Total Business-type Activities Net Position	$ 3,469,149	$ 3,108,140	$ 2,790,670	$ 2,594,982	$ 2,479,186
PRIMARY GOVERNMENT:					
Net investment in capital assets (4)	$ 19,609,280	$ 18,936,832	$ 18,423,928	$ 17,724,252	$ 17,090,779
Restricted (3)	7,489,779	6,648,055	5,944,020	5,626,964	5,198,382
Unrestricted (2,4)	(1,435,786)	(1,478,050)	(2,540,505)	(3,547,962)	(3,578,920)
Total Primary Government Net Position	$ 25,663,273	$ 24,106,837	$ 21,827,443	$ 19,803,254	$ 18,710,241

(1) This schedule reports using the accrual basis of accounting.
(2) Fiscal year 2012 unrestricted net position was restated as a result of GASB Statement No. 61 in which Northern Arizona Capital Facilities Corporation was reclassified from a discrete non-major university component unit to a blended university component unit.
(3) Fiscal year 2012 restricted net position was restated as a result of an agency fund being reclassified to a special revenue fund.
(4) Fiscal year 2013 unrestricted net position for the Universities was restated as a result of GASB Statement No. 65 to expense debt issuance costs.

Fiscal Year				
2009	2008	2007, as restated	2006, as restated	2005, as restated
$ 15,094,719	$ 14,530,867	$ 13,500,218	$ 12,878,151	$ 11,825,961
3,990,594	4,987,365	4,734,039	3,560,868	2,938,288
(2,984,628)	(1,105,246)	614,606	733,455	(463,515)
$ 16,100,685	$ 18,412,986	$ 18,848,863	$ 17,172,474	$ 14,300,734
$ 1,328,658	$ 1,387,655	$ 1,186,177	$ 1,146,618	$ 1,172,613
1,085,399	1,581,212	1,575,991	1,400,455	1,232,016
376,908	188,354	295,377	179,524	84,248
$ 2,790,965	$ 3,157,221	$ 3,057,545	$ 2,726,597	$ 2,488,877
$ 16,423,377	$ 15,918,522	$ 14,686,395	$ 14,024,769	$ 12,998,574
5,075,993	6,568,577	6,310,030	4,961,323	4,170,304
(2,607,720)	(916,892)	909,983	912,979	(379,267)
$ 18,891,650	$ 21,570,207	$ 21,906,408	$ 19,899,071	$ 16,789,611

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013, as restated	2012, as restated	2011	2010
EXPENSES					
Governmental Activities:					
General government	$ 763,830	$ 836,431	$ 840,189	$ 929,107	$ 941,813
Health and welfare	12,768,332	12,168,426	11,992,408	12,558,119	13,090,357
Inspection and regulation	160,797	161,480	151,937	149,649	157,786
Education	5,573,656	5,372,267	5,331,848	5,467,543	5,706,667
Protection and safety	1,408,049	1,400,413	1,380,999	1,299,205	1,451,571
Transportation (2)	791,006	754,510	808,967	857,194	511,397
Natural resources	200,868	204,179	213,339	196,210	183,535
Intergovernmental revenue sharing	2,778,299	2,685,378	2,473,881	2,462,178	2,585,683
Interest on long-term debt	279,525	355,975	350,483	341,801	261,518
Total Governmental Activities Expenses	24,724,362	23,939,059	23,544,051	24,261,006	24,890,327
Business-type Activities:					
Universities (8)	4,078,053	3,888,145	3,629,568	3,533,977	3,343,377
Unemployment Compensation (6)	-	-	1,069,531	1,655,364	2,103,028
Industrial Commission Special Fund (3)	36,895	38,614	83,290	27,196	67,750
Lottery (6)	-	-	496,830	439,069	432,150
Other	1,130,299	1,329,816	113,347	115,442	126,029
Total Business-type Activities Expenses	5,245,247	5,256,575	5,392,566	5,771,048	6,072,334
Total Primary Government Expenses	$ 29,969,609	$ 29,195,634	$ 28,936,617	$ 30,032,054	$ 30,962,661
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	$ 188,943	$ 188,462	$ 189,175	$ 191,738	$ 208,316
Inspection and regulation	157,149	156,164	150,557	149,890	143,329
Transportation (4)	113,267	119,862	108,877	114,453	123,372
Other activities	477,564	386,381	398,893	381,633	402,496
Operating grants and contributions	12,172,836	11,588,834	11,357,470	12,580,013	13,735,263
Capital grants and contributions	546,680	651,999	778,572	745,559	576,027
Total Governmental Activities Program Revenues	13,656,439	13,091,702	12,983,544	14,163,286	15,188,803
Business-type Activities:					
Charges for services:					
Universities	2,056,307	1,892,356	1,752,509	1,601,077	1,432,055
Lottery (6)	-	-	646,675	583,537	551,492
Other activities	1,325,046	1,289,456	584,240	560,502	509,254
Operating grants and contributions	1,343,922	1,570,854	1,705,773	2,212,673	2,260,071
Capital grants and contributions	41,250	15,210	53,571	14,799	12,563
Total Business-type Activities Program Revenues	4,766,525	4,767,876	4,742,768	4,972,588	4,765,435
Total Primary Government Program Revenues	$ 18,422,964	$ 17,859,578	$ 17,726,312	$ 19,135,874	$ 19,954,238
NET (EXPENSE) REVENUE					
Governmental activities	$ (11,067,923)	$ (10,847,357)	$ (10,560,507)	$ (10,097,720)	$ (9,701,524)
Business-type activities	(478,722)	(488,699)	(649,798)	(798,460)	(1,306,899)
Total Primary Government Net (Expense)	$ (11,546,645)	$ (11,336,056)	$ (11,210,305)	$ (10,896,180)	$ (11,008,423)

Fiscal Year				
2009	2008	2007, as restated	2006, as restated	2005
$ 928,485	$ 982,382	$ 802,659	$ 781,542	$ 646,452
12,055,439	10,884,297	9,789,699	9,057,733	8,494,206
176,354	185,996	175,609	159,766	149,238
6,084,342	6,242,173	5,984,196	5,304,555	4,853,458
1,514,282	1,510,615	1,401,513	1,279,129	1,171,340
695,070	670,173	583,304	386,777	589,966
228,430	250,258	193,862	187,947	184,538
2,755,710	3,023,836	2,864,543	2,658,636	2,335,828
222,851	179,795	191,674	172,439	182,852
24,660,963	23,929,525	21,987,059	19,988,524	18,607,878
3,290,033	3,227,481	2,960,790	2,762,557	2,540,193
1,086,330	356,333	248,111	226,171	292,127
30,055	14,824	23,669	(18,300)	106,295
395,950	372,740	363,508	377,104	317,226
142,229	162,300	176,486	136,894	120,629
4,944,597	4,133,678	3,772,564	3,484,426	3,376,470
$ 29,605,560	$ 28,063,203	$ 25,759,623	$ 23,472,950	$ 21,984,348
$ 199,011	$ 190,374	$ 200,495	$ 161,664	$ 139,486
153,642	159,857	158,022	146,191	133,073
138,520	149,560	158,019	134,068	88,296
315,660	318,776	281,796	279,836	256,804
10,620,642	9,190,910	8,536,030	7,941,223	7,544,370
553,198	523,898	354,255	388,646	497,140
11,980,673	10,533,375	9,688,617	9,051,628	8,659,169
1,272,694	1,167,696	1,069,339	962,967	863,042
484,486	472,937	462,200	468,697	397,561
439,010	485,242	518,922	474,801	440,646
1,243,697	898,441	883,373	852,788	834,421
14,710	38,029	27,981	30,056	19,774
3,454,597	3,062,345	2,961,815	2,789,309	2,555,444
$ 15,435,270	$ 13,595,720	$ 12,650,432	$ 11,840,937	$ 11,214,613
$ (12,680,290)	$ (13,396,150)	$ (12,298,442)	$ (10,936,896)	$ (9,948,709)
(1,490,000)	(1,071,333)	(810,749)	(695,117)	(821,026)
$ (14,170,290)	$ (14,467,483)	$ (13,109,191)	$ (11,632,013)	$ (10,769,735)

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET POSITION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013, as restated	2012, as restated	2011	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes:					
Sales	$ 5,948,055	$ 6,518,480	$ 6,296,151	$ 5,942,250	$ 5,029,050
Income	3,963,197	3,974,998	3,706,698	3,366,783	2,809,995
Tobacco	314,313	316,050	317,369	320,657	332,893
Property	41,215	27,429	30,656	32,038	31,417
Motor vehicle and fuel (4)	1,650,579	1,592,911	1,581,909	1,565,525	1,583,790
Other	547,481	531,186	522,510	550,430	535,435
Unrestricted investment earnings (5)	79,215	18,705	79,190	29,183	37,665
Unrestricted grants and contributions	37,926	45,746	40,678	16,468	13,213
Miscellaneous general revenues (7)	176,035	144,403	265,214	140,854	204,295
Gain (loss) on sale of trust land	83,695	174,095	125,479	(154,359)	64,005
Transfers	(578,361)	(534,722)	(576,846)	(734,892)	(809,864)
Total Governmental Activities	12,263,350	12,809,281	12,389,008	11,074,937	9,831,894
Business-type Activities:					
Sales taxes	63,669	57,490	55,309	52,913	52,318
Unrestricted investment earnings	108,296	62,017	49,501	68,401	70,766
Unrestricted grants and contributions	107	5	3,468	-	-
Miscellaneous general revenues	78,837	148,743	155,757	50,510	52,072
Contributions to permanent endowments	6,561	3,192	3,270	3,656	3,020
Special items	-	-	-	-	-
Extraordinary items	3,900	-	-	3,884	7,080
Transfers	578,361	534,722	576,846	734,892	809,864
Total Business-type Activities	839,731	806,169	844,151	914,256	995,120
Total Primary Government	$ 13,103,081	$ 13,615,450	$ 13,233,159	$ 11,989,193	$ 10,827,014
CHANGE IN NET POSITION					
Governmental activities	$ 1,195,427	$ 1,961,924	$ 1,828,501	$ 977,217	$ 130,370
Business-type activities	361,009	317,470	194,353	115,796	(311,779)
Total Primary Government	$ 1,556,436	$ 2,279,394	$ 2,022,854	$ 1,093,013	$ (181,409)

(1) This schedule reports using the accrual basis of accounting.
(2) For fiscal year 2006, net position 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 year 2005, insolvent carrier liability increased, primarily as the result of $67,423 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) 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.
(6) For fiscal year 2013, Unemployment Compensation and Lottery changed from major to non-major funds.
(7) Fiscal year 2012 miscellaneous general revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
(8) Fiscal year 2013 expenses for the Universities were restated as a result of GASB Statement No. 65 to expense debt issuance costs.

Fiscal Year				
2009	2008	2007, as restated	2006, as restated	2005
$ 5,442,563	$ 6,270,419	$ 6,537,584	$ 6,322,311	$ 5,421,949
3,126,076	4,205,426	4,636,447	4,548,843	3,562,916
370,073	413,333	358,205	248,122	237,430
32,564	36,732	43,736	43,035	46,148
1,643,276	1,800,920	1,826,893	1,857,293	1,758,950
574,030	559,440	529,629	575,946	493,501
92,957	243,160	243,328	172,311	106,362
12,440	13,574	11,711	12,293	11,624
222,712	214,751	212,253	235,610	387,269
(165,696)	196,953	451,501	567,364	288,483
(983,006)	(994,435)	(876,456)	(774,492)	(707,597)
10,367,989	12,960,273	13,974,831	13,808,636	11,607,035
58,528	72,945	79,223	54,550	57,584
22,450	39,763	103,362	49,050	40,311
-	-	-	-	5
45,786	64,564	77,841	58,816	26,017
4,014	3,927	4,815	3,803	2,955
7,240	(20,100)	-	(7,874)	-
2,720	15,475	-	-	-
983,006	994,435	876,456	774,492	707,597
1,123,744	1,171,009	1,141,697	932,837	834,469
$ 11,491,733	$ 14,131,282	$ 15,116,528	$ 14,741,473	$ 12,441,504
$ (2,312,301)	$ (435,877)	$ 1,676,389	$ 2,871,740	$ 1,658,326
(366,256)	99,676	330,948	237,720	13,443
$ (2,678,557)	$ (336,201)	$ 2,007,337	$ 3,109,460	$ 1,671,769

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013	2012, as restated	2011	2010, as restated (2)
GENERAL FUND:					
Reserved for:					
Budget stabilization fund	$ -	$ -	$ -	$ -	$ -
School facilities improvements	-	-	-	-	14,764
Continuing appropriations	-	-	-	-	55,354
Other fund balance reservations	-	-	-	-	232
Unreserved	-	-	-	-	(817,348)
Nonspendable (2)	9,600	844	891	716	-
Restricted (2)	124,390	192,187	246,977	317,471	-
Committed (2)	79,837	73,237	109,469	141,183	-
Unassigned (2)	(189,238)	156,935	(437,035)	(1,162,531)	-
Total General Fund	$ 24,589	$ 423,203	$ (79,698)	$ (703,161)	$ (746,998)
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Highway construction	$ -	$ -	$ -	$ -	$ 809,497
Other construction	-	-	-	-	45,403
School facilities improvements	-	-	-	-	-
Permanent funds	-	-	-	-	2,674,953
Continuing appropriations	-	-	-	-	116,350
Debt service	-	-	-	-	26,389
Other fund balance reservations	-	-	-	-	40,327
Unreserved, reported in:					
Special revenue funds	-	-	-	-	821,491
Capital projects funds	-	-	-	-	-
Nonspendable (2)	4,878,682	4,160,485	3,472,005	3,244,080	-
Restricted (2,3)	1,741,674	1,860,872	1,762,356	1,531,992	-
Committed (2)	734,446	661,110	514,085	452,447	-
Unassigned (2)	(29,744)	(26,266)	(33,861)	(39,009)	-
Total All Other Governmental Funds	$ 7,325,058	$ 6,656,201	$ 5,714,585	$ 5,189,510	$ 4,534,410

(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 No. 54. Additionally, as a result of the reclassification, fund balance for fiscal year 2010 was restated.
(3) Fiscal year 2012 restricted fund balance was restated as a result of an agency fund being reclassified to a special revenue fund.

Fiscal Year				
2009	2008	2007, as restated	2006	2005
$ 2,767	$ 147,212	$ 673,531	$ 651,020	$ 160,873
376,993	1,914	4,931	110,149	107,260
43,091	103,320	162,657	69,861	55,727
252	262	272	302	374
(1,401,381)	108,914	1,081,708	1,434,806	986,168
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ (978,278)	$ 361,622	$ 1,923,099	$ 2,266,138	$ 1,310,402
$ 1,304,781	$ 1,253,202	$ 976,488	$ 426,015	$ 419,072
108,129	238,985	5,288	6,256	7,307
-	-	-	-	5,386
2,196,040	2,544,365	2,454,564	2,043,591	1,716,404
212,553	143,785	94,602	118,671	120,752
27,115	35,236	34,421	37,792	21,992
7,447	27,132	17,702	5,145	25,375
767,258	919,679	793,890	657,371	574,938
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 4,623,323	$ 5,162,384	$ 4,376,955	$ 3,294,841	$ 2,891,226

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013	2012, as restated	2011	2010, as restated
REVENUES					
Taxes:					
Sales	$ 5,933,824	$ 6,530,609	$ 6,312,870	$ 5,971,141	$ 5,017,977
Income	4,012,603	4,034,631	3,715,082	3,398,972	2,805,426
Tobacco (2)	314,313	316,050	317,369	320,657	332,893
Property	41,215	27,429	30,656	32,038	31,417
Motor vehicle and fuel	1,650,579	1,592,911	1,581,909	1,565,525	1,585,919
Other	547,481	531,186	522,510	550,430	535,435
Intergovernmental	11,752,711	11,592,676	11,843,908	13,019,744	13,562,547
Licenses, fees, and permits	475,833	476,972	477,344	452,629	425,526
Earnings (loss) on investments (3,5)	739,859	499,919	190,055	438,068	422,564
Sales and charges for services (7)	185,682	182,075	188,806	186,325	203,725
Fines, forfeitures, and penalties	171,161	181,216	168,240	184,950	224,000
Gaming	86,326	86,507	85,535	80,455	77,554
Tobacco settlement	100,765	149,125	101,067	99,130	105,394
Proceeds from sale of trust land (6)	86,319	225,659	137,405	95,500	78,564
Other (8)	300,436	169,119	297,065	164,658	230,223
Total Revenues	26,399,107	26,596,084	25,969,821	26,560,222	25,639,164
EXPENDITURES					
Current:					
General government (7)	750,163	812,770	838,776	933,313	923,977
Health and welfare	12,643,455	12,216,622	12,029,530	12,818,468	13,054,472
Inspection and regulation	161,318	160,636	153,947	153,718	157,461
Education	5,572,414	5,369,538	5,332,141	5,467,695	5,702,963
Protection and safety	1,360,387	1,349,146	1,351,251	1,288,577	1,417,428
Transportation (4)	687,798	683,607	745,306	820,417	584,363
Natural resources	193,043	194,714	202,677	191,429	175,568
Intergovernmental revenue sharing	2,778,299	2,685,168	2,473,535	2,459,934	2,574,539
Debt service:					
Principal	493,592	412,617	386,027	383,591	288,172
Interest and other fiscal charges	312,024	329,773	344,903	357,754	286,027
Capital outlay (4)	829,630	765,339	769,716	824,417	1,291,341
Total Expenditures	25,782,123	24,979,930	24,627,809	25,699,313	26,456,311
Excess (Deficiency) of Revenues Over Expenditures	616,984	1,616,154	1,342,012	860,909	(817,147)

Fiscal Year				
2009	2008	2007, as restated	2006	2005
$ 5,429,453	$ 6,278,181	$ 6,527,968	$ 6,313,090	$ 5,410,383
3,137,794	4,174,966	4,629,220	4,535,492	3,528,565
370,073	413,333	358,205	248,122	237,430
32,564	36,732	43,736	43,035	46,148
1,672,151	1,802,572	1,828,701	1,857,293	1,758,950
574,030	559,440	529,629	575,946	493,501
11,316,023	9,499,419	8,313,720	8,019,509	7,714,012
410,002	447,090	442,236	410,069	335,760
(318,321)	135,879	510,253	247,250	190,499
154,671	167,329	158,318	162,048	154,251
203,337	167,309	183,923	138,354	121,123
84,140	94,004	94,771	84,794	67,658
125,571	115,587	90,258	86,231	93,933
143,674	-	-	-	-
253,868	263,443	264,440	269,411	430,097
23,589,030	24,155,284	23,975,378	22,990,644	20,582,310
913,266	966,512	879,519	861,373	758,149
11,959,640	10,874,581	9,679,226	8,995,430	8,419,913
174,633	184,451	173,897	157,401	146,523
6,031,605	6,240,862	5,983,513	5,302,942	4,852,099
1,460,692	1,447,372	1,358,439	1,247,508	1,132,473
608,631	630,283	524,318	373,603	564,574
220,030	242,893	185,592	178,832	175,593
2,764,776	3,026,563	2,863,218	2,661,894	2,335,828
235,971	261,228	220,473	261,277	381,512
238,430	210,856	195,317	176,933	200,731
1,295,530	1,106,951	992,000	1,066,815	710,688
25,903,204	25,192,552	23,055,512	21,284,008	19,678,083
(2,314,174)	(1,037,268)	919,866	1,706,636	904,227

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year				
	2014	2013	2012, as restated	2011	2010, as restated
OTHER FINANCING SOURCES (USES)					
Transfers in	904,261	782,420	821,072	862,040	1,106,250
Transfers out	(1,397,332)	(1,256,408)	(1,323,778)	(1,574,406)	(1,872,212)
Proceeds from sale of trust land (6)	-	-	-	-	-
Proceeds from sale of capital assets	900	1,636	1,815	3,712	3,088
Capital lease and installment purchase contracts	113,914	15,158	8,166	4,583	187,836
Proceeds from notes and loans	29,130	51,550	9,541	11,113	32,628
Refunding bonds issued	-	837,340	455,900	-	-
Payment to refunded bond escrow agent	-	(954,372)	(560,228)	-	-
Bonds issued	-	194,295	259,460	180,000	425,420
Refunding grant anticipation notes issued	-	-	43,825	-	-
Grant anticipation notes issued	-	-	-	158,585	-
Refunding certificates of participation issued	305,675	62,630	-	-	-
Payment to refunded certificates of participation escrow agent	(310,059)	(42,096)	-	-	-
Certificates of participation issued	-	-	-	150,110	998,795
Premium on debt issued	6,770	136,210	90,753	42,291	77,709
Total Other Financing Sources (Uses)	(346,741)	(171,637)	(193,474)	(161,972)	959,514
NET CHANGE IN FUND BALANCES	$ 270,243	$ 1,444,517	$ 1,148,538	$ 698,937	$ 142,367
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.2%	3.1%	3.1%	3.0%	2.3%

(1) This schedule reports using the modified accrual basis of accounting.
(2) Increase in tobacco tax revenue 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) 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.
(5) 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.
(6) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."
(7) In fiscal year 2010, amounts were restated as a result of implementing GASB Statement No. 54.
(8) Fiscal year 2012 other revenues was restated as a result of an agency fund being reclassified to a special revenue fund.

Fiscal Year				
2009	2008	2007, as restated	2006	2005
1,248,267	897,771	910,605	812,083	1,011,456
(2,168,964)	(1,874,084)	(1,784,833)	(1,585,754)	(1,714,562)
-	249,970	199,089	284,293	274,127
2,127	28,233	10,162	11,118	-
4,056	23,556	132,985	3,543	5,350
23,139	19,529	-	-	-
-	82,880	-	596,160	224,283
-	(86,547)	-	(646,689)	(247,417)
621,050	563,950	325,000	118,250	210,577
-	-	-	-	-
55,420	68,000	-	-	104,385
-	-	-	-	334,225
-	-	-	-	(363,052)
580,035	238,990	-	-	237,625
70,083	48,972	26,201	59,711	100,509
435,213	261,220	(180,791)	(347,285)	177,506
$ (1,878,961)	$ (776,048)	$ 739,075	$ 1,359,351	$ 1,081,733
1.9%	2.0%	1.9%	2.2%	3.1%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
CLASSIFICATION (5)						
Transporting (2)	$ 54,981	$ 41,324	$ 52,137	$ 41,555	$ 41,990	$ 37,920
Mining, oil and gas	116,678	115,775	105,614	96,514	102,900	175,743
Mining severance	1,047,580	1,193,176	1,623,111	1,609,451	1,164,231	729,482
Utilities	9,923,490	9,900,238	9,474,521	9,394,361	9,354,244	9,236,366
Communications	2,965,233	3,061,730	3,190,962	2,853,538	3,618,208	2,928,433
Private car and pipelines	5,616	6,250	1,186	1,908	1,640	7,743
Publishing	101,751	84,673	92,505	98,343	103,681	102,457
Job printing	321,225	235,349	252,603	266,564	236,985	307,581
Restaurants and bars	11,085,652	10,544,419	9,996,825	9,311,826	9,020,795	9,094,485
Amusements	1,096,945	1,051,581	1,037,059	994,092	1,051,919	1,053,048
Commercial lease (3)	2	2	1	2	141	1
Personal property rentals	3,355,048	3,254,822	3,257,588	3,056,386	3,127,828	3,552,696
Contracting	11,269,503	10,092,876	9,543,335	8,983,261	9,311,612	14,882,706
Retail	55,257,510	51,276,108	48,178,714	45,898,838	42,913,933	46,174,068
Hotel/motel	2,334,373	2,221,059	2,156,864	2,039,283	1,949,718	2,117,242
Rental occupancy tax (7)	-	-	(3)	43	(62)	(25)
Use tax	4,749,508	5,186,464	5,302,844	4,610,921	5,464,504	5,882,942
Use tax-utilities (6)	62,511	10,283	10,022	10,040	(35,594)	38,653
Membership camping (7)	-	-	-	1	10	11
Total	$ 103,747,606	$ 98,276,129	$ 94,275,888	$ 89,266,927	$ 87,428,683	$ 96,321,552
Direct sales tax rate (4)	5.60%	6.60%	6.60%	6.60%	5.60%	5.60%

(1) Net taxable sales are based upon tax receipts.
(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."
(3) Commercial lease rate dropped to 0% effective July 1, 1997.
(4) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2005 through 2010, and 2014. The sales tax rate was 6.6% for fiscal years 2011 through 2013. For fiscal years 2005 through 2014, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severence 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 2005 through 2010, and 2014. The hotel/motel tax rate was 6.5% for fiscal years 2011 through 2013. 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 by one percentage point beginning June 1, 2010 and ending May 31, 2013, which is reflected in this table.
(5) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.
(6) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2005 through 2008 were reported beginning in fiscal year 2008.
(7) Effective November 1, 2006, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2014 and prior.

Fiscal Year			
2008	2007	2006	2005
$ 48,713	$ 43,351	$ 59,801	$ 53,371
216,675	255,531	321,538	317,202
1,752,522	1,743,361	1,219,984	656,631
9,237,779	8,609,034	7,679,982	6,828,179
3,669,683	3,513,667	3,220,062	2,934,858
16,021	19,679	25,751	14,832
122,652	129,681	133,680	134,925
391,038	397,802	403,686	367,010
9,663,959	9,619,785	8,933,459	7,939,964
1,146,344	1,086,364	998,767	872,520
(443)	(2)	(120)	919
3,995,697	3,927,824	3,633,374	3,242,363
20,156,299	22,415,051	20,487,917	16,044,847
52,626,993	55,009,403	53,147,971	46,378,344
2,405,705	2,411,634	2,268,776	2,063,973
(2,669)	1,065	3,471	2,414
6,837,880	6,091,507	6,155,959	5,218,535
12,461	12,154	16,582	234
52	12	2,785	2,897
$ 112,297,361	$ 115,286,903	$ 108,713,425	$ 93,074,018
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 2014		Fiscal Year 2005	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
CLASSIFICATION				
Transporting (1)	$ 2,749	0.05 %	$ 2,662	0.05 %
Non-metal mining, oil and gas	3,646	0.06	9,899	0.19
Mining severance	26,190	0.45	16,399	0.32
Timbering severance - ponderosa (2)	-	-	40	-
Utilities	496,174	8.59	340,918	6.59
Communications	148,262	2.57	146,523	2.83
Private car and pipelines	281	-	741	0.01
Publishing	5,088	0.09	6,735	0.13
Job Printing	16,061	0.28	18,323	0.35
Restaurants and bars	554,283	9.60	396,430	7.66
Amusements	54,847	0.95	43,562	0.84
Commercial lease (3)	-	-	31	-
Personal property rentals	167,755	2.90	161,861	3.13
Contracting	563,368	9.75	797,215	15.41
Retail	2,762,875	47.85	2,315,028	44.76
Hotel/motel	128,390	2.22	113,372	2.19
Rental occupancy tax (2)	-	-	72	-
Use tax utilities	3,126	0.05	12	-
Use tax	235,985	4.09	259,616	5.02
License fees	567	0.01	377	0.01
Membership camping (2)	-	-	145	-
Jet fuel tax	3,190	0.06	5,341	0.10
Jet fuel use tax	382	0.01	890	0.02
Non sufficient funds	72	-	10	-
Telecommunications service assistance	-	-	(292)	- (0.01)
Mandatory EFT fees	179	-	-	-
Other	-	-	-	-
Amnesty	-	-	-	-
Education tax (4)	601,854	10.42	538,346	10.40
Education Amnesty tax (4)	-	-	-	-
Total	$ 5,775,324	100.00 %	$ 5,174,256	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 2014 and 2005.

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

	Calendar Year Ended December 31					
	2013	2012	2011	2010	2009	2008
CLASSIFICATION						
Farm earnings	$ 897,344	$ 710,024	$ 1,131,622	$ 677,207	$ 486,248	$ 645,380
Forestry and fishing	450,381	453,713	440,489	437,051	413,290	408,317
Mining	1,445,046	1,376,603	1,223,284	996,532	967,718	1,326,946
Utilities	1,576,226	1,547,513	1,581,577	1,524,831	1,552,827	1,566,139
Construction	9,667,198	8,969,224	8,295,293	8,404,395	9,501,698	13,110,247
Manufacturing	13,648,768	13,580,518	13,032,386	12,403,418	12,357,432	13,699,896
Wholesale trade	8,564,114	8,748,032	8,188,350	7,861,098	7,952,813	8,566,548
Retail trade	12,612,930	12,511,242	12,316,131	11,649,145	11,542,983	12,327,789
Transportation and warehousing	5,264,736	5,188,604	4,948,388	4,563,008	4,575,730	4,837,443
Information	3,456,440	3,112,924	2,926,787	2,825,917	3,047,084	3,120,325
Finance and insurance	12,413,522	11,320,012	10,426,744	9,884,023	9,453,310	9,801,188
Real estate, rental, and leasing	5,093,673	4,777,863	4,111,488	3,239,757	3,100,084	3,922,054
Professional and technical services	13,522,336	13,032,658	12,551,710	11,801,237	12,076,361	13,136,870
Managing companies/enterprises	2,871,785	2,526,166	2,291,182	2,193,738	2,462,194	2,470,198
Administrative and waste services	9,976,354	9,245,292	8,854,837	8,522,260	8,707,357	9,567,920
Educational services	2,905,732	2,939,848	2,745,004	2,589,823	2,333,676	2,075,080
Health care and social assistance	20,797,511	20,206,297	19,681,806	18,964,490	18,164,486	17,594,905
Arts, entertainment, and recreation	1,953,388	1,892,513	1,694,718	1,671,411	1,619,892	1,693,891
Accommodation and food services	6,369,701	6,148,099	5,848,103	5,569,987	5,570,360	5,928,434
Other services, except public administration	6,270,067	6,021,622	5,628,164	5,392,701	5,381,320	5,502,130
Government and government enterprises	29,763,504	29,526,390	29,068,350	28,810,035	28,547,342	28,488,923
Other (1)	75,549,701	76,094,113	72,732,781	67,873,581	65,821,736	64,870,564
Total	$ 245,070,457	$ 239,929,270	$ 229,719,194	$ 217,855,645	$ 215,635,941	$ 224,661,187
Average effective rate (2)	1.41%	1.42%	1.35%	1.32%	1.12%	1.15%

(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 2004 through 2012 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			
2007	2006	2005	2004
$ 837,363	$ 709,433	$ 994,693	$ 1,023,936
457,453	461,631	399,051	405,671
991,202	854,763	677,482	602,636
1,455,783	1,325,521	1,150,823	1,042,553
15,562,946	16,395,985	13,912,787	11,757,853
13,674,920	13,432,145	12,365,657	12,021,366
8,624,381	7,718,890	6,990,167	6,436,540
13,128,380	12,816,987	11,678,494	10,565,203
5,055,292	4,797,771	4,291,039	4,013,891
3,067,970	3,063,223	2,900,864	2,975,891
10,409,468	10,282,521	9,477,950	8,283,193
3,858,585	4,683,954	4,388,068	3,754,621
12,490,540	11,469,765	9,884,137	8,667,998
2,426,609	2,020,026	1,650,697	1,863,600
9,617,313	9,208,807	8,142,287	7,058,323
1,844,838	1,706,338	1,565,536	1,436,933
16,010,696	14,677,313	13,076,104	12,044,387
1,659,932	1,608,229	1,409,468	1,382,374
6,014,942	5,624,322	5,141,305	4,736,028
5,782,401	5,597,351	4,900,222	4,392,104
26,957,426	25,039,926	23,302,238	21,715,202
61,247,018	56,405,799	50,981,563	44,658,533
$ 221,175,458	$ 209,900,700	$ 189,280,632	$ 170,838,836
1.54%	1.75%	1.93%	1.67%

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

	Calendar Year Ended December 31				
	2013	2012	2011	2010	2009
AVERAGE EFFECTIVE RATE (3)					
Personal Income Tax Revenue (1)	$ 3,463,272	$ 3,398,902	$ 3,099,177	$ 2,870,765	$ 2,423,215
Personal Income (2)	$ 245,070,457	$ 239,929,270	$ 229,719,194	$ 217,855,645	$ 215,635,941
Average Effective Rate (3)	1.41%	1.42%	1.35%	1.32%	1.12%
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 2004 through 2012 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 2011 AND 2004 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2011			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
FEDERAL ADJUSTED GROSS INCOME LEVEL (3)				
$50 and under	1,821,103	68.13%	$ 426,558	14.18%
$50 - $100	541,104	20.24%	690,581	22.94%
$100 - $500	298,888	11.18%	1,209,916	40.18%
$500 and over	12,025	0.45%	683,357	22.70%
Total	2,673,120	100.00%	$ 3,010,412	100.00%

(1) The taxable year 2011 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 2011, filed from January 2012 forward (or 2004, filed from January 2005 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				
2008	2007	2006	2005	2004
$ 2,575,453	$ 3,414,304	$ 3,666,923	$ 3,651,576	$ 2,854,009
$ 224,661,187	$ 221,175,458	$ 209,900,700	$ 189,280,632	$ 170,838,836
1.15%	1.54%	1.75%	1.93%	1.67%
2.59%	2.59%	2.73%	2.87%	2.87%
2.88%	2.88%	3.04%	3.20%	3.20%
3.36%	3.36%	3.55%	3.74%	3.74%
4.24%	4.24%	4.48%	4.72%	4.72%
4.54%	4.54%	4.79%	5.04%	5.04%

Taxable Year Ended December 31, 2004			
Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,628,589	70.33%	$ 457,689	16.32%
475,463	20.53%	672,749	23.99%
200,326	8.65%	931,118	33.19%
11,369	0.49%	743,267	26.50%
2,315,747	100.00%	$ 2,804,823	100.00%

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
GOVERNMENTAL ACTIVITIES:						
Revenue bonds	$ 3,406,195	$ 3,606,720	$ 3,593,420	$ 3,529,115	$ 3,522,605	$ 3,251,580
Grant anticipation notes	247,710	296,240	335,230	392,495	304,480	329,650
Certificates of participation	2,200,675	2,360,595	2,495,825	2,611,255	2,571,125	1,649,870
Capital leases	449,209	360,316	391,184	400,540	412,919	236,125
Installment purchase contracts	-	-	177	245	901	6,343
Notes payable	89,865	105,817	55,666	59,891	60,712	42,668
Premiums and discounts on debt	427,865	474,747	396,465	342,602	334,721	285,613
Deferred amount on refundings (2)	-	(19,945)	(813)	(1,221)	(5,197)	(9,171)
Total Governmental Activities	6,821,519	7,184,490	7,267,154	7,334,922	7,202,266	5,792,678
BUSINESS-TYPE ACTIVITIES:						
Revenue bonds	2,302,035	2,237,710	1,942,755	1,742,125	1,692,825	1,239,675
Certificates of participation	676,345	714,735	756,980	812,706	840,719	872,829
Capital leases	132,957	135,519	163,637	167,841	171,448	175,453
Installment purchase contracts	4,098	5,758	8,397	10,511	13,043	16,418
Notes payable	-	-	12,643	292	360	674
Premiums and discounts on debt	130,315	123,051	87,993	41,393	39,705	43,112
Deferred amount on refundings (2)	-	(46,096)	(33,391)	(20,875)	(23,100)	(25,294)
Total Business-type Activities	3,245,750	3,170,677	2,939,014	2,753,993	2,735,000	2,322,867
Total Primary Government	$ 10,067,269	$ 10,355,167	$ 10,206,168	$ 10,088,915	$ 9,937,266	$ 8,115,545
Debt as a Percentage of Personal Income (1)	4.1%	4.3%	4.4%	4.6%	4.6%	3.6%
Amount of Debt per Capita (1)	$ 1,519	$ 1,581	$ 1,578	$ 1,574	$ 1,567	$ 1,292

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 2014 contains data for the calendar year ending December 31, 2013.

(2) Implementation of GASB Statement No. 65 in fiscal year 2014 required the amortization of deferred amount on refundings to be reported as deferred outflows of resources.

Fiscal Year			
2008	2007	2006	2005
$ 2,759,070	$ 2,328,840	$ 2,106,700	$ 2,170,845
298,280	282,860	325,430	363,970
1,135,640	959,865	1,020,810	1,054,677
249,876	242,209	129,808	126,676
8,908	10,644	6,815	6,926
22,838	3,309	-	-
242,816	225,071	219,958	197,479
(13,145)	(14,266)	(17,832)	-
4,704,283	4,038,532	3,791,689	3,920,573
902,255	868,565	802,600	768,000
903,843	935,127	946,766	860,759
179,052	166,780	113,388	120,361
13,024	9,544	10,279	7,276
1,022	1,354	-	30
38,211	39,582	38,331	36,133
(27,711)	(29,211)	(21,606)	(20,821)
2,009,696	1,991,741	1,889,758	1,771,738
$ 6,713,979	$ 6,030,273	$ 5,681,447	$ 5,692,311
3.0%	2.9%	3.0%	3.3%
$ 1,089	$ 1,000	$ 973	$ 1,007

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, 2014
(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
2014	$ -	$ -	$ -	- %
2013	-	-	-	-
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

(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 A.R.S. § 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 NINE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014
(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
2014	$ 1,844,828	$ 147,586	$ 107,000	$ 40,586	5.80 %
2013	1,710,909	136,873	94,100	42,773	5.50 %
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 through 2014, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, and 2016-2018 capital improvement plans, respectively.
(3) Per A.R.S. § 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 EIGHT FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014
(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
2014	$ 1,739,216	$ 139,137	$ 88,700	$ 50,437	5.10 %
2013	1,683,019	134,642	89,200	45,442	5.30
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 through 2014, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, and 2016-2018 capital improvement plans, respectively.
(3) Per A.R.S. § 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 EIGHT FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014
(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
2014	$ 485,265	$ 38,821	$ 24,700	$ 14,121	5.09 %
2013	453,039	36,243	24,600	11,643	5.43
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 through 2014, projections are based upon the University's fiscal years 2009-2011, 2010-2012, 2011-2013, 2012-2014, 2013-2015, 2014-2016, 2015-2017, and 2016-2018 capital improvement plans, respectively.
(3) Per A.R.S. § 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, 2014
(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2014	$ 537,768	$ 58,485	$ 80,495	$ 138,980	3.9
2013	512,971	60,540	78,198	138,738	3.7
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

(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, 2014
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2014	$ 243,786	$ 58,600	$ 44,988	$ 103,588	2.4
2013	227,800	55,870	47,721	103,591	2.2
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

(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, 2014
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service Principal	Interest	Total	Coverage
2014	$ 601,854	$ 46,720	$ 9,575	$ 56,295	10.69
2013	567,824	43,680	13,487	57,167	9.93
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

(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 TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service Principal	Interest	Total	Coverage
2014	$ 57,345	$ 19,275	$ 4,971	$ 24,246	2.37
2013	49,645	18,315	5,933	24,248	2.05
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

(1) 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.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
LOTTERY REVENUE BONDS
FOR THE LAST FOUR FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

		Debt Service			
Fiscal Year	(2) Pledged Revenue	Principal	Interest	Total	Coverage
2014	$ 174,374	$ 17,445	$ 20,055	$ 37,500	4.65
2013	174,373	16,790	20,710	37,500	4.65
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, 2014
(Expressed in Thousands)

		Debt Service				
Fiscal Year	(1) Pledged Revenue	Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	Coverage
2014	$ 1,161,306	$ 44,770	$ 43,623	$ 3,507	$ 91,900	12.64
2013	1,047,661	33,965	41,477	3,631	79,073	13.25
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

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

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014
(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
2014	$ 1,400,095	$ 1,261,247	$ 138,848	$ 22,600	$ 38,250	$ 60,850	2.28
2013	1,356,478	1,199,559	156,919	21,895	34,556	56,451	2.78
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

(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, 2014
(Expressed in Thousands)

Fiscal Year	(1), (2), (3) Gross Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2014	$ 283,468	$ 6,615	$ 17,305	$ 23,920	11.85
2013	263,733	6,610	15,474	22,084	11.94
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

(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.

(2) Fiscal year 2013 gross revenue was revised by NAU in fiscal year 2014.

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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)
2013	6,626,624	$ 245,070,457	$ 36,983	7.3
2012	6,551,149	239,929,270	36,624	8.0
2011	6,468,796	229,719,194	35,512	8.6
2010	6,408,790	217,855,645	33,993	9.7
2009	6,343,154	215,635,941	33,995	10.5
2008	6,280,362	224,661,187	35,772	7.8
2007	6,167,681	221,175,458	35,860	4.1
2006	6,029,141	209,900,700	34,814	3.6
2005	5,839,077	189,280,632	32,416	4.2
2004	5,652,404	170,838,836	30,224	4.2

(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 at Arizona Department of Administration (for unemployment rate).

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

	Calendar Year Ended December 31, 2013			Calendar Year Ended December 31, 2004		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	49,278	1	1.64 %	49,147	1	1.76 %
Wal-Mart Stores Inc.	32,169	2	1.06	19,510	2	0.70
Banner Health	25,270	3	0.84	14,447	4	0.52
City of Phoenix	14,983	4	0.50	13,617	5	0.49
Wells Fargo	14,713	5	0.49	11,000	8	0.39
Maricopa County	12,698	6	0.42	15,218	3	0.55
Arizona State University	12,222	7	0.40	10,530	9	0.38
Intel Corp.	11,900	8	0.39	-	-	-
JP Morgan Chase & Co.	11,042	9	0.37	-	-	-
Bank of America	11,000	10	0.37	-	-	-
Honeywell International	-	-	-	12,000	6	0.43
U.S. Postal Service	-	-	-	11,406	7	0.41
Raytheon Co.	-	-	-	10,300	10	0.37
Total	195,275		6.48 %	167,175		6.00 %

Source: Arizona State University CAFR 2014.

STATE OF ARIZONA
SCHEDULE 25
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2014

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	98.8	97.8	104.0	104.0	104.0	110.0
Arizona State Retirement System	246.9	233.9	236.0	236.0	236.0	236.0
Department of Revenue	861.8	860.3	935.0	935.0	863.0	1,164.0
All other	2,229.6	2,214.4	2,427.6	2,646.5	2,746.5	2,989.2
Health and welfare:						
Department of Economic Security	5,654.1	5,453.5	3,726.0	3,726.0	4,201.0	4,201.0
Arizona Health Care Cost Containment System	2,217.3	2,217.3	1,407.3	1,423.0	1,484.0	1,635.8
Department of Health Services	1,176.7	1,176.7	1,513.3	1,513.3	1,538.6	1,699.1
All other	946.6	946.6	1,098.5	954.5	966.5	981.5
Inspection and regulation	1,643.9	1,649.8	1,801.2	1,807.7	1,820.7	1,943.1
Education:						
Universities	15,607.7	15,478.7	16,964.2	15,754.2	15,664.5	17,353.5
All other	838.9	834.4	886.5	896.0	972.4	1,003.4
Protection and safety:						
Department of Corrections	9,384.0	10,118.2	10,015.2	10,015.2	9,755.9	9,932.5
Department of Juvenile Corrections	738.5	738.5	1,001.7	1,001.7	1,050.7	1,163.7
Department of Public Safety	1,904.7	1,903.7	2,139.8	2,081.8	2,099.8	2,114.8
All other	95.6	90.1	112.6	117.9	118.4	134.9
Department of Transportation	4,548.0	4,548.0	4,548.0	4,548.0	4,548.0	4,748.0
Natural resources	716.5	716.5	930.2	937.2	956.7	1,009.7
Total	48,909.6	49,278.4	49,847.1	48,698.0	49,126.7	52,420.2

(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.

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

Fiscal Year			
2008	2007	2006	2005
110.0	110.0	110.0	110.0
235.0	231.0	221.0	199.0
1,164.0	1,148.0	1,146.0	1,024.0
2,999.2	2,957.5	2,898.6	2,944.3
4,099.2	3,874.4	3,953.7	3,902.7
1,629.0	1,617.3	1,583.5	1,574.5
1,702.1	1,680.4	1,735.5	1,734.5
981.5	859.9	858.5	924.2
1,930.1	1,853.7	1,827.3	1,818.5
17,138.8	16,975.0	16,419.5	16,027.5
1,001.4	969.0	913.8	949.5
9,755.9	9,726.9	9,726.9	10,322.4
1,163.7	1,195.7	1,160.5	1,151.5
2,108.8	2,065.8	1,901.8	1,872.0
133.9	125.4	127.4	120.6
4,744.0	4,703.5	4,649.0	4,626.0
1,007.7	967.3	926.9	903.2
51,904.3	51,060.8	50,159.9	50,204.4

STATE OF ARIZONA
SCHEDULE 26
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014

	Fiscal Year						
	2014	2013	2012	2011	2010	2009	2008
FUNCTIONS/PROGRAMS							
General government:							
Number of tax returns received (in millions)	5.7	5.5	5.4	5.4	5.2	5.7	5.6
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,508,690	1,318,650	1,314,210	1,392,810	1,392,420	1,282,910	1,136,585
Average monthly number of recipients of temporary assistance for needy families	N/A	38,353	39,194	44,842	82,127	83,969	80,221
Average monthly number of persons receiving food stamp benefits	N/A	1,100,920	1,123,068	1,049,522	986,413	752,772	600,549
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	N/A	N/A	67.9	66.4	75.2	84.0	101.8
Incident rate per 100 full-time workers (3)	N/A	N/A	3.5	3.5	3.7	3.9	4.6
Education:							
Public school enrollment, grades K-12 (4)	1,084,276	1,077,703	1,066,740	1,062,200	1,068,987	1,062,618	1,132,963
Protection and safety:							
Number of miles patrolled by the Highway Patrol	19,321,168	18,914,572	19,465,944	19,953,766	21,275,292	21,987,920	21,881,034
State prison adult inmate population (5)	41,773	40,273	39,877	40,181	40,477	39,628	38,897
Transportation:							
Number of registered vehicles (6)	7,453,046	7,180,797	6,823,906	6,839,659	6,740,536	6,692,834	6,733,610
Number of driver licenses issued (7)	1,188,903	1,159,695	1,184,630	1,196,675	1,241,977	1,246,358	1,200,227
Natural resources:							
Game and Fish Department's license and tag sales (8)	N/A	848,617	815,488	826,385	874,442	874,363	896,143
Universities:							
University full-time equivalent students (9)	141,264	136,884	134,051	129,653	122,734	118,743	113,092
Unemployment compensation:							
Number of initial unemployment claims filed	257,951	261,418	288,097	311,472	363,189	396,755	226,772
Industrial Commission special fund:							
No-insurance awards issued	1,303	1,618	1,365	882	1,781	2,244	2,748
Number of vocational rehabilitation awards issued	170	136	125	132	128	103	118
Lottery:							
Total lottery sales (in millions)	$ 723.9	$ 692.9	$ 646.7	$ 583.5	$ 551.5	$ 484.5	$ 472.9
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	-	6,370	7,080	8,260	10,760	14,560	21,646

N/A = Not available

(1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.

(2) Approximate number of members enrolled as of June 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 2013 contains data for the calendar year ending December 31, 2012. 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 2014 contains data from the October 1, 2013 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. Fiscal year 2014 total is as of June 30.

(6) Count represents the total number of vehicles registered as of the end of the fiscal year.

(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 2014 contains data for the calendar year ending December 31, 2013.

(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 2014 contains data for the fall 2013 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. Healthcare Group ceased operations on December 31, 2013.

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		
2007	2006	2005
5.5	5.5	6.0
1,075,125	1,065,444	1,075,873
82,408	93,553	105,517
537,072	546,424	546,369
99.4	97.0	87.1
4.6	4.9	4.7
1,106,207	1,084,247	1,043,704
20,282,212	19,703,282	19,922,704
37,088	34,864	32,710
6,608,726	6,318,402	5,945,131
1,266,973	1,205,068	1,158,223
940,223	897,159	808,055
110,580	107,765	104,685
185,397	161,869	200,282
3,265	2,744	3,281
133	124	102
$ 462.2	$ 468.7	$ 397.6
26,914	21,600	14,626

STATE OF ARIZONA
SCHEDULE 27
CAPITAL ASSET STATISTICS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2014

	Fiscal Year						
	2014	2013	2012	2011	2010	2009	2008
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)	6,800	6,751	6,751	6,722	6,789	6,753	6,785
Number of bridges (2)	4,787	4,754	4,754	4,741	4,700	4,648	4,637
Natural resources:							
State Trust acres	9,223,617	9,223,873	9,302,256	9,252,495	9,258,071	9,259,296	9,260,253
Universities:							
Number of facilities (4)	1,212	1,705	1,711	1,740	1,737	1,670	1,669
Gross square feet (in thousands) (4)	44,658	41,141	39,933	37,967	37,589	37,186	36,000

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, Industrial Commission special fund, 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, Corrections, and the Universities.

Fiscal Year		
2007	2006	2005
10	10	10
6,817	6,922	6,816
4,648	4,676	4,608
9,262,781	9,267,377	9,269,723
1,663	1,002	N/A
34,946	20,154	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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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, 2014

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, 2014

Table of Contents

	Page
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*	1
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	53
Financial Statement Findings	55
Federal Award Findings and Questioned Costs	62
Appendix	
State of Arizona Agency Codes	107
State Responses	
Corrective Action Plan	109
Summary Schedule of Prior Audit Findings	137

Reports Issued Separately

Comprehensive Annual Financial Report

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
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 Doug Ducey, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable David Gowan, Speaker
Arizona House of Representatives

The Honorable Scott Bales, Chief Justice
Arizona Supreme Court

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated March 9, 2015. Our report includes a reference to other auditors who 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 aggregate discretely presented component units, as described in our report on the State's financial statements. The other auditors did not audit the financial statements of the aggregate discretely presented component units, except for the Arizona Commerce Authority, the Greater Arizona Development Authority, the Rio Nuevo Multipurpose Facilities District, the ASU Preparatory Academy, Inc., and the Water Infrastructure Finance Authority, in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance for those entities whose audits were not performed in accordance with *Government Auditing Standards.* For those entities 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

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the

circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We and the other auditors did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items 2014-01 through 2014-08 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free from 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*.

State of Arizona's Responses to Findings

The State's responses to the findings identified in our audit are presented on pages 109 through 113. The State's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Debbie Davenport
Auditor General

March 9, 2015

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 for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Honorable Doug Ducey, Governor
State of Arizona

The Honorable Andy Biggs, President
Arizona State Senate

The Honorable David Gowan, Speaker
Arizona House of Representatives

The Honorable Scott Bales, Chief Justice
Arizona Supreme Court

Report on Compliance for Each Major Federal Program

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, 2014, except for the major federal programs listed below:

Program Title or Cluster	Administered By
Highway Planning and Construction Cluster	Arizona Department of Transportation
Medicaid Cluster	Arizona Health Care Cost Containment System
Children's Health Insurance Program	Arizona Health Care Cost Containment System

Those major federal programs were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those major federal programs' compliance 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.

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Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on Emergency Management Performance Grants

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain compliance requirements that are applicable to the major federal program listed below. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
Emergency Management Performance Grants (97.042)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2014-127, 2014-129
	Cash Management	2014-127, 2014-128, 2014-129, 2014-130
	Matching	2014-126
	Earmarking	2014-132
	Period of Availability of Federal Funds	2014-127
	Subrecipient Monitoring	2014-130
	Reporting	2014-131

Adverse Opinion on Emergency Management Performance Grants

In our opinion, because of the significance of the effects of the matters discussed in the Basis for Adverse Opinion paragraph, the State did not comply in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on the Emergency Management Performance Grants (97.042) program for the year ended June 30, 2014.

Basis for Qualified Opinion on National Guard Military Operations and Maintenance (O&M) Projects, Rehabilitation Services—Vocational Rehabilitation Grants to States, and Centers for Disease Control and Prevention—Investigations and Technical Assistance

As described in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with certain compliance requirements that are applicable to the major federal programs listed below. 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
National Guard Military Operations and Maintenance (O&M) Projects (12.401)	Cash Management	2014-133
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)	Eligibility	2014-104
Centers for Disease Control and Prevention—Investigations and Technical Assistance (93.283)	Activities Allowed Or Unallowed and Allowable Costs/Cost Principles	2014-124

Qualified Opinion on National Guard Military Operations and Maintenance (O&M) Projects, Rehabilitation Services—Vocational Rehabilitation Grants to States, and Centers for Disease Control and Prevention—Investigations and Technical Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the National Guard Military Operations and Maintenance (O&M) Projects (12.401), Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126), and Centers for Disease Control and Prevention—Investigations and Technical Assistance (93.283) programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of the other auditors, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance 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 2014-101, 2014-102, 2014-103, 2014-105, 2014-106, 2014-107, 2014-108, 2014-110, 2014-111, 2014-112, 2014-113, 2014-114, 2014-115, 2014-116, 2014-117, 2014-118, 2014-121, 2014-122, 2014-123, 2014-125, 2014-134, 2014-135, and 2014-136. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are presented on pages 113 through 135. The State's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The State's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 a 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 2014-104, 2014-119, 2014-120, 2014-123, 2014-124, 2014-125, 2014-126, 2014-127, 2014-128, 2014-129, 2014-130, 2014-131, 2014-132, and 2014-133 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 2014-103, 2014-105, 2014-106, 2014-107, 2014-108, 2014-109, 2014-110, 2014-111, 2014-112, 2014-113, 2014-114, 2014-115, 2014-116, 2014-117, 2014-118, 2014-121, 2014-122, and 2014-134 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are presented on pages 113 through 135. The State's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated March 9, 2015, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. 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.

Debbie Davenport
Auditor General

March 30, 2015

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CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	DEPARTMENT OF AGRICULTURE				
	SNAP Cluster				
10.551	Supplemental Nutrition Assistance Program			DEA	$ 1,527,885,456
10.551	Supplemental Nutrition Assistance Program			UAA	705,716
	10.551 Subtotal				1,528,591,172
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			DEA	53,115,728
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			HSA	5,029,352
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			UAA	4,031,748
	10.561 Subtotal				62,176,828
	SNAP Cluster Subtotal				1,590,768,000
	Child Nutrition Cluster				
10.553	School Breakfast Program			DCA	20,854
10.553	School Breakfast Program			DJA	173,705
10.553	School Breakfast Program			EDA	81,967,478
	10.553 Subtotal				82,162,037
10.555	National School Lunch Program			DCA	32,534
10.555	National School Lunch Program			DJA	526,116
10.555	National School Lunch Program			EDA	291,255,425
10.555	National School Lunch Program			SDA	257,606
	10.555 Subtotal				292,071,681
10.556	Special Milk Program for Children			EDA	51,384
10.559	Summer Food Service Program for Children			EDA	5,599,375
	Child Nutrition Cluster Subtotal				379,884,477
	Food Distribution Cluster				
10.565	Commodity Supplemental Food Program			HSA	3,290,305
10.568	Emergency Food Assistance Program (Administrative Costs)			DEA	1,664,994
10.569	Emergency Food Assistance Program (Food Commodities)			DEA	11,097,458
	Food Distribution Cluster Subtotal				16,052,757
	Other Department of Agriculture Programs				
10.001	Agricultural Research—Basic and Applied Research			ASA	4,634
10.025	Plant and Animal Disease, Pest Control, and Animal Care			AHA	1,620,391
10.025	Plant and Animal Disease, Pest Control, and Animal Care			CRA	693,447
	10.025 Subtotal				2,313,838
10.093	Voluntary Public Access and Habitat Incentive Program			GFA	61,571
10.156	Federal-State Marketing Improvement Program			AHA	463
10.156	Federal-State Marketing Improvement Program	New Mexico State University	Q01568	UAA	10,284
	10.156 Subtotal				10,747
10.163	Market Protection and Promotion			AHA	21,206
10.170	Specialty Crop Block Grant Program—Farm Bill			AHA	738,653
10.170	Specialty Crop Block Grant Program—Farm Bill			GSA	22,704
10.170	Specialty Crop Block Grant Program—Farm Bill			UAA	84,845
	10.170 Subtotal				846,202
10.215	Sustainable Agriculture Research and Education	New Mexico State University	Q01406	UAA	208
10.217	Higher Education—Institution Challenge Grants Program			UAA	110,070
10.217	Higher Education—Institution Challenge Grants Program	New Mexico State University	Q01429	UAA	13,492
	10.217 Subtotal				123,562
10.227	1994 Institutions Research Program	Dine College	2011-38424-30522	UAA	2,057
10.303	Integrated Programs	University of California, Davis	07001492ARI14, 07001492ARI15, 201120630-ARI17, 201120630-ARI18, SA12-1443-27UA	UAA	19,192
10.304	Homeland Security—Agricultural			UAA	177,290
10.305	International Science and Education Grants			UAA	6,197
10.309	Specialty Crop Research Initiative	University of California, Davis	20101304803	UAA	62,203
10.310	Agriculture and Food Research Initiative (AFRI)			ASA	36,389
10.310	Agriculture and Food Research Initiative (AFRI)			UAA	27,591
	10.310 Subtotal				63,980

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
10.311	Beginning Farmer and Rancher Development Program			UAA	321,488
10.311	Beginning Farmer and Rancher Development Program	Colorado State University	G-1488-1	UAA	3,821
	10.311 Subtotal				325,309
10.443	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers			UAA	144,788
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection			AHA	67,660
10.479	Food Safety Cooperative Agreements			HSA	217,807
10.500	Cooperative Extension Service			UAA	4,641,283
10.500	Cooperative Extension Service	Kansas State University	2013-48696-21184, S08024, S11095, S13067, S13121, S13185/2010-48696-21892, S14110	UAA	63,362
10.500	Cooperative Extension Service	Michigan State University	RC103176G/2013-48765-21544	UAA	13,353
10.500	Cooperative Extension Service	University of Nebraska	25-6365-0040-135	UAA	9,500
10.500	Cooperative Extension Service	University of Wyoming	1001769, 1002139/ 130677012/2013-4700	UAA	13,913
10.500	Cooperative Extension Service	Washington State University	108815 G003059, 108815 G003060, 108815 G003065	UAA	16,980
	10.500 Subtotal				4,758,391
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children			HSA	160,599,691
10.558	Child and Adult Care Food Program			EDA	48,201,396
10.560	State Administrative Expenses for Child Nutrition			EDA	5,756,734
10.572	WIC Farmers' Market Nutrition Program (FMNP)			HSA	120,644
10.574	Team Nutrition Grants			EDA	93,200
10.576	Senior Farmers Market Nutrition Program			HSA	90,809
10.578	WIC Grants to States (WGS)			HSA	220,782
10.579	Child Nutrition Discretionary Grants Limited Availability			EDA	118,993
10.582	Fresh Fruit and Vegetable Program			EDA	3,231,878
10.652	Forestry Research			GFA	45,580
10.664	Cooperative Forestry Assistance			FOA	3,770,731
10.664	Cooperative Forestry Assistance	Coconino County	71542	UAA	26,691
	10.664 Subtotal				3,797,422
10.674	Wood Utilization Assistance			FOA	2,093
10.676	Forest Legacy Program			FOA	9,677
10.683	National Fish and Wildlife Foundation	National Fish and Wildlife Foundation	2009-0013-000/658, 0102.12.030501, 2010-0010-000, 2011-0090-000	GFA	93,700
10.862	Household Water Well System Grant Program			ASA	147,371
10.912	Environmental Quality Incentives Program			AHA	115,630
10.912	Environmental Quality Incentives Program			GFA	115,062
	10.912 Subtotal				230,692
10.914	Wildlife Habitat Incentive Program			GFA	6,133
10.960	Technical Agricultural Assistance			UAA	119,051
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	196,113
10.10-DG-11031600-050, 10-JV-11221636-261, 12CR11030700024, 12-CS-11030700-018, 12-JV-112216351-52, 2011-3842030989	Forest Service			NAA	600,108
10.11-8100-1573-CA	Arizona Citrus Clean Plant Network			UAA	2,794
10.11-CS-11030901-015	RAC 2011—Upper Verde River Wildlife			GFA	300
10.11-CS-11031200-023	Arizona Bald Eagle Management Program			GFA	21,540
10.11-PA-11030515-030	USDA, Forest Service			GSA	302
10.12-25-A-5732	Expanding Markets and Market Coordination for Native American and Other Specialty Crop Producers Using LocalFresh.info			UAA	15,202
10.12-25-B-1053	Enhancing Vegetable IPM in Arizona			UAA	2,940
10.12-25-B-1053	Implementation of GHP/GAP On-line Certification Training Program			UAA	951
10.12-25-B-1053	Pesticide Information Empowers Progressive Vegetable Industry			UAA	13,545
10.12-CS-11030109-032	Unit 1 Pronghorn Seasonal Movement Study			GFA	10,916
10.12-CS-11132427-240	Practitioners' Network for Large Landscape Conservation Landscape Conservation Cooperative Partnership			UAA	8,048

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
10.13-1001-0773-CA	The Arizona AG Discovery Summer Enrichment Program			UAA	8,604
10.13-CR-11031600-044	Arizona Rangeland Monitoring and VGS Enhancement			UAA	19,007
10.13-CS-11030504-019	Range Monitoring			UAA	28,922
10.PNW09JV11261975012	Saving the Wide Open Spaces			UAA	1,382
10.Unknown	Agricultural Literacy—School Garden Food Safety			UAA	21,456
10.Unknown	The Arizona Ag Discovery Summer Enrichment Program			UAA	12,208
10.Unknown	(YEAK) Cyfernet Search: 4H Youth Engagement, Attitudes and Knowledge Survey	National 4-H Council	LTR DTD 090111	UAA	5,805
	Total Department of Agriculture				2,219,788,065
	DEPARTMENT OF COMMERCE				
11.303	Economic Development—Technical Assistance			NAA	98,430
11.431	Climate and Atmospheric Research			UAA	154,321
11.549	State and Local Implementation Grant Program			ADA	225,081
11.553	Special Projects	Public Broadcasting Service	51-51-W10606 67	UAA	419,025
11.557	ARRA—Broadband Technology Opportunities Program (BTOP)			GVA	43,489
11.558	ARRA—State Broadband Data and Development Grant			ADA	963,064
11.558	ARRA—State Broadband Data and Development Grant			LDA	246,849
	11.558 Subtotal				1,209,913
11.609	Measurement and Engineering Research and Standards			ASA	25,920
11.611	Manufacturing Extension Partnership			CAA	398,261
11.IPA DTD 12/1/09	NOAA Intergovernmental Personnel Act Mobility Assignment			UAA	108,483
	Total Department of Commerce				2,682,923
	DEPARTMENT OF DEFENSE				
12.110	Planning Assistance to States			GFA	22,549
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services			EVA	864,221
12.300	Basic and Applied Scientific Research			UAA	212,790
12.357	ROTC Language and Culture Training Grants	Institute of International Education	HQ0034-08-2-0024	ASA	516,135
12.357	ROTC Language and Culture Training Grants	Institute of International Education	2012GOUA, 2013GOUA	UAA	355,785
	12.357 Subtotal				871,920
12.400	Military Construction, National Guard			MAA	11,614,998
12.401	National Guard Military Operations and Maintenance (O&M) Projects			MAA	38,683,352
12.431	Basic Scientific Research			ASA	2,040
12.550	The Language Flagship Grants to Institutions of Higher Education	Institute of International Education	NSEP-U631043-ASU-CHN-10-C	ASA	456,544
12.550	The Language Flagship Grants to Institutions of Higher Education	Institute of International Education	NSEPU631073UAARAH98	UAA	314,469
	12.550 Subtotal				771,013
12.579	Language Training Center	Institute of International Education	H98210-13-2-0001	ASA	152,144
12.614	Community Economic Adjustment Assistance for Advance Planning and Economic Diversification			CAA	132,631
12.630	Basic, Applied, and Advanced Research in Science and Engineering			GFA	583,775
12.630	Basic, Applied, and Advanced Research in Science and Engineering			NAA	3,162
12.630	Basic, Applied, and Advanced Research in Science and Engineering	Academy of Applied Science	W911NF-10-2-0076	ASA	16,514
	12.630 Subtotal				603,451
12.800	Air Force Defense Research Sciences Program			GFA	159,490
12.900	Language Grant Program			ASA	103,370
12.910	Research and Technology Development			UAA	204,904
12.LTR DTD 082712	IPA Agreement for David Schroeder			UAA	217,253
12.NAFBA1-13-M-0146/13-M-0307	2013 Operation Military Kids			UAA	21,874
12.NAFBA1-13-M-0307	Operation Military Kids			UAA	49,798
12.NSEP-U631063-ASU-CHN-ROT	ASU Chinese Language ROTC Flagship Program	Institute of International Education	NSEP-U631063-ASU-CHN-ROT	ASA	241,414
12.W9124A-05-D-0002	Business Enterprise Program/FT Huachuca			DEA	5,047,527

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
12.W9124A12C0011	Water Wise and Energy Smart			UAA	45,635
12.W9133L-09-F-0242	Graduate Certificate in Sustainability (GCSL)	Polu Kai Services	W9133L-09-F-0242	ASA	37,320
	Total Department of Defense				60,059,694
	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Section 8 Project—Based Cluster				
14.195	Section 8 Housing Assistance Payments Program			HDA	49,986,265
	Section 8 Project—Based Cluster Subtotal				49,986,265
	CDBG—State-Administered CDBG Cluster				
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			HDA	14,298,376
	CDBG—State-Administered CDBG Cluster Subtotal				14,298,376
	HOPE VI Cluster				
14.866	Demolition and Revitalization of Severely Distressed Public Housing	City of Phoenix	IGA 133412	ASA	37,813
14.866	Demolition and Revitalization of Severely Distressed Public Housing	City of Tucson, Arizona	33306	UAA	28,079
	HOPE VI Cluster Subtotal				65,892
	Housing Voucher Cluster				
14.871	Section 8 Housing Choice Vouchers			HDA	1,424,340
	Housing Voucher Cluster Subtotal				1,424,340
	Other Department of Housing and Urban Development				
14.171	Manufactured Home Dispute Resolution			MMA	268,562
14.231	Emergency Solutions Grant Program			DEA	1,707,498
14.235	Supportive Housing Program			HDA	734,448
14.238	Shelter Plus Care			HDA	378,526
14.239	Home Investment Partnerships Program			HDA	7,758,805
14.241	Housing Opportunities for Persons with AIDS			HDA	216,951
14.267	Continuum of Care Program			HDA	5,618,716
14.401	Fair Housing Assistance Program—State and Local			AGA	490,993
14.AZLHH0200-09	Health Performance Benefit-Cost Cost Effectiveness of Green Retrofit Housing for Low-Income Seniors in Phoenix Arizona			ASA	32,422
14.AZLHH0200-09	SC UofFL: Health Performance Benefit-Cost Cost Effectiveness of Green Retrofit Housing for Low-Income Seniors			ASA	5,849
14.CDNC113010CDBG	SJEP Block Grant	Pima County, Arizona	CTCD1200000000000000230	UAA	4,818
	Total Department of Housing and Urban Development				82,992,461
	DEPARTMENT OF THE INTERIOR				
	Fish and Wildlife Cluster				
15.605	Sport Fish Restoration Program			GFA	7,422,876
15.611	Wildlife Restoration and Basic Hunter Education			GFA	11,466,782
	Fish and Wildlife Cluster Subtotal				18,889,658
	Other Department of the Interior Programs				
15.225	Recreation Resource Management			GFA	7,113
15.228	National Fire Plan—Wildland Urban Interface Community Fire Assistance			FOA	30,160
15.230	Invasive and Noxious Plant Management			FOA	228
15.231	Fish, Wildlife and Plant Conservation Resource Management			EVA	34,354
15.231	Fish, Wildlife and Plant Conservation Resource Management			GFA	771,924
	15.231 Subtotal				806,278
15.236	Environmental Quality and Protection Resource Management			MIA	154,082
15.237	Rangeland Resource Management			UAA	340,548
15.238	Challenge Cost Share			GFA	34,612
15.511	Cultural Resources Management			ASA	39,829
15.511	Cultural Resources Management			PRA	1,394
	15.511 Subtotal				41,223
15.517	Fish and Wildlife Coordination Act			GFA	116,789
15.517	Fish and Wildlife Coordination Act			UAA	36,052
	15.517 Subtotal				152,841
15.538	Lower Colorado River Multi-Species Conservation Program			GFA	490,634
15.557	Desert and Southern Rockies Landscape Conservation Cooperatives			GFA	82,373

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
15.608	Fish and Wildlife Management Assistance			GFA	413,910
15.615	Cooperative Endangered Species Conservation Fund			AHA	146,656
15.615	Cooperative Endangered Species Conservation Fund			GFA	1,045,909
	15.615 Subtotal				1,192,565
15.616	Clean Vessel Act Program			GFA	8,882
15.626	Enhanced Hunter Education and Safety Program			GFA	229,419
15.631	Partners for Fish and Wildlife			GFA	68,747
15.632	Conservation Grants Private Stewardship for Imperiled Species			ASA	16,371
15.634	State Wildlife Grants			GFA	1,311,149
15.637	Migratory Bird Joint Ventures			GFA	691
15.654	Visitor Facility Enhancements - Refuges and Wildlife			GFA	33,138
15.657	Endangered Species Conservation Recovery Implementation Funds			GFA	2,076
15.664	Fish and Wildlife Coordination and Assistance Programs			GFA	57,730
15.808	U.S. Geological Survey—Research and Data Collection			GFA	307,143
15.808	U.S. Geological Survey—Research and Data Collection			NAA	20,000
	15.808 Subtotal				327,143
15.810	National Cooperative Geologic Mapping Program			GSA	183,249
15.811	Gap Analysis Program			GFA	20,924
15.814	National Geological and Geophysical Data Preservation			GSA	30,202
15.904	Historic Preservation Fund Grants-In-Aid			PRA	1,001,386
15.904	Historic Preservation Fund Grants-In-Aid			UAA	65,629
	15.904 Subtotal				1,067,015
15.929	Save America's Treasures			UAA	41,974
15.945	Cooperative Research and Training Programs—Resources of the National Park System			NAA	1,120
15.945	Cooperative Research and Training Programs—Resources of the National Park System			UAA	244,109
	15.945 Subtotal				245,229
15.1425-98-FG-32-00540	Roosevelt Lake Goose Forage Project			GFA	859
15.50730W0330	Bureau of Reclamation Restricted Endowment			ASA	6,597,767
15.A14PX00847	FY14 BIA Water Resources Technical Training Program			UAA	2,149
15.H12000040002/P09AC00106	Prepare Museum Management Plan for San Antonio Missions National Historical Park			UAA	7,491
15.H1200040002J8100090117	Manage FY09 Museum Collection Reporting and Assist with Digital Imaging Project			UAA	2,709
15.H1200050003/P09AC00039	Missions Initiative Project-Inventory Mission Sites (2009-2011) San Antonio Missions National Park			UAA	12,544
15.H1200050003J8670100082	Interpret the Saguaro Wilderness Watershed			UAA	1,330
15.H1200050003J8680090020	Exhibit Production at Various Southern Arizona National Park Service Sites			UAA	50,799
15.H1200090004/P12AC10658	Preservation of Spanish Colonial Resources Through International Cooperation and Partnerships, TICRAT Preservation Workshops 2013-2015 (UAZDS-384)			UAA	10,354
15.H1200090005 P11AC90635	Provide Support for Western Archeological and Conservation Center Earthquake Preparedness and Emergency Operations Plan			UAA	1,683
15.H1200090005P11AT10744	Support Archives and Library Program (UAZCP-277)			UAA	1,188
15.H1200100001/P12AC10644	Preservation of Sacristy Barrel Vault/Roof at San Jose de Tumacacori, Tumacacori Mission Unit, Tumacacori NHP			UAA	680
15.H1200100001/P11AT10417	Document, Assess, Stabilize and Repair Cultural Resources Impacted by Border Activities			UAA	3,692
15.H1200100001/P11AC90685	FY 11 DSCESU Program Coordinator			UAA	6,851
15.H1200100001/P12AC10087	Conduct Tribal Consultation to Publish a Notice of Inventory Completion			UAA	16,713
15.H1200100001/P12AC10814	National Natural Landmarks Program Annual Photo Contest Calendar			UAA	11,794
15.H120010001/R8690120012	Preservation of the Mission Acequia and Compuerta/Lavandaria Structure at San Jose de Tumacacori, Tur... (UAZDS-393)			UAA	11,137
15.H2370114000P12AC11094	Using archaeology to Link Students to Arizona's Latino Heritage			UAA	56,146
15.H2623050831/P10AC00614	Assistance with Afghan Cultural Heritage Officials Training, Archeology Program, WASO			UAA	89,469
15.IPA DTD 020311	IPA on Land Use Dynamics and Adaptation to Climate Change in West Africa			UAA	73,576

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
15.P10AC00136	Herbarium Imaging Project (PHASE 3-UA) (UAZCP-242)			UAA	733
15.P10AC00114/NAU373, P08AC0082, P09AC00053, P10AC00074/NAU374, P11AC90557	National Park Service			NAA	5,959
15.P11AC90689	California Phenology Project Technical Assistance (UAZDS 364)			UAA	31,658
15.UAZDS395/P12AC11003	Research Coordinator FY 12 Operations Account (UAZDS-395)			UAA	3,995
	Total Department of the Interior				33,281,440
	DEPARTMENT OF JUSTICE				
	JAG Program Cluster				
16.738	Edward Byrne Memorial Justice Assistance Grant Program			AGA	1,007,960
16.738	Edward Byrne Memorial Justice Assistance Grant Program			JCA	4,314,382
16.738	Edward Byrne Memorial Justice Assistance Grant Program			PSA	388,542
16.738	Edward Byrne Memorial Justice Assistance Grant Program			SPA	289,635
	JAG Program Cluster Subtotal				6,000,519
	Other Department of Justice Programs				
16.013	Violence Against Women Act Court Training and Improvement Grants			SPA	8,710
16.017	Sexual Assault Services Formula Program			HSA	268,801
16.111	Joint Law Enforcement Operations (JLEO)			PSA	1,583,555
16.523	Juvenile Accountability Block Grants			DJA	56,007
16.523	Juvenile Accountability Block Grants			GVA	532,589
16.523	Juvenile Accountability Block Grants			SPA	86,957
	16.523 Subtotal				675,553
16.526	OVW Technical Assistance Initiative			NAA	236,578
16.527	Supervised Visitation, Safe Havens for Children			GVA	110,673
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States			DJA	95,966
16.540	Juvenile Justice and Delinquency Prevention—Allocation to States			GVA	737,129
	16.540 Subtotal				833,095
16.543	Missing Children's Assistance			PSA	20,000
16.543	Missing Children's Assistance	Arizona Internet Crimes Against Children Task Force	2009-MC-CX-K013	AGA	15,000
	16.543 Subtotal				35,000
16.550	State Justice Statistics Program for Statistical Analysis Centers			JCA	72,096
16.554	National Criminal History Improvement Program (NCHIP)			JCA	145,345
16.554	National Criminal History Improvement Program (NCHIP)			PSA	55,403
	16.554 Subtotal				200,748
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants			AGA	805
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants			JCA	414,401
	16.560 Subtotal				415,206
16.575	Crime Victim Assistance			AGA	88,325
16.575	Crime Victim Assistance			DCA	32,971
16.575	Crime Victim Assistance			DJA	40,384
16.575	Crime Victim Assistance			PSA	7,830,235
	16.575 Subtotal				7,991,915
16.576	Crime Victim Compensation			JCA	1,438,631
16.579	Edward Byrne Memorial Formula Grant Program	City of Tucson, Arizona	16061	UAA	186,773
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			AGA	547,160
16.588	Violence Against Women Formula Grants			GVA	2,975,425
16.588	Violence Against Women Formula Grants			NAA	144,505
16.588	Violence Against Women Formula Grants			STA	40,663
	16.588 Subtotal				3,160,593
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program			GVA	200,784

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program			UAA	59,766
	16.589 Subtotal				260,550
16.593	Residential Substance Abuse Treatment for State Prisoners			DCA	28,784
16.593	Residential Substance Abuse Treatment for State Prisoners			DJA	125,682
16.593	Residential Substance Abuse Treatment for State Prisoners			JCA	238,180
	16.593 Subtotal				392,646
16.606	State Criminal Alien Assistance Program			DCA	7,869,328
16.607	Bulletproof Vest Partnership Program			ADA	39,951
16.607	Bulletproof Vest Partnership Program			DCA	19,852
	16.607 Subtotal				59,803
16.609	Project Safe Neighborhoods			JCA	43,763
16.726	Juvenile Mentoring Program	National 4-H Council	2011-MU-MU-026, 2012-JU-FX-0016, 2013-JU-FX-0022	UAA	73,006
16.727	Enforcing Underage Drinking Laws Program			GHA	8,013
16.727	Enforcing Underage Drinking Laws Program			LLA	45,915
	16.727 Subtotal				53,928
16.741	Forensic DNA Backlog Reduction Program			JCA	549,655
16.741	Forensic DNA Backlog Reduction Program			PSA	644,162
	16.741 Subtotal				1,193,817
16.742	Paul Coverdell Forensic Science Improvement Grant Program			JCA	78,602
16.742	Paul Coverdell Forensic Science Improvement Grant Program			PSA	127,503
	16.742 Subtotal				206,105
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program			DCA	70,938
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	Superior Court of Maricopa County	2012-MO-BX-0023	ASA	82,193
	16.745 Subtotal				153,131
16.746	Capital Case Litigation Initiative			NAA	74,958
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program			PSA	8,845
16.750	Support for Adam Walsh Act Implementation Grant Program			PSA	85,160
16.813	NICS Act Record Improvement Program			JCA	319,769
16.813	NICS Act Record Improvement Program			PSA	376,623
16.813	NICS Act Record Improvement Program			SPA	8,750
	16.813 Subtotal				705,142
16.816	John R. Justice Prosecutors and Defenders Incentive Act			SPA	63,907
16.820	Postconviction Testing of DNA Evidence to Exonerate the Innocent			JCA	66,060
16.2012WEAX0050	Pima County Domestic Violence Review Team	Pima County, Arizona	CTNPCA130000000000000013 9	UAA	1,739
16.Unknown	Federal Asset Sharing			AGA	378,349
	Total Department of Justice				35,455,843
	DEPARTMENT OF LABOR				
	Employment Service Cluster				
17.207	Employment Service/Wagner-Peyser Funded Activities			ADA	696,703
17.207	Employment Service/Wagner-Peyser Funded Activities			ASA	16,291
17.207	Employment Service/Wagner-Peyser Funded Activities			DEA	11,701,962
17.207	Employment Service/Wagner-Peyser Funded Activities			GVA	969,327
	17.207 Subtotal				13,384,283
17.801	Disabled Veterans' Outreach Program (DVOP)			DEA	1,650,446
17.804	Local Veterans' Employment Representative Program			DEA	1,220,236
	Employment Service Cluster Subtotal				16,254,965
	WIA Cluster				
17.258	WIA Adult Program			DEA	12,744,591
17.259	WIA Youth Activities			ADA	35,261
17.259	WIA Youth Activities			CAA	800,150
17.259	WIA Youth Activities			DEA	12,057,906
	17.259 Subtotal				12,893,317

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
17.278	WIA Dislocated Worker Formula Grants			DEA	19,790,379
	WIA Cluster Subtotal				45,428,287
	Other Department of Labor Programs				
17.002	Labor Force Statistics			ADA	911,835
17.005	Compensation and Working Conditions			ICA	92,015
17.225	Unemployment Insurance			ADA	40,672
17.225	Unemployment Insurance			DEA	489,141,525
17.225	ARRA—Unemployment Insurance			DEA	2,026,264
	17.225 Subtotal				491,208,461
17.235	Senior Community Service Employment Program			DEA	1,065,739
17.245	Trade Adjustment Assistance			DEA	1,272,157
17.267	Incentive Grants - WIA Section 503			DEA	488,821
17.267	Incentive Grants - WIA Section 503			EDA	473,749
17.267	Incentive Grants - WIA Section 503			GVA	11,077
	17.267 Subtotal				973,647
17.268	H-1B Job Training Grants			CAA	6,906
17.271	Work Opportunity Tax Credit Program (WOTC)			DEA	274,351
17.273	Temporary Labor Certification for Foreign Workers			DEA	108,583
17.275	ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors			DEA	8,550
17.283	Workforce Innovation Fund	Gila River Indian Community	C4695	ASA	244,473
17.503	Occupational Safety and Health—State Program			ICA	2,144,102
17.504	Consultation Agreements			ICA	712,125
17.600	Mine Health and Safety Grants			MIA	117,118
	Total Department of Labor				560,823,314
	DEPARTMENT OF STATE				
19.010	Academic Exchange Programs—Hubert H. Humphrey Fellowship Program	Institute of International Education	S-ECAAS-10-CA-044(DT)	ASA	218,120
19.011	Academic Exchange Programs—Special Academic Exchange Programs	American Institute of Maghrib Studies	LTR DTD 110101	UAA	116,487
19.021	Investing in People in The Middle East and North Africa			ASA	372,431
19.021	Investing in People in The Middle East and North Africa			UAA	167,324
	19.021 Subtotal				539,755
19.300	Program for Study of Eastern Europe and the Independent States of the Former Soviet Union			ASA	11,507
19.400	Academic Exchange Programs—Graduate Students	Institute of International Education	S-ECAGD-14-CA-1017	ASA	57,387
19.400	Academic Exchange Programs—Graduate Students	Institute of International Education	SECAGD13CA017	UAA	117,249
	19.400 Subtotal				174,636
19.408	Academic Exchange Programs—Teachers	International Research and Exchanges Board (IREX)	S-ECAGD-13-CA-002	ASA	156,222
19.501	Public Diplomacy Programs for Afghanistan and Pakistan			UAA	161,591
19.S-CH500-10-GR201	Establishment and Administration of an American Center at Sichuan University			ASA	17,952
19.S-ECAA-12-CA-095(KF)	The Study of the United States Institutes for Student Leaders on U.S. History and Government	Institute for Training and Development	LTR DTD 032414, LTR DTD 061812	UAA	358,794
19.Unknown	US-Iran Collaboration on Sustainable, Resilient Cities	National Academy Of Science	20000004433	UAA	11,242
	Total Department of State				1,766,306
	DEPARTMENT OF TRANSPORTATION				
	Highway Planning and Construction Cluster				
20.205	Highway Planning and Construction			ADA	136,970
20.205	Highway Planning and Construction			ASA	10,958
20.205	Highway Planning and Construction			DTA	657,322,889
20.205	ARRA—Highway Planning and Construction			DTA	796,662
20.205	Highway Planning and Construction			GFA	256,926
20.205	Highway Planning and Construction			LDA	22,046
20.205	Highway Planning and Construction			PRA	30,938
20.205	Highway Planning and Construction			PSA	18,761
	20.205 Subtotal				658,596,150
20.219	Recreational Trails Program			DTA	462,289

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
20.219	Recreational Trails Program			PRA	1,320,018
	20.219 Subtotal				1,782,307
	Highway Planning and Construction Cluster Subtotal				660,378,457
	Federal Transit Cluster				
20.500	Federal Transit—Capital Investment Grants			DTA	896,825
	Federal Transit Cluster Subtotal				896,825
	Transit Services Programs Cluster				
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities			DTA	4,108,180
20.516	Job Access and Reverse Commute Program			DTA	1,308,670
20.521	New Freedom Program			DTA	445,291
	Transit Services Programs Cluster Subtotal				5,862,141
	Highway Safety Cluster				
20.600	State and Community Highway Safety			ASA	3,135
20.600	State and Community Highway Safety			DTA	111,877
20.600	State and Community Highway Safety			GHA	3,405,749
20.600	State and Community Highway Safety			LLA	30,000
20.600	State and Community Highway Safety			NAA	9,512
20.600	State and Community Highway Safety			PSA	141,226
20.600	State and Community Highway Safety			UAA	17,348
	20.600 Subtotal				3,718,847
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I			ASA	25,657
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I			GHA	2,369,107
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I			LLA	10,000
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I			PSA	135,352
	20.601 Subtotal				2,540,116
20.610	State Traffic Safety Information System Improvement Grants			HSA	95,077
20.612	Incentive Grant Program to Increase Motorcyclist Safety			GHA	152,646
20.613	Child Safety and Child Booster Seats Incentive Grants			GHA	42,182
	Highway Safety Cluster Subtotal				6,548,868
	Other Department of Transportation Programs				
20.106	Airport Improvement Program			DTA	453,773
20.200	Highway Research and Development Program			DTA	82,618
20.215	Highway Training and Education			DTA	228,142
20.218	National Motor Carrier Safety			DTA	1,169,789
20.218	National Motor Carrier Safety			PSA	3,165,006
	20.218 Subtotal				4,334,795
20.233	Border Enforcement Grants			PSA	4,875,673
20.237	Commercial Vehicle Information Systems and Networks			DTA	1,034,132
20.317	Capital Assistance to States - Intercity Passenger Rail Service			DTA	65,292
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			DTA	1,987,593
20.509	Formula Grants for Rural Areas			DTA	9,300,182
20.520	Paul S. Sarbanes Transit in the Parks			DTA	60,613
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			ASA	2,490
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			GHA	3,771,037
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			LLA	50,000
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			NAA	5,440
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			PSA	1,492,941
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated			UAA	34,655
	20.608 Subtotal				5,356,563
20.700	Pipeline Safety Program Base Grants			CCA	389,268
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants			MAA	272,644
20.933	National Infrastructure Investments			DTA	1,511,847
20.999-M(062)Z	Safe Routes to School—Nogales			UAA	19,963
20.999-M(063)Z	Safe Routes to School—Rio Rico			UAA	19,962
20.999-M(095)T, TRACS M5113	2013 National Summer Transportation Institute			ASA	5,665
20.DTFH61-11-D-00008	ATLAS: Technical Services for AASHTO	American Association of State Highway and Transportation Officials	AS 14-0012	UAA	15,237

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
20.DTFH64-11-G-00008	2011 Eisenhower Fellowship - Keith Christian			ASA	3,400
20.DTFH64-12-G-00040	2012 - EISENHOWER FELLOWSHIP (SARAH VOLOSIN)			ASA	833
20.DTFH64-13-G-00012	2013 Eisenhower Graduate Fellowship- Jonathan Adler			ASA	11,500
20.DTFH64-13-G-00038	Reina 2013 Eisenhower Fellowship			ASA	5,000
20.DTFH64-13-G-00048	2013 Eisenhower Graduate Fellowship - Matthew Nahlik			ASA	5,000
20.DTFH64-13-G-00207, DTFH64-13-G-00160	Federal Highway Administration			NAA	19,313
20.Unknown	MPD 97-12: SPR116 - Product Evaluation Services MATERIALS: Subcommittee: Pipe			ASA	15,197
20.Unknown	Department of Transportation			NAA	7,831
20.Unknown	Department of Transportation	City of Phoenix	135725-0	NAA	10,812
20.Unknown	Safe Routes to School—Nogales			UAA	745
20.Unknown	Safe Routes to School—Santa Cruz Co.			UAA	1,209
	Total Department of Transportation				703,781,093
	DEPARTMENT OF THE TREASURY				
	CDFI Cluster				
21.020	Community Development Financial Institutions Program			UAA	18,844
	CDFI Cluster Subtotal				18,844
	Other Department of the Treasury Programs				
21.000	National Foreclosure Mitigation Counseling	NeighborWorks America	PL11X-289:95X1350, PL111-117:95X1350, PL112-1095X1350, PL112-55:95X1350, PL113:6X1350	HDA	872,674
21.Unknown	US Treasury RICO			PSA	205,665
	Total Department of the Treasury				1,097,183
	EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
30.001	Employment Discrimination—Title VII of the Civil Rights Act of 1964			AGA	167,513
	Total Equal Employment Opportunity Commission				167,513
	GENERAL SERVICES ADMINISTRATION				
39.002	Disposal of Federal Surplus Real Property			DTA	233,970
39.003	Donation of Federal Surplus Personal Property			ADA	4,838,271
	Total General Services Administration				5,072,241
	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
43.001	Science			ASA	92,008
43.NAS71407	Curriculum and Training Support for Navigator's Extra-Solar Planet Research	Jet Propulsion Laboratory	1251186	UAA	82,876
43.NNX10AK14G	Laurel Clark Earth Camp Experience	Arizona Sonora Desert Museum	LTR DTD 122210	UAA	44,367
43.Unknown	American Indian Mobile Educational Resources (AIMER)			NAA	13,520
43.Unknown	Space Grant Program			NAA	106,192
	Total National Aeronautics and Space Administration				338,963
	NATIONAL ENDOWMENT FOR THE ARTS				
45.024	Promotion of the Arts—Grants to Organizations and Individuals			ASA	55,897
45.024	Promotion of the Arts—Grants to Organizations and Individuals			UAA	1,350
	45.024 Subtotal				57,247
45.025	Promotion of the Arts—Partnership Agreements			HUA	780,539
45.Unknown	NEA Challenge Grant Endowment			UAA	70,391
	Total National Endowment for the Arts				908,177
	NATIONAL ENDOWMENT FOR THE HUMANITIES				
45.129	Promotion of the Humanities—Federal/State Partnership			STA	3,257
45.129	Promotion of the Humanities—Federal/State Partnership	Arizona Humanities Council	GG11-5731-2012, GG12-5732-2012, GG29-5610-2011, OA09-5751-2012	ASA	12,468
45.129	Promotion of the Humanities—Federal/State Partnership	Arizona Humanities Council	GG09-5729-2012, GG0559452013	NAA	12,659

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
45.129	Promotion of the Humanities—Federal/State Partnership	Arizona Humanities Council	GG0658342013, GG0758352013, GG08-5836-2013, GG0859042013, OA0459862014, OA1559342013	UAA	9,160
	45.129 Subtotal				37,544
45.149	Promotion of the Humanities—Division of Preservation and Access			NAA	6,000
45.149	Promotion of the Humanities—Division of Preservation and Access			STA	155,657
45.149	Promotion of the Humanities—Division of Preservation and Access			UAA	818
	45.149 Subtotal				162,475
45.163	Promotion of the Humanities—Professional Development			ASA	48,598
45.164	Promotion of the Humanities—Public Programs			ASA	1,528
45.Unknown	NEH/ASM Educational Endowment			UAA	403,609
	Total National Endowment for the Humanities				653,754
	INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
45.310	Grants to States			STA	3,502,576
45.313	Laura Bush 21st Century Librarian Program			UAA	321,566
45.313	Laura Bush 21st Century Librarian Program	University of Tennessee	A121113S001	UAA	31,986
	45.313 Subtotal				353,552
	Total Institute of Museum and Library Services				3,856,128
	NATIONAL SCIENCE FOUNDATION				
47.049	Mathematical and Physical Sciences			NAA	15,215
47.050	Geosciences			GSA	922,275
47.050	Geosciences			NAA	150,602
	47.050 Subtotal				1,072,877
47.074	Biological Sciences			NAA	241,702
47.076	Education and Human Resources			NAA	620,359
47.080	Office of Cyberinfrastructure			GSA	84,603
47.082	ARRA—Trans-NSF Recovery Act Research Support			NAA	48,981
	Total National Science Foundation				2,083,737
	SMALL BUSINESS ADMINISTRATION				
59.058	Federal and State Technology Partnership Program			CAA	21,834
59.061	State Trade and Export Promotion Pilot Grant Program			CAA	246,294
	Total Small Business Administration				268,128
	DEPARTMENT OF VETERANS AFFAIRS				
64.005	ARRA—Grants to States for Construction of State Home Facilities			VSA	826,035
64.024	VA Homeless Providers Grant and Per Diem Program			VSA	107,558
64.124	All-Volunteer Force Educational Assistance			VSA	331,486
64.203	State Cemetery Grants			VSA	509,575
64.LTR DTD 060111	Research Salary (A Morgan Mikail) IPA			UAA	114,488
64.LTR DTD 072910	IPA for Dr. Bryan Angelo Panizales Roxas			UAA	51,960
64.LTR DTD 082013	Assignment Agreement—Southern Arizona VA Health Care System (SAVAHCS)			UAA	31,578
64.LTR DTD 090712	Research Salary (A Escalante), IPA (Research Services)			UAA	32,487
64.LTR DTD 092513	Telemedicine management of veterans with PTSD and chronic insomnia			UAA	9,474
64.LTR DTD 110711	IPA Agreement for Karen Blohm-Mangone			UAA	34,112
64.VA258P0428	Contract Providing Veterinary Service to the VA Hospital			UAA	9,788
	Total Department of Veterans Affairs				2,058,541
	ENVIRONMENTAL PROTECTION AGENCY				
	Drinking Water State Revolving Fund Cluster				
66.458	Capitalization Grants for Clean Water State Revolving Funds			WFA	15,038,457
	Drinking Water State Revolving Fund Cluster Subtotal				15,038,457

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	Other Environmental Protection Agency Programs				
66.001	Air Pollution Control Program Support			EVA	2,876,350
66.032	State Indoor Radon Grants			AEA	92,180
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			EVA	482,759
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			NAA	399,363
	66.034 Subtotal				882,122
66.037	Internships, Training and Workshops for the Office of Air and Radiation			NAA	1,716,056
66.419	Water Pollution Control State, Interstate, and Tribal Program Support			EVA	309,885
66.419	Water Pollution Control State, Interstate, and Tribal Program Support			GFA	48,563
	66.419 Subtotal				358,448
66.454	Water Quality Management Planning			EVA	120,504
66.460	Nonpoint Source Implementation Grants			EVA	1,096,378
66.460	Nonpoint Source Implementation Grants			MAA	46,224
	66.460 Subtotal				1,142,602
66.468	Capitalization Grants for Drinking Water State Revolving Funds			EVA	3,300,254
66.468	Capitalization Grants for Drinking Water State Revolving Funds			WFA	21,331,099
	66.468 Subtotal				24,631,353
66.514	Science To Achieve Results (STAR) Fellowship Program			ASA	16,878
66.514	Science To Achieve Results (STAR) Fellowship Program			NAA	582
	66.514 Subtotal				17,460
66.605	Performance Partnership Grants			AHA	323,394
66.605	Performance Partnership Grants			EVA	4,363,526
66.605	Performance Partnership Grants			SBA	159,080
	66.605 Subtotal				4,846,000
66.608	Environmental Information Exchange Network Grant Program and Related Assistance			EVA	141,435
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Walker River Paiute Tribe	PO 29059	NAA	11,733
	66.608 Subtotal				153,168
66.709	Multi-Media Capacity Building Grants for States and Tribes			EVA	37,715
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies			NAA	87,199
66.801	Hazardous Waste Management State Program Support			EVA	1,161,917
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			EVA	488,527
66.804	Underground Storage Tank Prevention, Detection and Compliance Program			EVA	428,741
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			EVA	990,530
66.808	Solid Waste Management Assistance Grants			NAA	35,340
66.815	Environmental Workforce Development and Job Training Cooperative Agreements			NAA	71,488
66.817	State and Tribal Response Program Grants			EVA	653,809
66.931	International Financial Assistance Projects Sponsored by the Office of International and Tribal Affairs	Border Environment Cooperation Commission	TAA10-064	EVA	695
66.EP-12-9-000060	IPM Training in Schools for Tribes			UAA	18,647
66.TAA10006	Transferable Training Modules on Environmental Health for Promotoras on the US-Mexico Border	Border Environment Cooperative Commission	TAA10006	UAA	196
66.Unknown	Arizona Master Watershed Stewards (MWS) Educational Outreach and Technical Support			UAA	9,151
66.Unknown	Arizona NEMO—Nonpoint Source Education for Municipal Officials			UAA	50,955
66.Unknown	Environmental Protection Agency			NAA	32,660
66.Unknown	Environmental Protection Agency	Sonoma Technology Inc.	EP-D-09-097	NAA	37,264
66.Unknown	Environmental Protection Agency	United South and Eastern Tribes Inc.	N/A	NAA	103,153
66.Unknown	Environmental Protection Agency	Walker River Paiute Tribe	30342	NAA	11,829
	Total Environmental Protection Agency				56,094,516
	DEPARTMENT OF ENERGY				
81.041	State Energy Program			GVA	612,813

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
81.042	Weatherization Assistance for Low-Income Persons			GVA	583,137
81.086	Conservation Research and Development			CAA	78,103
81.087	ARRA—Renewable Energy Research and Development			GSA	4,823,104
81.087	Renewable Energy Research and Development			NAA	24,891
81.087	Renewable Energy Research and Development	Electricore, Inc.	DE-EE0006339	ASA	22,402
81.087	ARRA—Renewable Energy Research and Development	Boise State University	014G106215-A	GSA	291,859
	81.087 Subtotal				5,162,256
81.089	Fossil Energy Research and Development	California State Energy Resources Conservation and Development Commission	500-10-024	GSA	36,219
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			GVA	43,254
81.119	State Energy Program Special Projects			GVA	263,055
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis			ASA	168,735
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis			ASA	41,688
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis			CCA	42,058
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis			GVA	166,589
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis			GVA	6,857
81.122	ARRA—Electricity Delivery and Energy Reliability, Research, Development and Analysis	University of Minnesota	A000211528	NAA	3,198
	81.122 Subtotal				429,125
81.123	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program			NAA	130,427
81.10015030-AGS	ARRA—Geologic Sequestration Site Characterization	The University of Utah	10015030-AGS	GSA	97,920
81.LTR DTD 122313	DOE—Intergovernmental Personnel Act (IPA)			UAA	78,618
	Total Department of Energy				7,514,927
	DEPARTMENT OF EDUCATION				
	Special Education Cluster (IDEA)				
84.027	Special Education—Grants to States			ASA	179,004
84.027	Special Education—Grants to States			DCA	136,164
84.027	Special Education—Grants to States			DJA	93,928
84.027	Special Education—Grants to States			EDA	171,096,714
84.027	Special Education—Grants to States			HSA	1,600
84.027	Special Education—Grants to States			NAA	350,868
84.027	Special Education—Grants to States			SDA	630,512
84.027	Special Education—Grants to States			SPA	478,933
84.027	Special Education—Grants to States			UAA	82,668
84.027	Special Education—Grants to States	Navajo Nation	N/A	NAA	469,580
	84.027 Subtotal				173,519,971
84.173	Special Education—Preschool Grants			EDA	5,510,130
84.173	Special Education—Preschool Grants			SDA	110,098
	84.173 Subtotal				5,620,228
	Special Education Cluster (IDEA) Subtotal				179,140,199
	TRIO Cluster				
84.042	TRIO—Student Support Services			ASA	1,058,342
84.042	TRIO—Student Support Services			NAA	281,806
84.042	TRIO—Student Support Services			UAA	220,819
	84.042 Subtotal				1,560,967
84.044	TRIO—Talent Search			NAA	345,628
84.047	TRIO—Upward Bound			ASA	391,424
84.047	TRIO—Upward Bound			NAA	705,002
	84.047 Subtotal				1,096,426
84.066	TRIO—Educational Opportunity Centers			NAA	448,966
	TRIO Cluster Subtotal				3,451,987
	Teacher Quality Partnership Grants Cluster				
84.336	Teacher Quality Partnership Grants			ASA	3,952,378
	Teacher Quality Partnership Grants Cluster Subtotal				3,952,378

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	Statewide Data Systems Cluster				
84.372	Statewide Longitudinal Data Systems			EDA	1,912,335
	Statewide Data Systems Cluster Subtotal				1,912,335
	Teacher Incentive Fund Cluster				
84.374	Teacher Incentive Fund			ASA	3,262,305
84.385	ARRA—Teacher Incentive Fund, Recovery Act			ASA	6,463,163
	Teacher Incentive Fund Cluster Subtotal				9,725,468
	School Improvement Grants Cluster				
84.377	School Improvement Grants			EDA	7,287,632
84.388	ARRA—School Improvement Grants, Recovery Act			EDA	18,247,939
	School Improvements Grants Cluster Subtotal				25,535,571
	Other Department of Education Programs				
84.002	Adult Education—Basic Grants to States			EDA	9,205,129
84.010	Title I Grants to Local Educational Agencies			DCA	336,487
84.010	Title I Grants to Local Educational Agencies			EDA	303,583,161
	84.010 Subtotal				303,919,648
84.011	Migrant Education—State Grant Program			ASA	1,209
84.011	Migrant Education—State Grant Program			EDA	7,255,503
	84.011 Subtotal				7,256,712
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			DCA	165,114
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			DJA	560,590
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			EDA	138,292
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth			SPA	972,852
	84.013 Subtotal				1,836,848
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	807,416
84.031	Higher Education—Institutional Aid	Maricopa Community Colleges	Unknown	ASA	14,856
84.031	Higher Education—Institutional Aid	AZ Western College	P031S120083, N/A	NAA	261,601
84.031	Higher Education—Institutional Aid	Arizona Western College	B0011282 / B0011480	UAA	240,379
	84.031 Subtotal				516,836
84.048	Career and Technical Education—Basic Grants to States			DJA	23,329
84.048	Career and Technical Education—Basic Grants to States			EDA	21,224,985
84.048	Career and Technical Education—Basic Grants to States			SDA	28,660
84.048	Career and Technical Education—Basic Grants to States			UAA	362,989
	84.048 Subtotal				21,639,963
84.051	Career and Technical Education—National Programs			EDA	406,989
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States			DEA	68,402,389
84.129	Rehabilitation Long-Term Training			UAA	154,808
84.144	Migrant Education - Coordination Program			EDA	44,763
84.169	Independent Living—State Grants			DEA	128,427
84.177	Rehabilitation Services—Independent Living Services for Older Individuals Who are Blind			DEA	136,455
84.181	Special Education—Grants for Infants and Families			DEA	10,612,460
84.181	Special Education—Grants for Infants and Families			NAA	177
84.181	Special Education—Grants for Infants and Families			SDA	378,888
	84.181 Subtotal				10,991,525
84.184	Safe and Drug-Free Schools and Communities—National Programs			EDA	5,632,688
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities			DEA	462,622
84.195	Bilingual Education—Professional Development			ASA	5,368
84.195	Bilingual Education—Professional Development			NAA	134
84.195	Bilingual Education—Professional Development	Mesa Community College	575779	ASA	81,522
	84.195 Subtotal				87,024
84.196	Education for Homeless Children and Youth			EDA	1,621,801

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
84.200	Graduate Assistance in Areas of National Need			ASA	115,803
84.215	Fund for the Improvement of Education	Flagstaff Unified School	U215X100250	NAA	97,993
84.224	Assistive Technology			NAA	626,395
84.229	Language Resource Centers			NAA	74,271
84.264	Rehabilitation Training—Continuing Education	San Diego State University Foundation	55587CP26997802212	UAA	13,744
84.265	Rehabilitation Training—State Vocational Rehabilitation Unit In-Service Training			DEA	75,474
84.282	Charter Schools			EDA	8,984,290
84.287	Twenty-First Century Community Learning Centers			EDA	20,863,555
84.299	Indian Education—Special Programs for Indian Children			ASA	231,985
84.299	Indian Education—Special Programs for Indian Children			NAA	88,686
	84.299 Subtotal				320,671
84.305	Education Research, Development and Dissemination	WestEd	S12-010	NAA	14,717
84.315	Capacity Building for Traditionally Underserved Populations			NAA	74,208
84.323	Special Education—State Personnel Development			EDA	835,256
84.323	Special Education—State Personnel Development			NAA	380,232
	84.323 Subtotal				1,215,488
84.324	Research in Special Education	University of Oregon	224060F	EDA	47,915
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities			ASA	290,406
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities			NAA	198,799
84.325	Special Education—Personnel Development to Improve Services and Results for Children with Disabilities			UAA	1,048,255
	84.325 Subtotal				1,537,460
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities			DJA	689
84.326	Special Education—Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities			SDA	190,483
	84.326 Subtotal				191,172
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)			EDA	640,123
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs			NAA	4,022,520
84.335	Child Care Access Means Parents in School			ASA	74,923
84.335	Child Care Access Means Parents in School			NAA	98,443
	84.335 Subtotal				173,366
84.350	Transition to Teaching			ASA	194,517
84.350	Transition to Teaching			EDA	177,916
84.350	Transition to Teaching			UAA	564,624
	84.350 Subtotal				937,057
84.358	Rural Education			EDA	766,225
84.363	School Leadership			ASA	478,095
84.365	English Language Acquisition State Grants			EDA	18,939,049
84.365	English Language Acquisition State Grants			NAA	1,057,174
	84.365 Subtotal				19,996,223
84.366	Mathematics and Science Partnerships			EDA	3,380,777
84.366	Mathematics and Science Partnerships	Navajo County Ed Services Agency	N/A	NAA	25,074
	84.366 Subtotal				3,405,851
84.367	Improving Teacher Quality State Grants			ASA	12,217
84.367	Improving Teacher Quality State Grants			BRA	42,556
84.367	Improving Teacher Quality State Grants			DCA	29,529
84.367	Improving Teacher Quality State Grants			DJA	106,044
84.367	Improving Teacher Quality State Grants			EDA	33,187,213
84.367	Improving Teacher Quality State Grants			NAA	29,897
84.367	Improving Teacher Quality State Grants			SPA	124,578
84.367	Improving Teacher Quality State Grants			UAA	108,369
84.367	Improving Teacher Quality State Grants	National Institute for Excellence in Teaching - TAP	U367D130010	ASA	481,570
84.367	Improving Teacher Quality State Grants	National Writing Project	Unknown	ASA	2,178
84.367	Improving Teacher Quality State Grants	National Writing Project	92AZ02-SEED2012	NAA	3,034
84.367	Improving Teacher Quality State Grants	National Writing Project	92-AZ03-SEED2012	UAA	6,897
	84.367 Subtotal				34,134,082

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
84.368	Grants for Enhanced Assessment Instruments			EDA	291,717
84.369	Grants for State Assessments and Related Activities			EDA	11,557,188
84.378	College Access Challenge Grant Program			ASA	83,699
84.378	College Access Challenge Grant Program			GVA	2,560,793
84.378	College Access Challenge Grant Program			NAA	48,029
84.378	College Access Challenge Grant Program			PEA	578,229
84.378	College Access Challenge Grant Program			UAA	42,966
	84.378 Subtotal				3,313,716
84.395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, Recovery Act	Florida Department of Education	99A-PS111-3R001 and 99A-PS111-4R001	EDA	67,827
84.395	ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, Recovery Act	Florida Department of Education	AZ1-PH111	GVA	35,802
	84.395 Subtotal				103,629
84.411	Investing in Innovation (i3) Fund	National Writing Project	92AZ03i32013	UAA	57,801
84.413	Race to the Top			EDA	6,803,424
84.413	Race to the Top			GVA	320,259
	84.413 Subtotal				7,123,683
84.418	Promoting Readiness of Minors in Supplemental Security Income			GVA	12,014
84.928	National Writing Project	National Writing Project	92AZ03	UAA	6,600
84.CFP-13-C-00002	CFPB Training for Implementation of Service Solution			ASA	59,409
84.Unknown	CTE Assessment			UAA	161,378
84.Unknown	Financial Literacy Professional Development Project	Maryland State Department of Education	145087-01	UAA	25,000
84.Unknown	Investor Education Innovation	Maryland State Department of Education	145086-01	UAA	13,894
	Total Department of Education				778,502,708
	MILLENNIUM CHALLENGE CORPORATION				
85.003	MCC Domestic Assistance for Overseas Programs			ASA	129,010
	Total Millennium Challenge Corporation				129,010
	MORRIS K. UDALL FOUNDATION				
85.NNI001	Native Nations Institute for Leadership, Management, and Policy			UAA	938,168
85.WORKPLAN 2012	Udall Foundation Workplan 2012			UAA	233
	Total Morris K. Udall Foundation				938,401
	NATIONAL ARCHIVES AND RECORDS ADMINISTRATION				
89.003	National Historical Publications and Records Grants			HIA	1,839
89.003	National Historical Publications and Records Grants			STA	25,537
	89.003 Subtotal				27,376
	Total National Archives and Records Administration				27,376
	ELECTION ASSISTANCE COMMISSION				
90.401	Help America Vote Act Requirements Payments			STA	2,695,743
	Total Election Assistance Commission				2,695,743
	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	8,619,116
93.045	Special Programs for the Aging—Title III, Part C—Nutrition Services			DEA	11,196,473
93.053	Nutrition Services Incentive Program			DEA	1,710,561
	Aging Cluster Subtotal				21,526,150
	TANF Cluster				
93.558	Temporary Assistance for Needy Families			DEA	200,840,851
	TANF Cluster Subtotal				200,840,851

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	CCDF Cluster				
93.575	Child Care and Development Block Grant			DEA	59,359,740
93.575	Child Care and Development Block Grant			GVA	239,996
93.575	Child Care and Development Block Grant			HSA	830,400
	93.575 Subtotal				60,430,136
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			DEA	50,267,315
	CCDF Cluster Subtotal				110,697,451
	Medicaid Cluster				
93.775	State Medicaid Fraud Control Units			AGA	1,993,309
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare			BNA	334,280
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare			HSA	4,356,590
	93.777 Subtotal				4,690,870
93.778	Medical Assistance Program			HCA	6,498,301,000
93.778	Medical Assistance Program	Community Partnership of Southern Arizona	L0901	UAA	1,080,922
	93.778 Subtotal				6,499,381,922
	Medicaid Cluster Subtotal				6,506,066,101
	Other Department of Health and Human Services Programs				
93.041	Special Programs for the Aging—Title VII, Chapter 3—Programs for Prevention of Elder Abuse, Neglect, and Exploitation			DEA	90,430
93.042	Special Programs for the Aging—Title VII, Chapter 2—Long Term Care Ombudsman Services for Older Individuals			DEA	333,755
93.043	Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services			DEA	363,962
93.048	Special Programs for the Aging—Title IV - and Title II - Discretionary Projects			DEA	532,862
93.051	Alzheimer's Disease Demonstration Grants to States			DEA	324,659
93.052	National Family Caregiver Support, Title III, Part E			DEA	3,175,262
93.065	Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	Association of Public Health Laboratories, Inc.	1U60HM00803	HSA	35,084
93.069	Public Health Emergency Preparedness			HSA	12,068,309
93.069	Public Health Emergency Preparedness			UAA	350,839
93.069	Public Health Emergency Preparedness	National Racial and Ethnic Approaches to Community Health (REACH) Coalition	LTR DTD 032813	UAA	143,187
	93.069 Subtotal				12,562,335
93.070	Environmental Public Health and Emergency Response			HSA	146,817
93.071	Medicare Enrollment Assistance Program			DEA	163,408
93.072	Lifespan Respite Care Program			DEA	94,655
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance			EDA	44,868
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			HSA	855,808
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			UAA	188,947
	93.092 Subtotal				1,044,755
93.103	Food and Drug Administration—Research			HSA	35,935
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards			UAA	489,710
93.110	Maternal and Child Health Federal Consolidated Programs			ASA	13,991
93.110	Maternal and Child Health Federal Consolidated Programs			CDA	328,267
93.110	Maternal and Child Health Federal Consolidated Programs			HSA	78,500
93.110	Maternal and Child Health Federal Consolidated Programs			NAA	25,532
93.110	Maternal and Child Health Federal Consolidated Programs			UAA	1,482,810
93.110	Maternal and Child Health Federal Consolidated Programs	Oregon Health and Science University	9008441_UAHSC	UAA	34,250
	93.110 Subtotal				1,963,350
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs			HSA	1,352,100
93.127	Emergency Medical Services for Children			HSA	306,220
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices			HSA	304,931

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.136	Injury Prevention and Control Research and State and Community Based Programs			ASA	176,337
93.136	Injury Prevention and Control Research and State and Community Based Programs			HSA	499,707
93.136	Injury Prevention and Control Research and State and Community Based Programs			UAA	106,206
	93.136 Subtotal				782,250
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	University of California-Los Angeles	U45ES006173	ASA	167,208
93.145	AIDS Education and Training Centers	University of California, San Francisco	6376SC, 7431sc	UAA	186,198
93.150	Projects for Assistance in Transition from Homelessness (PATH)			HSA	1,193,468
93.157	Centers of Excellence			UAA	677,281
93.165	Grants to States for Loan Repayment Program			HSA	122,107
93.184	Disabilities Prevention	University of Colorado Denver	FY12.003.006	UAA	56,959
93.184	Disabilities Prevention	University of Illinois	2011-06586-11-00 AS	UAA	17,624
	93.184 Subtotal				74,583
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			HSA	1,905
93.211	Telehealth Network Grants			UAA	356,433
93.217	Family Planning—Services	Arizona Family Health Partnership	AGR 12/19/11, AGR 12/20/12	ASA	290,683
93.217	Family Planning—Services	Arizona Family Planning Council	AGR 12/19/11	ASA	26,569
	93.217 Subtotal				317,252
93.226	Research on Healthcare Costs, Quality and Outcomes			UAA	392,673
93.234	Traumatic Brain Injury State Demonstration Grant Program			DEA	230,725
93.235	Affordable Care Act (ACA) Abstinence Education Program			HSA	1,058,787
93.240	State Capacity Building			HSA	224,422
93.242	Mental Health Research Grants			ASA	1,508
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance			ASA	95,702
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance			GVA	223,766
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance			HSA	100,365
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance			UAA	497,551
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	University of California, Los Angeles	UR1 TI024242	ASA	159,328
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	National Association of State Mental Health Program Directors	SC-1026-AZ-01	HSA	919,373
93.243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance	Pascua Yaqui Tribe	LTR DTD 050813	UAA	264,722
	93.243 Subtotal				2,260,807
93.247	Advanced Nursing Education Grant Program			UAA	336,820
93.250	Geriatric Academic Career Awards			UAA	5,126
93.251	Universal Newborn Hearing Screening			HSA	318,502
93.251	Universal Newborn Hearing Screening			UAA	29,723
	93.251 Subtotal				348,225
93.253	Poison Center Support and Enhancement Grant Program			UAA	155,189
93.262	Occupational Safety and Health Program			UAA	335,702
93.268	Immunization Cooperative Agreements			HSA	89,515,471
93.270	Adult Viral Hepatitis Prevention and Control			HSA	105,416
93.273	Alcohol Research Programs			ASA	33,535
93.279	Drug Abuse and Addiction Research Programs			ASA	112,632
93.282	Mental Health National Research Service Awards for Research Training			ASA	7,086
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance			HSA	5,001,388
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance			UAA	725
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	University of Colorado	FY09003005U01DD000198	UAA	153
	93.283 Subtotal				5,002,266
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health			UAA	12,461
93.292	National Public Health Improvement Initiative			HSA	200,471
93.296	State Partnership Grant Program to Improve Minority Health			HSA	169,310

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.301	Small Rural Hospital Improvement Grant Program			UAA	118,021
93.307	Minority Health and Health Disparities Research			UAA	1,076
93.324	State Health Insurance Assistance Program			DEA	45,108
93.358	Advanced Education Nursing Traineeships			ASA	352,102
93.358	Advanced Education Nursing Traineeships			NAA	339,345
	93.358 Subtotal				691,447
93.359	Nurse Education, Practice Quality and Retention Grants			UAA	423,264
93.361	Nursing Research			ASA	289,891
93.395	Cancer Treatment Research	Gynecologic Oncology Group	CA101165, CA27469-33	UAA	212,239
93.396	Cancer Biology Research			UAA	8,000
93.396	Cancer Biology Research	University of Utah	10008199-01	HSA	865
	93.396 Subtotal				8,865
93.397	Cancer Centers Support Grants	Mayo Clinic	5U54CA153605-03, 63449184/5U54CA153605-04	UAA	8,394
93.414	ARRA—State Primary Care Offices			HSA	66,018
93.448	Food Safety and Security Monitoring Project			HSA	291,537
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program			HSA	5,681,654
93.507	PPHF 2012 National Public Health Improvement Initiative			HSA	107,040
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review			IDA	612,192
93.516	Affordable Care Act (ACA) Public Health Training Centers Program			UAA	223,408
93.517	Affordable Care Act—Aging and Disability Resource Center			DEA	49,567
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	1,195,263
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges			GVA	691,823
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges			IDA	11,796
	93.525 Subtotal				703,619
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	475,665
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program			HSA	230,545
93.556	Promoting Safe and Stable Families			DEA	8,316,688
93.563	Child Support Enforcement			DEA	45,096,553
93.566	Refugee and Entrant Assistance—State Administered Programs			DEA	9,792,219
93.566	Refugee and Entrant Assistance—State Administered Programs			HSA	95,149
	93.566 Subtotal				9,887,368
93.568	Low-Income Home Energy Assistance			DEA	19,101,012
93.568	Low-Income Home Energy Assistance			GVA	4,599,410
	93.568 Subtotal				23,700,422
93.569	Community Services Block Grant			DEA	5,460,856
93.576	Refugee and Entrant Assistance—Discretionary Grants			DEA	1,122,976
93.576	Refugee and Entrant Assistance—Discretionary Grants			EDA	94,293
	93.576 Subtotal				1,217,269
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants			DEA	1,775,846
93.586	State Court Improvement Program			SPA	705,963
93.590	Community-Based Child Abuse Prevention Grants			DEA	1,386,081
93.597	Grants to States for Access and Visitation Programs			DEA	103,719
93.599	Chafee Education and Training Vouchers Program (ETV)			DEA	862,262
93.600	Head Start			EDA	170,911
93.600	Head Start	Navajo Nation - Division of Dine Education	90CI0216	ASA	124,295
	93.600 Subtotal				295,206
93.602	Assets for Independence Demonstration Program			ASA	83,600

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.602	Assets for Independence Demonstration Program			UAA	160,500
	93.602 Subtotal				244,100
93.603	Adoption Incentive Payments			DEA	7,518,637
93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools			HCA	2,000
93.630	Developmental Disabilities Basic Support and Advocacy Grants			DEA	1,788,518
93.630	Developmental Disabilities Basic Support and Advocacy Grants			HSA	56,095
93.630	Developmental Disabilities Basic Support and Advocacy Grants			UAA	8,606
	93.630 Subtotal				1,853,219
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service			NAA	541,073
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service			UAA	519,930
	93.632 Subtotal				1,061,003
93.643	Children's Justice Grants to States			GVA	404,282
93.645	Stephanie Tubbs Jones Child Welfare Services Program			DEA	6,150,895
93.648	Child Welfare Research Training or Demonstration			DEA	135,834
93.658	Foster Care—Title IV-E			DEA	99,423,094
93.658	Foster Care—Title IV-E			SPA	119,783
	93.658 Subtotal				99,542,877
93.659	Adoption Assistance			DEA	101,416,427
93.667	Social Services Block Grant			DEA	51,174,165
93.669	Child Abuse and Neglect State Grants			DEA	405,564
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			HSA	1,659,614
93.674	Chafee Foster Care Independence Program			DEA	5,386,683
93.708	ARRA—Head Start			CDA	702,039
93.708	ARRA—Head Start			EDA	401,569
	93.708 Subtotal				1,103,608
93.718	ARRA—Health Information Technology Regional Extension Centers Program	Arizona Health-E Connection	UA90RC0035	UAA	9,443
93.719	ARRA—State Grants to Promote Health Information Technology			ADA	179,637
93.719	ARRA—State Grants to Promote Health Information Technology			ASA	10,522
93.719	ARRA—State Grants to Promote Health Information Technology			GVA	3,977,612
93.719	ARRA—State Grants to Promote Health Information Technology			HSA	203,387
	93.719 Subtotal				4,371,158
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance—financed in part by the Prevention and Public Health Fund (PPHF-2012)			HSA	298,281
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs—financed by 2012 Prevention and Public Health Funds (PPHF-2012)			HSA	60,892
93.735	State Public Health Approaches for Ensuring Quitline Capacity—Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)			HSA	32,103
93.735	State Public Health Approaches for Ensuring Quitline Capacity—Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)			UAA	246,489
	93.735 Subtotal				278,592
93.738	PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	Hidalgo Medical Services	U58-DP004710	UAA	81,178
93.744	PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by 2012 Prevention and Public Health Funds			HSA	71,586
93.750	PPHF 2013: Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Exchanges			UAA	148,206
93.767	Children's Health Insurance Program			HCA	59,418,000
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations			DEA	885,736
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Scottsdale Healthcare	LTR DTD 121812	UAA	472,246
	93.779 Subtotal				1,357,982

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.822	Health Careers Opportunity Program			UAA	712,150
93.855	Allergy, Immunology and Transplantation Research			UAA	8,000
93.859	Biomedical Research and Research Training			ASA	9,706
93.866	Aging Research	Banner Research Institute	04320229903P30AG019610	UAA	69,272
93.889	National Bioterrorism Hospital Preparedness Program			HSA	6,511,341
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			UAA	495,781
93.913	Grants to States for Operation of Offices of Rural Health			UAA	165,038
93.917	HIV Care Formula Grants			HSA	22,117,522
93.917	HIV Care Formula Grants			UAA	562,122
	93.917 Subtotal				22,679,644
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			UAA	197,633
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs			HSA	2,294,313
93.933	Demonstration Projects for Indian Health	University of Alaska Anchorage	R0261048	UAA	38,931
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			EDA	33,726
93.940	HIV Prevention Activities—Health Department Based			HSA	3,505,163
93.940	HIV Prevention Activities—Health Department Based			UAA	127,162
	93.940 Subtotal				3,632,325
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			HSA	849,359
93.945	Assistance Programs for Chronic Disease Prevention and Control			HSA	903,753
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			HSA	57,868
93.958	Block Grants for Community Mental Health Services			HSA	9,203,143
93.959	Block Grants for Prevention and Treatment of Substance Abuse			ASA	163,599
93.959	Block Grants for Prevention and Treatment of Substance Abuse			HSA	27,348,986
	93.959 Subtotal				27,512,585
93.969	PPHF-2012 Geriatric Education Centers			ASA	10,345
93.970	Health Professions Recruitment Program for Indians			ASA	305,497
93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants			HSA	1,162,688
93.991	Preventive Health and Health Services Block Grant			HSA	591,961
93.994	Maternal and Child Health Services Block Grant to the States			HSA	7,097,085
93.90HT0023	AHCCCS and Governor's Health Information Exchange Electronic Medical Records Study 2011-2015			ASA	46,240
93.D04RH23596	Vivir Mejor!: Diabetes System of Prevention and Care	Mariposa Community Health Center	LTR DTD 080912	UAA	12,714
93.D06RH21674	Evaluation of Santa Cruz County Adolescent Wellness Network (SCC AWN)	Mariposa Community Health Center	D06RH21674-02-00	UAA	18,000
93.D06RH216740100	SANTA CRUZ COUNTY ADOLESCENT WELLNESS NETWORK (SCC AWN)	Mariposa Community Health Center	D06RH216740100	UAA	25,441
93.H79TI019911	STEP FORWARD	CODAC Behavioral Health Services	1H79TI01991UOFASIROW01	UAA	150,695
93.H79TI021852	YR 3: EMPOWR - Engaging Motivating Providing Options within Recovery for Veterans	Old Pueblo Community Foundation	H79TI021852	ASA	27,217
93.HHSN268201100016C	SUB-CONTRACT TO RTI IN SUPPORT OF NHLBI	Research Technologies, Incorporated	1312021284450815L	UAA	65,792
93.HHSN271201	Outreach Partnership Program			ASA	2,163
93.HHSN276201100009C	National Network of Libraries of Medicine (NN/LM) Services Pacific Southwest Region	University of California, Los Angeles	5415-S-PA036	UAA	51,372
93.HHSN276201200409P	NIDDK Activity form processing			UAA	3,426
93.HP032-097-003	Evaluation of CPSA Programs	Community Partnership of Southern Arizona	P0615	UAA	75,036
93.II-ISA-12-2305-01	Yr 3: State Epidemiological Outcomes Workgroup (SEOW) Communities in Context			ASA	108,188
93.LTR DTD 061112	Indigenous Health Resource Workforce IPA for Teshia Solomon			UAA	40,826
93.Unknown	Department of Health and Human Services			NAA	298,088
93.Unknown	National Institutes of Health			NAA	187,060
93.Unknown	Strategic Prevention Framework—Partnerships for Success			UAA	56,345
93.Unknown	Department of Health and Human Services	Utah State University	100249-002	NAA	345,186
93.Unknown	Graduate nurse education demonstration project	Scottsdale Healthcare	Unknown	ASA	351,311
93.Unknown	Support for Knowledge River Library School Internships	Center for Public Service Communications, LLC.	2008-15	UAA	50,456
	Total Department of Health and Human Services				7,507,737,940

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
	Foster Grandparent/Senior Companion Cluster				
94.011	Foster Grandparent Program			NAA	750,755
94.016	Senior Companion Program			NAA	614,639
	Foster Grandparent/Senior Companion Cluster Subtotal				1,365,394
	Other Corporation for National and Community Service				
94.002	Retired and Senior Volunteer Program			NAA	169,592
94.003	State Commissions	Corporation for National and Community Service	13CAHAZ001	GVA	222,870
94.006	AmeriCorps			GVA	1,667,875
94.006	AmeriCorps			NAA	287,012
94.006	AmeriCorps			PRA	84,694
94.006	AmeriCorps			UAA	118,335
94.006	AmeriCorps	Public Allies	12EDHWI0010001	ASA	514,162
	94.006 Subtotal				2,672,078
94.007	Program Development and Innovation Grants			GVA	2,106
94.007	Program Development and Innovation Grants			NAA	16,112
	94.007 Subtotal				18,218
94.009	Training and Technical Assistance			GVA	10,739
94.009	Training and Technical Assistance			UAA	170,572
	94.009 Subtotal				181,311
	Total Corporation for National and Community Service				4,629,463
	EXECUTIVE OFFICE OF THE PRESIDENT				
95.001	High Intensity Drug Trafficking Areas Program			AGA	566,406
95.001	High Intensity Drug Trafficking Areas Program			PSA	1,359,398
	95.001 Subtotal				1,925,804
	Total Executive Office of the President				1,925,804
	SOCIAL SECURITY ADMINISTRATION				
	Disability Insurance/SSI Cluster				
96.001	Social Security—Disability Insurance			DEA	33,248,202
	Disability Insurance/SSI Cluster Subtotal				33,248,202
	Total Social Security Administration				33,248,202
	DEPARTMENT OF HOMELAND SECURITY				
97.008	Non-Profit Security Program			HLA	10,056
97.012	Boating Safety Financial Assistance			GFA	1,088,691
97.029	Flood Mitigation Assistance			MAA	553,983
97.039	Hazard Mitigation Grant			MAA	1,221,585
97.041	National Dam Safety Program			WCA	9,772
97.042	Emergency Management Performance Grants			MAA	5,573,064
97.045	Cooperating Technical Partners			GSA	22,104
97.045	Cooperating Technical Partners			MAA	32,931
97.045	Cooperating Technical Partners			WCA	22,342
	97.045 Subtotal				77,377
97.047	Pre-Disaster Mitigation			MAA	666,335
97.052	Emergency Operations Center			HLA	44,054
97.055	Interoperable Emergency Communications			HLA	141,657
97.067	Homeland Security Grant Program			ADA	166,163
97.067	Homeland Security Grant Program			AEA	38,723
97.067	Homeland Security Grant Program			HLA	18,957,735
97.067	Homeland Security Grant Program			MAA	569,842
97.067	Homeland Security Grant Program			PSA	2,131,946
	97.067 Subtotal				21,864,409
97.078	Buffer Zone Protection Program (BZPP)			HLA	173,399
97.082	Earthquake Consortium			GSA	29,691
97.120	Border Interoperability Demonstration Project			HLA	1,301,311
	Total Department of Homeland Security				32,755,384

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT				
98.001	USAID Foreign Assistance for Programs Overseas	Georgetown University	UAR-RX2050-705-11-O-12, UAR-RX2050-705-12-N, UAR-RX2050-705-13-K-6, UAR-RX2050-705-13-L-12	UAA	543,432
98.012	USAID Development Partnerships for University Cooperation and Development			ASA	400,385
98.012	USAID Development Partnerships for University Cooperation and Development	American Council on Education	AEG-A-00-05-00007	ASA	369,085
98.012	USAID Development Partnerships for University Cooperation and Development	Higher Education for Development (HED)	AEG-A-00-05-00007	ASA	90,015
	98.012 Subtotal				859,485
98.185A000900010100	Integrated Telemedicine and E-Health Program of Albania	International Virtual E-Hospital Foundation	185A000900010100	UAA	51,076
98.AEG-I-00-04-00010-00	Farmer to Farmer Aquaculture in Kenya, Bangladesh and Mexico	Weidemann Associates, Incorporated	1071-20-506-5	UAA	31,656
98.AID-486-A-12-00005	The Vocational University Leadership and Innovation Institute (VULII)			ASA	827,229
98.AID-492-LA-12-00002	Pacific Islands Renewable Energy Technical and Vocational Education and Training Project			ASA	743,876
98.AID-492-LA-12-00002	SC University of South Pacific: Pacific Islands Renewable Energy Technical and Vocational Education and Training Project			ASA	8,970
98.AID-OAA-L-11-00005	SC Appalachian State University: Sustainable Energy Education Consortium (SEEC)			ASA	12,707
98.AID-OAA-L-11-00005	SC Green Empowerment: Sustainable Energy Education Consortium (SEEC)			ASA	61,105
98.AID-OAA-L-11-00005	SC University of South Pacific: Sustainable Energy Education Consortium (SEEC)			ASA	24,216
98.AID-OAA-L-11-00005	Sustainable Energy Education Consortium (SEEC)			ASA	409,404
	Total United States Agency for International Development				3,573,156
	MISCELLANEOUS FEDERAL AGENCIES				
99.SJI11E088	Strengthening the Operation of Arizona Probate Courts through Statewide Education	State Justice Institute	SJI-11-E-088	SPA	7,089
	Total Miscellaneous Federal Agencies				7,089
	STUDENT FINANCIAL ASSISTANCE CLUSTER				
	Department of Education				
84.007	Federal Supplemental Educational Opportunity Grants			ASA	1,753,243
84.007	Federal Supplemental Educational Opportunity Grants			NAA	907,999
84.007	Federal Supplemental Educational Opportunity Grants			UAA	628,686
	84.007 Subtotal				3,289,928
84.033	Federal Work-Study Program			ASA	3,571,941
84.033	Federal Work-Study Program			NAA	325,566
84.033	Federal Work-Study Program			UAA	1,832,697
	84.033 Subtotal				5,730,204
84.063	Federal Pell Grant Program			ASA	97,778,483
84.063	Federal Pell Grant Program			NAA	35,067,191
84.063	Federal Pell Grant Program			UAA	47,381,498
	84.063 Subtotal				180,227,172
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)			ASA	3,457,371
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)			NAA	249,067
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)			UAA	195,903
	84.379 Subtotal				3,902,341
84.408	Postsecondary Education Scholarships for Veteran's Dependents			ASA	5,080
	Department of Education Subtotal				193,154,725

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
	Department of Health and Human Services				
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds			NAA	957,297
	Department of Health and Human Services Subtotal				957,297
	Total Student Financial Assistance Cluster				194,112,022
	RESEARCH AND DEVELOPMENT CLUSTER				
	Department of Agriculture				
10.RD	Agricultural Research Service			UAA	463,268
10.RD	Cooperative State Research, Education and Extended Services			NAA	4,073
10.RD	Department of Agriculture			ASA	310,862
10.RD	Department of Agriculture			UAA	7,103,868
10.RD	Forest Service			ASA	62,105
10.RD	Forestry Service			NAA	1,815,411
10.RD	National Institute of Food and Agriculture			ASA	739,369
10.RD	National Institute of Food and Agriculture			NAA	147,788
10.RD	Natural Resources Conservation Service			UAA	20,072
10.RD	Rural Utilities Service			ASA	6,074
10.RD	United States Forest Service			UAA	224,108
10.RD		Almond Board of California	LTR 5/3/12	ASA	48,301
10.RD		Arizona Department of Agriculture	14-8504-1044-CA, SCBG-FB12-13, SCBGPFB0916, SCBGPFB0917, SCBGPFB1005, SCBGPFB1006, SCBGPFB1007, SCBGPFB1010, SCBGPFB1015, SCBGPFB1017, SCBGPFB1020, SCBGPFB1102, SCBGPFB1103, SCBGPFB1104, SCBGPFB1105, SCBGPFB1106, SCBGPFB1120, SCBGPFB1128, SCBGPFB1129, SCBGPFB1140, SCBGP-FB12-04, SCBGP-FB12-19, SCBGP-FB12-20, SCBGP-FB12-30, SCBGP-FB13-08, SCBGP-FB13-09, SCBGP-FB13-11, SCBGP-FB13-12, SCBGP-FB13-13, SCBGP-FB13-18	UAA	488,627
10.RD		Arizona State Forestry Division	WCG 09-301, WCG 10-302, WFHF 09-014, CCG-12-201	NAA	51,900
10.RD		Arizona State Forestry Division	CCG 13-1303, CCG-12-303, CCG13-1304, UFHM-UCF 10-02	UAA	46,860
10.RD		Arizona State Land Department Forestry Division	CCG 12-101	ASA	6,404
10.RD		Citrus Research and Development Foundation, Incorporated	13-005NU-784	UAA	372,780
10.RD		Cornell University	2011-67023-30991	ASA	47,303
10.RD		Glacierland Resource Conservation & Development	N/A	NAA	23,373
10.RD		Iowa State University	4162324C	UAA	62,265
10.RD		North Carolina State University	2009-2396-02, 2010-0640-07/58-0101-9-217, 2011160904	UAA	156,912
10.RD		Ohio State University	60025859	UAA	14,153
10.RD		Oklahoma State University	AB-5-67690-NAU	NAA	12,266
10.RD		Purdue University	2010-65615-20672	ASA	1,024
10.RD		Purdue University	8000040009AG	UAA	58,676
10.RD		Rutgers, The State University of New Jersey	S1522449	UAA	169,506
10.RD		Saint Joseph's University	2011-3841-31016	ASA	12,111
10.RD		State of New Mexico	N/A	NAA	3,382
10.RD		Texas A and M Research Foundation	S110079	UAA	59,677
10.RD		The Nature Conservancy	FIRE_NAU_07012013, FIRENAU03012013	NAA	28,673
10.RD		University of Arizona	SCBGP-FB11-29	ASA	49,662
10.RD		University of California, Davis	201223902-10, 201400966-01, SA7734	UAA	108,451
10.RD		University of California-Riverside	2012-67013-19446	ASA	26,509

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
10.RD		University of California, Riverside	S-000522	UAA	3,904
10.RD		University of Florida	UF13194	UAA	139
10.RD		University of Washington	688014, 715630, 755034	UAA	39,196
10.RD		Utah State University	100893036, 9092201	UAA	70,270
10.RD		World Cocoa Foundation	58-3148-2-126	UAA	44,089
	Department of Agriculture Subtotal				12,903,411
	Department of Commerce				
11.RD	Department of Commerce			ASA	90,286
11.RD	Economic Development Administration			ASA	61,600
11.RD	National Institute of Standards and Technology (NIST)			ASA	18,090
11.RD	National Institute of Standards and Technology			UAA	70,441
11.RD	National Oceanic and Atmospheric Administration (NOAA)			ASA	239,224
11.RD	National Oceanic and Atmospheric Administration			UAA	1,216,103
11.RD		Arizona State University	12-852	UAA	495
11.RD		Columbia University	1 (GG008896)/ NA13OAR4310184	UAA	167,093
11.RD		Pacific States Marine Fisheries Commission	NA11NMF4370212	ASA	7,212
11.RD		ARRA—Purdue University	60NANB10D023	ASA	12,630
11.RD		University of Arizona	NA10OAR4310185	ASA	3,119
11.RD		University of Colorado	1549745/1000193699/NA12OAR4	UAA	23,764
11.RD		University of Oklahoma	2014-05	UAA	2,543
	Department of Commerce Subtotal				1,912,600
	Department of Defense				
12.RD	Advanced Research Projects Agency			ASA	1,250,313
12.RD	Air Force Office of Scientific Research			UAA	4,910,886
12.RD	Air Force Research Laboratory			UAA	237,628
12.RD	Defense Advanced Research Projects Agency			UAA	1,153,021
12.RD	Defense Threat Reduction Agency			NAA	1,142,497
12.RD	Defense Threat Reduction Agency			UAA	399,652
12.RD	Defense Threat Reduction Agency	DSTL Porton Down	DSTL10000080074	NAA	229,440
12.RD	Department of Defense			ASA	2,195,813
12.RD	Department of Defense			NAA	675,285
12.RD	Department of the Air Force, Materiel Command			ASA	2,799,893
12.RD	Department of the Army			NAA	311,685
12.RD	Department of the Navy, Office of the Chief of Naval Research			ASA	5,171,070
12.RD	National Security Agency			ASA	230,234
12.RD	National Security Agency			UAA	35,532
12.RD	Naval Air Warfare Center Aircraft Division			UAA	925,902
12.RD	Naval Surface Warfare Center			UAA	914,748
12.RD	Office of Naval Research			UAA	2,035,018
12.RD	Office of the Secretary of Defense			ASA	4,891,715
12.RD	Space and Naval Warfare Systems Command			UAA	1,299,554
12.RD	U.S. Army Corp of Engineers			NAA	6,739
12.RD	U.S. Army Material Command			ASA	11,442,365
12.RD	U.S. Army Medical Command			ASA	174,341
12.RD	U.S. Department of Defense			UAA	322,695
12.RD	United States Army			UAA	126,009
12.RD	United States Army Corps of Engineers			UAA	1,414,864
12.RD	United States Army Material Command			UAA	31,083
12.RD	United States Army Medical Research Acquisition Activity			UAA	35,483
12.RD	United States Army Medical Research and Material Command			UAA	215,252
12.RD	United States Army Research Office			UAA	17,276
12.RD	United States Army Research, Development and Engineering Command			UAA	339,663
12.RD		American Burn Association	W81XWH-09-2-0194	UAA	88,962
12.RD		Arizona State University	10407	UAA	52,654
12.RD		ASR Corporation	093011-01-084	UAA	17,555
12.RD		BAE Systems	W911QX-13-C-0050	ASA	36,975
12.RD		Barron Associates Inc.	W81XWH-12-C-0055	ASA	17,309
12.RD		Biomedical Research and Education Foundation of Southern Arizona	W81XWH1010745	UAA	9,452
12.RD		Bridger Photonics	W911NF-13-C-0066	UAA	86,232
12.RD		California Institute of Technology	67N-1089127, BACKSTOP	UAA	65,306
12.RD		Carnegie Mellon University	N00014-13-1-0835	ASA	50,444
12.RD		Clarkson University	FA 9550-11-1-0025	ASA	111,943
12.RD		Cornell University	09010049-13091366/W81XWH-09, 63222-9760	UAA	86,988
12.RD		Duke University	FA8650-09-C-2944	ASA	16,977
12.RD		Duke University	10DARPA1099	UAA	213,404
12.RD		Dynamics Research Corporation	GS04T09DBC0017	ASA	7,998
12.RD		Engility Corporation	10121	UAA	87,997

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
12.RD		Environment and Infrastructure Incorporated	F013000007	UAA	97,563
12.RD		FLIR EOC, LLC	10036206	ASA	37,327
12.RD		General Atomics	FA8650-08-C-5039	ASA	4,597
12.RD		Geo-Marine, Inc	W9126G-09-D-0068	ASA	9,080
12.RD		Georgia Institute of Technology	FA2386-10-1-4152	ASA	9,788
12.RD		Georgia Institute of Technology	RB250G1, RB267G2, RD562-G1	UAA	720,058
12.RD		Henry M Jackson Foundation for Advancement of Military Medicine	2324	UAA	18,440
12.RD		Hughes Research Laboratories (HRL)	HR0011-09-C-0001	ASA	54,419
12.RD		Integrated Science Technology Inc	W912HQ-13-C-0059	ASA	32,334
12.RD		Integrated Systems Solutions, Inc.	N68335-10-C-0280	ASA	90,453
12.RD		IntelliWare	13013157	ASA	111,993
12.RD		iRobot Corporation	92003	UAA	237,870
12.RD		Jem Engineering	N68335-13-C-0082	ASA	159,305
12.RD		Kentucky BioProcessing	HR0011-12-C-0103	ASA	95,148
12.RD		Louisiana State University	W91ZSQ1022N626	UAA	17,168
12.RD		Luna Innovations, Inc.	W911QX-13-C-0162	ASA	33,000
12.RD		Massachusetts Institute of Technology	7000219465, 7000270214	UAA	3,343
12.RD		Michigan State University	FA8650-09-C-1619	ASA	21,281
12.RD		MicroBioSystems, LP.	M67854-12-C-6530, N00014-12-C-0540	UAA	580,323
12.RD		Mississippi State University	FA9550-12-1-0135	ASA	46,032
12.RD		MIT: Massachusetts Institute of Technology	FA8721-05-C0002	ASA	23,909
12.RD		New Mexico State University	FA9550-13-1-0022	ASA	41,574
12.RD		New Mexico State University	Q01609	UAA	32,259
12.RD		Northrop Grumman	HR0011-09-C-0132	ASA	431,567
12.RD		Northwestern University	N00014-11-1-0729	ASA	415,732
12.RD		NuTrek	FA8650-12-M-1463	ASA	15,833
12.RD		Ohio State University	FA8650-13-2-2347	ASA	142,105
12.RD		Oregon State University	W912HQ-12-C-0004	ASA	77,931
12.RD		Pacific Northwest National Laboratory	162863	NAA	222,841
12.RD		Pennsylvania State University	W911NF-09-1-0525	ASA	258,423
12.RD		Princeton University	FA9550-09-1-0643	ASA	202,107
12.RD		QUASAR Federal Systems, Incorporated	HR001110C0102	UAA	17,822
12.RD		Radiation Monitoring Devices Inc.	HDTRA1-11-1-0028	ASA	261,968
12.RD		Renaissance Sciences Corporation	N68335-13-C-0136	ASA	166,468
12.RD		SA Photonics	7125-UAZ1208, 7126-UAZ1207	UAA	44,903
12.RD		Sandia Research Corporation	W91NF-13-C-0060	ASA	29,058
12.RD		Silvus Technologies, Inc.	W31P4Q-13-C-0150	ASA	5,296
12.RD		Space Micro, Inc.	NRO000-12-R-0536	ASA	251,624
12.RD		Spectral Energies, LLC	N00014-14-C-0095	ASA	79,662
12.RD		SRI International	19000240HR001112C0	UAA	169,413
12.RD		State University of New York	1098964359361	UAA	193,699
12.RD		Technical Data Analysis, Inc.	1079-001-03	ASA	2,799
12.RD		Texas A & M University	HDTRA1-13-1-0030	ASA	99,174
12.RD		Texas Engineering Experiment Station	A5931	UAA	165,319
12.RD		The Learning Chameleon, Inc.	W31P4Q-12-C-0166	ASA	15,402
12.RD		The MITRE Corporation	W15P7T-12-C-F600	ASA	4,275
12.RD		Universal Technology Corporation	FA8650-10-D-3037	ASA	75,031
12.RD		University Corporation for Atmospheric Research	Z1395996	UAA	36,536
12.RD		University of Arizona	FA9550-14-1-0073	ASA	12,535
12.RD		University of California-Berkeley	W911NF-07-1-0314	ASA	5,714
12.RD		University of California - Davis	N00014-11-1-0108	ASA	1,837
12.RD		University of California, Los Angeles	1295GNA114	UAA	190,584
12.RD		University of California, Riverside	S000622	UAA	303,613
12.RD		University of California, San Diego	43103402/S9000370/N00014-13	UAA	151,064
12.RD		University of California-Santa Barbara	N00014-10-1-0937	ASA	126,713
12.RD		University of California, Santa Barbara	KK1305	UAA	16,146
12.RD		University of Central Florida	N00014-06-1-0446	ASA	2,500
12.RD		University of Colorado-Boulder	W912HQ-13-C-0035	ASA	152,631
12.RD		University of Florida	UFEIES1205019UAZ	UAA	7,915
12.RD		University of Illinois-Champaign/Urbana	W911NF-13-1-0193	ASA	523,771
12.RD		University of Illinois at Urbana-Champaign	2013-03174-02 (AA669)	UAA	109,867
12.RD		University of Maryland	N00014-12-1-0124	ASA	50,516
12.RD		University of Memphis	W81XWH-11-2-0171	ASA	56,317
12.RD		University of Michigan	W911NF-11-1-0391	ASA	172,550
12.RD		University of Michigan	3002950075/N65540-10-C-0003	UAA	35,785
12.RD		University of Minnesota	A001650204, A003571415	UAA	293,379
12.RD		University of New Mexico	271397-87E6	UAA	46,620

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
12.RD		University of North Carolina at Chapel Hill	5-55037	UAA	203,001
12.RD		University of Oklahoma	2012-14	UAA	91,457
12.RD		University of Oxford	N66001-10-1-4061	ASA	102,214
12.RD		University of Pennsylvania	N00014-08-1-0696	ASA	72,190
12.RD		University of Southern California	HR0011-11-C-0067	ASA	118,607
12.RD		University of Tennessee	8500017317	UAA	200,960
12.RD		University of Texas at Austin	FA9550-12-1-0494	ASA	107,205
12.RD		University of Wisconsin System	483K814	UAA	132,066
12.RD		Vanderbilt University	HDTRA1-11-1-0033	ASA	49,671
12.RD		Wyle Laboratories	HC1047-05-D-4005	ASA	101,802
12.RD		Zona Technology, Inc.	FA9550-13-C-0022	ASA	96,027
	Department of Defense Subtotal				55,283,361
	Department of Housing and Urban Development				
14.RD	Department of Housing and Urban Development			ASA	187,392
14.RD		City of Phoenix Planning Department	CCPAZ0044-11	ASA	190,175
14.RD		International City/County Management Association	H21624RG	ASA	8,222
	Department of Housing and Urban Development Subtotal				385,789
	Department of the Interior				
15.RD	Bureau of Indian Affairs			UAA	48,936
15.RD	Bureau of Land Management			ASA	179,193
15.RD	Bureau of Land Management			NAA	361,360
15.RD	Bureau of Land Management			UAA	241,787
15.RD	Bureau of Reclamation			ASA	140,382
15.RD	Bureau of Reclamation			NAA	194,116
15.RD	Bureau of Reclamation			UAA	493,813
15.RD	Bureau of Reclamation	Arizona State University	13-076	NAA	23,967
15.RD	Department of the Interior			ASA	65,982
15.RD	Fish and Wildlife Service			NAA	18,300
15.RD	Fish and Wildlife Service	Idaho Department of Fish and Game	N/A	NAA	2,156
15.RD	International Boundary and Water Commission			UAA	41,689
15.RD	Joint Fire Science Program			UAA	22,440
15.RD	National Park Service			ASA	6,402
15.RD	National Park Service			NAA	753,763
15.RD	National Park Service			UAA	1,285,385
15.RD	National Park Service	Arizona State University	LOU 13-247	NAA	1,902
15.RD	United States Fish and Wildlife Service			UAA	741,445
15.RD	United States Geological Survey			UAA	3,297,569
15.RD	U.S. Geological Survey			ASA	86,653
15.RD	U.S. Geological Survey			NAA	1,150,421
15.RD		Arizona Department of Agriculture	16 2012-2013-01, AZE66	UAA	11,301
15.RD		Arizona Game and Fish Department	1434-03HQRU1580/T011-3, 1434-13HQRU1580/13-1, 1434-O3HQRU1580, Agreement Dated 11/29/2011	UAA	32,475
15.RD		Bat Conservation International Inc.	L09AC15886	NAA	429
15.RD		Conservation Northwest	N/A	NAA	11,001
15.RD		Desert Botanical Garden	03052013	NAA	46,825
15.RD		Louisiana State University	50786	UAA	2,351
15.RD		Nature Conservancy	AZFO-130116, NMFO-120511	UAA	5,591
15.RD		Nevada System of Higher Education, Board of Regents	663.4105.01	UAA	19,641
15.RD		University of Alaska, Fairbanks	M07AC12496	ASA	6,139
15.RD		University of Arizona-Water Research Resources Center	G11AP20065	ASA	10,000
15.RD		University of California, Berkeley	7992	UAA	4,536
15.RD		University of California Davis	201120800-02	NAA	1,157
15.RD		University of Houston	R080140	UAA	596
15.RD		University of Montana	PG126570502	UAA	2,763
15.RD		University of Southern California	G12AC20038	ASA	32,781
15.RD		University of Texas at San Antonio	155055UAZ	UAA	125,204
15.RD		University of Wyoming	1001202, 1001524UAZ	UAA	1,526
	Department of the Interior Subtotal				9,471,977
	Department of Justice				
16.RD	Department of Justice			ASA	326,562
16.RD	National Institute of Justice			ASA	63,388
16.RD	National Institute of Justice			UAA	39,053
16.RD	United States Department of Justice			UAA	219,721
16.RD		Arizona Governor's Office for Children	Unknown	ASA	72,108
16.RD		Glendale, City of-Police Department	211-MU-BX-0024	ASA	30,024
16.RD		Governors Office for Children Youth and Families	Unknown	ASA	23,039

See accompanying notes to schedule.

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
16.RD		Johns Hopkins University	2008-WG-BX-0002	ASA	42,950
16.RD		Oregon Social Learning Center	2013-VA-CX-0007	ASA	3,665
16.RD		Phoenix Police Department	2011-DB-BX-0018	ASA	54,723
16.RD		University of Illinois-Champaign/Urbana	2011-05299-02	ASA	10,638
16.RD		Westat, Inc.	2010-NV-CX-K077	ASA	77,330
	Department of Justice Subtotal				963,201
	Department of Labor				
17.RD	Department of Labor			UAA	105,711
17.RD		Arizona Diversity Business Development Center, Inc.	AGR12051072	ASA	166,943
17.RD		Maricopa County Department of Human Services (Head Start)	Unknown	ASA	81,582
	Department of Labor Subtotal				354,236
	Department of State				
19.RD	Department of State			ASA	133,089
19.RD		American Councils for International Education	S-ECAPY-11-CA-134-sub1	ASA	85,412
19.RD		Heartland Alliance for Human Needs and Human Rights	S-LMAQM-11-GR-1076	ASA	21,093
19.RD		Institute of International Education	N/A	NAA	3,495
19.RD		National Academy Of Science	PGAP210853	UAA	93,021
	Department of State Subtotal				336,110
	Department of Transportation				
20.RD	Department of Transportation			ASA	421,188
20.RD	Federal Aviation Administration (FAA)			ASA	183,380
20.RD	Federal Highway Administration			UAA	232,866
20.RD		ADOT Research Center	PO	ASA	4,526
20.RD		Arizona Department of Transportation	ADOT11-002958	ASA	14,168
20.RD		Booz-Allen Hamilton	DTH61-12-D-00041	ASA	153,796
20.RD		Kittelson & Associates, Incorporated	13514/11074/DTFH61-12-D-000	UAA	6,049
20.RD		Missouri University of Science & Technology	00043620-01	UAA	34,093
20.RD		NAS-National Academy of Sciences	DTFAWA-06-P-00007	ASA	4,394
20.RD		National Academy Of Science	SHRP L-35(A)	UAA	200,174
20.RD		Oregon State University	T0013G-I, T0013G-I TASK ORDER #1	UAA	82,639
20.RD		Resource Systems Group, Inc.	DTFH61-11-C-00015	ASA	30,154
20.RD		Texas A & M University	SP&R ITEM 2261/SPRY-0010	ASA	21,689
20.RD		University of Colorado, Denver	DTPH56-13-H-CAAP04	ASA	760
20.RD		University of Maryland	DTRT13GUTC30	ASA	16,825
20.RD		University of Nevada, Reno	DTRT13-G-UTC55	ASA	8,401
20.RD		University of Virginia	GS11255 144094/105204, PO 1207075	UAA	293,998
	Department of Transportation Subtotal				1,709,100
	National Aeronautics and Space Administration				
43.RD	NASA-Ames Research Center			ASA	2,204,482
43.RD	NASA-Goddard Space Flight Center			ASA	14,745,351
43.RD	NASA Goddard Space Flight Center			UAA	46,993,690
43.RD	NASA Headquarters			UAA	14,481,279
43.RD	NASA—Hugh L. Dryden Flight Research Center			ASA	119,348
43.RD	NASA Kennedy Space Center			UAA	29,758
43.RD	NASA Langley Research Center			UAA	50,886
43.RD	NASA-Lyndon B. Johnson Space Center			ASA	146,823
43.RD	NASA Marshall Research Center			UAA	284,957
43.RD	National Aeronautics and Space Administration			NAA	561,672
43.RD	Smithsonian Astrophysical Observatory			UAA	106,093
43.RD	Smithsonian Institution			UAA	10,576
43.RD		American Geological Institute	NNX10AD33A; PR# 420032242	ASA	28,097
43.RD		Analytical Mechanics Associates, Incorporated	T00269FY14/1602-TEAMS2	UAA	41,231
43.RD		Arizona State University	7790	UAA	87,961
43.RD		Association of University's for Research in Astronomy	N06504C-N	NAA	24,977
43.RD		Association of Universities for Research in Astronomy, Incorporated	48173, 48376	UAA	50,704
43.RD		California Institute of Technology	NNX14AF26G	ASA	124,712
43.RD		California Institute of Technology	21091253, 21094131	UAA	211,898
43.RD		Carnegie Institution for Science	DTM325002	UAA	102,395
43.RD		Carnegie Institution of Washington	NASW00002	ASA	363,308
43.RD		Carnegie Institution of Washington	9-10307-01	NAA	46,149
43.RD		CFD Research Corporation	NNX13CM16P	ASA	33,199
43.RD		Cornell University	393616455	ASA	40,513

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
43.RD		Global Engineering and Materials, Inc.	FFP-2012-SK-0625	ASA	52,635
43.RD		Jacobs Technology Inc	NNJ13HA01C	ASA	10,706
43.RD		Jet Propulsion Laboratory (JPL)	1383500, 1412578, 1444481, 1455718, 71-0819, 71-1043, NAS703001, NAS71407, NMO710076, NMO710805, NMO710819, NMO710824, NMO710947, NMO7-11016, NMO711040, NMO711043, NMO711074, NMO711085, NMO716304, NNN12AA01C, NNN13D777T, NNN13D8347	ASA	4,237,371
43.RD		Jet Propulsion Laboratory	RSA 1485084, RSA 1373682, RSA 1439888	NAA	41,449
43.RD		Jet Propulsion Laboratory	1226582, 1228726, 1236412, 1243073, 1270067, 1272218, 1319248, 1350372, 1407200, 1407263, 1409994, 1422779, 1430662, 1431141, 1431372, 1433898, 1439921, 1440265, 1489670/NNN12AA01C, 1490229, 1494629, 1499571/NNN12AA01C	UAA	6,732,205
43.RD		Johns Hopkins University	108904, 117973/NNX13AQ17G	UAA	21,921
43.RD		Johns Hopkins University Applied Physics Laboratory	NNX10AC6G	ASA	21,138
43.RD		Lowell Observatory	2011-71262	NAA	19,556
43.RD		Malin Space Science Systems, Inc.	11-0124	ASA	322,943
43.RD		National Institute of Aerospace	C13-2900-UA/2976-UA	UAA	60,940
43.RD		Northwest Research Laboratories	NASA S047P	ASA	66,063
43.RD		Pennsylvania State University	NNA09DA76A	ASA	50,547
43.RD		Planetary Science Institute	NNX10AM83G	ASA	16,993
43.RD		Planetary Science Institute	1319	NAA	918
43.RD		Planetary Science Institute	1291, 595	UAA	8,213
43.RD		Purdue University	NMX11AG04G	ASA	4,958
43.RD		Rensselaer Polytechnic Institute	NNX13AQ22G	ASA	43,436
43.RD		Rensselaer Polytechnic Institute	B10554	UAA	2,198
43.RD		Science Systems and Applications, Incorporated	21101-12-065	UAA	53,299
43.RD		Seti Institute	SC3061	UAA	8,824
43.RD		SGT, Inc Stinger Ghaffarian Techologies, Inc	NNA08CG83C	ASA	261
43.RD		Southwest Research Institute	1415GC0049, 699053X, D99004L, D99030L	UAA	174,927
43.RD		Space Micro, Inc.	T15.01-9798	ASA	92,473
43.RD		Space Science Institute	00587	NAA	6,031
43.RD		Space Telescope Science Institute	HST-AR-12657.01-A, HST-GO-12190.08-A, HST-GO-12511.08-A, NAS526555, NAS526555, NAS526555, NAS526555, NAS526555, NAS526555, NAS526555, NAS526555, NAS526555	ASA	431,094
43.RD		Space Telescope Science Institute	HSTAR1212101A, HSTAR1213202A, HSTAR1215501A, HSTAR1261801A, hstar1262401a, HSTAR1265204A, HSTAR1282701A, HSTAR13251.01A, HSTG01169702A, HSTG01303401A, HSTGO1157601A, HSTGO1158503A, HSTGO1159101A, HSTGO1160001A, HSTGO1167403A, HSTGO1170207A, HSTGO1206062A, HSTGO1217708A, HSTGO1218112A, HSTGO1218401A, HSTGO1218801A, HSTGO1222801A, HSTGO1224805A, HSTGO1226403A, HSTGO1228608A, HSTGO1232901A,	UAA	1,221,492

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
			HSTGO1233205A, HSTGO1247301A, HSTGO1248701A, HSTGO1249301A, HSTGO1249601A, HSTGO12511009A, hstgo1252802a, HST-GO-12547.08-A, HSTGO1255001A, HSTGO1255101A, HSTGO1260303A, HSTGO1260601A, HSTGO1260603A, HSTGO1261602A, HSTGO1261603A, HSTGO1265913A, HSTGO1286101A, HSTGO1287004A, HSTGO1289405A, HSTGO1292301A, HSTGO12924.01A, HST-GO-12937.01-A, HSTGO1295402A, HSTGO12956, HSTGO1304201, HSTGO1306701A, HST-GO-13176.01-A, HSTGO13390001A, HSTGO1339101A, HSTGO13411001A, HSTGO13431005A, HSTHF5129901A, HSTHF5131801A		
43.RD		Stony Brook University	54347	UAA	35,513
43.RD		United Negro College Fund Special Program	CK17978	UAA	14,132
43.RD		Universities Space Research Association	NNJ11HE31A	ASA	25,726
43.RD		Universities Space Research Association	03450-45, 217301, 3577004	UAA	19,538
43.RD		University Corporation for Atmospheric Research	Z1293566	UAA	54,237
43.RD		University of Arizona	NNS10AI41H	ASA	443,498
43.RD		University of California, Berkeley	8264	UAA	79,668
43.RD		University of Colorado, Boulder	NNA09DB30A	ASA	83,366
43.RD		University of Colorado, Boulder	1000008166	UAA	39,206
43.RD		University of Hawaii	MA130025	UAA	19,906
43.RD		University of Maryland	NNX11AB42G	ASA	45,353
43.RD		University of Pennsylvania	NNX13AE50G	ASA	43,276
43.RD		University of Tennessee	OR14020-001.02	NAA	25,729
43.RD		University of Washington	758684	UAA	13,171
43.RD		University of Wisconsin System	383K342	UAA	14,090
43.RD		Wellesley College	NNX12AG61G	ASA	22,567
	National Aeronautics and Space Administration Subtotal				95,571,626
	National Endowment for the Arts				
45.RD	National Endowment for the Arts			ASA	50,001
	National Endowment for the Arts Subtotal				50,001
	National Endowment for the Humanities				
45.RD	National Endowment for the Humanities			ASA	186,918
45.RD	National Endowment for the Humanities			UAA	14,923
45.RD	National Foundation for the Arts and Humanities			ASA	1,850
45.RD		American Academy in Rome	LTR DTD 031312	UAA	1,383
45.RD		Arizona Humanities Council	BC-50556-10	ASA	1,241
	National Endowment for the Humanities Subtotal				206,315
	Institute of Museum and Library Services				
45.RD	Institute of Museum and Library Services			UAA	30,814
	Institute of Museum and Library Services Subtotal				30,814
	National Science Foundation				
47.RD	National Science Foundation			ASA	49,781,127
47.RD	ARRA—National Science Foundation			ASA	602,628
47.RD	National Science Foundation			NAA	2,911,540
47.RD	ARRA—National Science Foundation			NAA	32,942
47.RD	National Science Foundation			UAA	55,800,320
47.RD	ARRA—National Science Foundation			UAA	1,135,302
47.RD		American Physical Society	0808790	ASA	83,315
47.RD		American Society for Engineering Education	1224217	ASA	84,825

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
47.RD		Arizona State University	11428, 12728, 12-877, 13-008, 13-999, F2013UR0024HRD1101728, F2013UR0029HRD1101728, F2013UR0030HRD1101728, KM20051-11-601/SUB11UR, KMS00191157SUBF10UR009, KMS0051-11-62/SUB, KMS0051-11-62/SUB/V12UR016/, KMS00511163/SUB, KMS0051-11-63/SUB, KMS0051-11-63/SUB/F12UR003, KMS0051-11-63/SUB/F12UR004/, KMS0051-11-63/SUB/F12UR005/, KMS0051-11-64/S13UR011/S201, KMS00511164/SUB, KMS0051-11-63/SUB/F12UR006/, KMS00511163/SUB/F12UR024, KMS0051-1163-SUB/F12UR013/F, KMS0051-11-64/SUB, KMS0051-11-64/SUB/S13UR00, KMS0051-11-64/SUB/S13UR0041, KMS0051-11-64/SUB/S13UR005/, KMS00511165, KMS0051-11-65/V13UR009/V201, KMS0051-11-65/V13UR010/V201, KMS0051-11-65/V13UR012/V2, KMS0051-11-65/V13UR013/V201, KMS0051-11-65/V13UR014/V201, KMS00511166 SUB, KMS0051-11-66/F13UR009/F201, KMS0051-11-66/SUB, KMS0051-11-66/SUB/F13UR015, KMS0051-11-67/SUB, KMS0051-11-67/SUB/S14UR004/, KMS0051-11-67/SUB/S14UR005/, KMS0051-11-67/SUB/S14UR006/, KMS0051-11-67/SUB/S14UR007/, KMS00511167/SUB/S14UR010, KMS00511167/SUB/S14UR025, KMS00511167SUBSI4UR021S2014, V13UR007/V2013ur0016, V2013gp0002/V13CC002, V2014gp0002/V14CC002/HRD-11	UAA	723,194
47.RD		Associated Universities Incorporated	AGREEMENT DATED 01/04/2013	UAA	44,321
47.RD		Association of Universities for Research in Astronomy, Incorporated	C10563N, C10566A, C10646A, N032937C-L	UAA	40,027
47.RD		ARRA—Association of Universities for Research in Astronomy, Incorporated	C22026SB, N10008C-A	UAA	4,261,031
47.RD		Bethel University	LTR DTD 042313	UAA	3,671
47.RD		ARRA—Cal Poly Pomona Foundation, Inc.	AST0847170	UAA	99,573
47.RD		California State Los Angeles University Auxiliary Services, Incorporated	UA230956	UAA	40,306
47.RD		Colorado State University	DEB-1354732	ASA	20,023
47.RD		Colorado State University	G30628	UAA	17,196
47.RD		Computing Research Association	1136966	ASA	18,173
47.RD		Consortium for Ocean Leadership	BA-98	NAA	26,174
47.RD		Consortium for Ocean Leadership	BA-50/Exp. 342	UAA	1,787
47.RD		Consortium of Universities for the Advancement of Hydrologic Science, Incorporated	EAR0753521	UAA	6,868
47.RD		Cornell University	0335765	ASA	624,946
47.RD		George Mason University	1160820	ASA	10,853
47.RD		Georgia Institute of Technology	1200925	ASA	33,730
47.RD		Georgia Institute of Technology	RC866-G1	UAA	10,419
47.RD		Indiana University	0855852	ASA	134
47.RD		Inter-American Institute for Global Change Research (Brazil)	SGP-CRA #005	UAA	124,862
47.RD		Internet2	1032468	UAA	134,863

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
47.RD		ARRA—Johns Hopkins University	2001328850	UAA	34,612
47.RD		Large Synoptic Survey Telescope Corporation	C44007L	UAA	31,162
47.RD		Loyola Marymount University	15-2-26115-65457	ASA	803
47.RD		Maricopa Community Colleges	DUE 1103080	ASA	83,312
47.RD		Massachusetts Institute of Technology	57000XXXX/AST1310896, 5710002812	UAA	12,700
47.RD		Mathematical Association of America	1122965	ASA	16,870
47.RD		Medipacs, LLC	LTR DTD 043009	UAA	15,176
47.RD		Membrane Technology and Research, Inc.	1127395	ASA	72,129
47.RD		Michigan State University	RC101209UA	UAA	124,262
47.RD		Michigan Technological University	111009022	NAA	45,205
47.RD		MIT: Massachusetts Institute of Technology	1334109	ASA	3,958
47.RD		NanoVoltaix, Inc.	1152665	ASA	65,189
47.RD		National Academy of Engineering	SES-1355547	ASA	10,087
47.RD		National Center for Atmospheric Research (NCAR)	1331490	ASA	84,391
47.RD		National Radio Astronomy Observatory	339095, 341287, PO#341379	UAA	38,268
47.RD		National Writing Project	DRL-1224161	ASA	19,994
47.RD		NEON, Incorporated	1010-215-AOP/EF-1029808	UAA	9,884
47.RD		New Jersey Institute of Technology	1100622	ASA	18,140
47.RD		ARRA—New Jersey Institute of Technology	CNS-0844972	ASA	172,417
47.RD		North Carolina State University	DMS-0946431	ASA	513,447
47.RD		North Carolina State University	2009271903, 2009271905	UAA	165,253
47.RD		Northern Arizona University	1156953	ASA	20,575
47.RD		Northwestern University	SP0011313/PROJ0003099	UAA	27,664
47.RD		Oregon State University	1140207	ASA	19,545
47.RD		Pennsylvania State University	DBI-0850013	ASA	76,381
47.RD		ARRA—Purdue University	0846358	ASA	214,233
47.RD		Rochester Institute of Technology	CMMI-1031690	ASA	545
47.RD		Santa Fe Institute	SFI20130925	UAA	70,247
47.RD		South Dakota State University	1010465	ASA	19,410
47.RD		Space Micro, Inc.	4086	ASA	222,077
47.RD		Stanford University	0936421	ASA	55,138
47.RD		State University of New York, Buffalo	DBI1231306	ASA	628,766
47.RD		ARRA—The University of Texas, Pan American	41BIOL01002	UAA	15,897
47.RD		University of Alaska-Fairbanks	ARC-0909570	ASA	30,000
47.RD		University of Arizona	EEC-0812072	ASA	459,463
47.RD		University of California, Berkeley	EEC-0540879	ASA	29,999
47.RD		University of California, Los Angeles	0521 G QA280	UAA	11,259
47.RD		University of California Santa Cruz	1316834	ASA	48,414
47.RD		University of California-Santa Cruz	S0184090	NAA	160,496
47.RD		University of California, Santa Cruz	S01814138, S0184224/DRL-1316834	UAA	59,932
47.RD		University of Chicago	FP048906	UAA	33,261
47.RD		University of Colorado	1550458	UAA	49,637
47.RD		ARRA—University of Connecticut Health Center	UCHC641994635	UAA	25,316
47.RD		University of Georgia	SES-1061966	ASA	24,842
47.RD		University of Georgia	RC3981134787086	UAA	22,636
47.RD		University of Georgia Research Foundation, Incorporated	RR218-130/4353648/DRL131623	UAA	11,714
47.RD		University of Illinois-Champaign/Urbana	ECCS-11022201	ASA	485,776
47.RD		University of Iowa	1338471	ASA	8,939
47.RD		University of Maine	0817282	ASA	4,222
47.RD		University of Maryland	DRL1157534	ASA	86,193
47.RD		University of Massachusetts	11-006642 H 00/ CMMI-102502	UAA	1,778
47.RD		University of Michigan	0729709	ASA	7,609
47.RD		University of Minnesota	DUE-1355431	ASA	43,115
47.RD		University of Montana	PG116603302	UAA	37,789
47.RD		University of Nevada - Las Vegas	0968421	ASA	65,973
47.RD		University of Nevada Las Vegas	OISE-0968421	NAA	69,223
47.RD		University of Nevada, Reno	113GC000078	UAA	19,003
47.RD		University of New Hampshire	12029	UAA	77,017
47.RD		University of New Mexico	3RK06, 707474873W, 707699-873W	UAA	164,387
47.RD		University of North Carolina, Chapel Hill	OCI-0940841	ASA	63,539
47.RD		University of North Carolina at Chapel Hill	537024	UAA	453
47.RD		University of Notre Dame	0822648	ASA	1,090
47.RD		University of Pittsburgh	1038139	ASA	63,690
47.RD		University of Pittsburgh	0029006 (011510-1)	UAA	6,954

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
47.RD		University of South Florida	DUE-1322586	ASA	9,313
47.RD		University of Southern California	1033462	ASA	32,648
47.RD		University of Southern California	34208415	UAA	30,870
47.RD		University of Tulsa	1262201	ASA	27,828
47.RD		University of Utah	1137336	ASA	59,325
47.RD		University of Washington	AST-1206552	ASA	57,325
47.RD		University of Washington	594594, 748104	UAA	38,376
47.RD		University of Wisconsin-Madison	1265737	ASA	21,484
47.RD		University of Wisconsin-Madison	P648955	UAA	38,925
47.RD		US Civilian Research and Development Foundation	RUC17075011EK12	UAA	5,736
47.RD		Vanderbilt University	1252380	ASA	551,155
47.RD		Virginia Tech	0938047	ASA	102,542
47.RD		Washington State University	115140 G002786/IOS-1044821	UAA	860
	National Science Foundation Subtotal				122,731,993
	Smithsonian Institution				
60.RD	Smithsonian Astrophysical Observatory			UAA	1,214,725
60.RD	Smithsonian Institution			UAA	2,210
	Smithsonian Institution Subtotal				1,216,935
	Department of Veterans Affairs				
64.RD	Department of Veterans Affairs			ASA	44,786
64.RD	Department of Veterans Affairs			UAA	117,314
64.RD	Phoenix VA Health Care System			UAA	30,648
	Department of Veterans Affairs Subtotal				192,748
	Environmental Protection Agency				
66.RD	Environmental Protection Agency			NAA	132,991
66.RD	Environmental Protection Agency			UAA	74,636
66.RD	Office of Research and Development (ORD)			ASA	248,365
66.RD		Arizona Department of Environmental Quality	ADEQ13-045550	UAA	30,770
66.RD		Border Environmental Cooperation Commission	unknown	ASA	1,244
66.RD		Border Environment Cooperative Commission	TAA13-004	UAA	24,998
66.RD		HDR Engineering Inc.	CR-83419201-0	ASA	29,690
66.RD		Lockheed Martin Corporation	4100825934	UAA	22,607
66.RD		Metropolitan Water District of Southern California	EM-83484801	ASA	46,704
66.RD		Water Research Foundation	CR83419201	ASA	38,450
66.RD		Watershed Management Group	LTR DTD 020912	UAA	1,067
	Environmental Protection Agency Subtotal				651,522
	Department of Energy				
81.RD	Department of Energy			ASA	10,376,484
81.RD	ARRA—Department of Energy			ASA	3,150,517
81.RD	Department of Energy			NAA	325,061
81.RD	Department of Energy			UAA	5,907,650
81.RD	ARRA—Department of Energy			UAA	2,524,773
81.RD	National Nuclear Security Administration			UAA	315,598
81.RD	Western Area Power Administration			UAA	30,784
81.RD		Alliance for Sustainable Energy, LLC.	XXL32345202	UAA	101,404
81.RD		American Indian Science and Engineering Society	N/A	NAA	18,296
81.RD		Applied Materials	DE-AR0000360	ASA	276,810
81.RD		Arbsource LLC	12071747	ASA	10,059
81.RD		Argonne National Laboratory	DE-AC02-06CH11357, unknown	ASA	19,306
81.RD		Arizona Commerce Authority	AZERCG-2014-02	UAA	131,159
81.RD		Arizona Public Service (APS)	DE-EE-0002060	ASA	250,783
81.RD		Arizona State University	BACKSTOP	UAA	2,461
81.RD		Battelle Energy Alliance	90304	UAA	104,442
81.RD		Brookhaven National Laboratory	DE-AC02-98CH10886	ASA	14,080
81.RD		Brookhaven National Laboratory	101340, 107946, 184712, 241451, 26197/DE-AC02-98CH10886, 74201	UAA	854,393
81.RD		Brookhaven Science Associates, LLC	229873	UAA	8,303
81.RD		ARRA—City of Phoenix	EMCBC-00622-10	ASA	413,687
81.RD		Colorado School of Mines	unknown	ASA	77,936
81.RD		Cooper Tire & Rubber Company	2012-10006-19391	ASA	107,298
81.RD		Electricore, Inc.	DE-EE0006339	ASA	8,416
81.RD		Governor's Office of Energy Policy	DE-EE-0005693	ASA	2,352
81.RD		Harvard University	1237565052017	UAA	87,050
81.RD		Indiana University	DE-EE-0005379	ASA	15,010

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
81.RD		International Business Machines Corporation	4913003809/DE-E0006017.000	UAA	108,767
81.RD		Lawrence Berkeley National Laboratory	DE-AC02-05CH2231	ASA	14,081
81.RD		ARRA—Lawrence Berkeley National Laboratory	DE-AC02-05CH11231	ASA	44,542
81.RD		Lawrence Berkeley National Laboratory	7076948	UAA	86,375
81.RD		Lawrence Livermore National Laboratory	DE-AC52-07NA27344	ASA	21,724
81.RD		Lawrence Livermore National Security, LLC.	B599675	UAA	269,002
81.RD		Los Alamos National Laboratory	DE-AC52-06NA25396	ASA	111,591
81.RD		Los Alamos National Laboratory	269276	NAA	3,747
81.RD		Los Alamos National Laboratory	108604-1, 232325-1/DE-AC52-06NA25396, 8668400110119319	UAA	56,446
81.RD		Mississippi State University	03881436296401	UAA	89,485
81.RD		National Renewable Energy	AFC-3-23035-01, AFC-3-23405-01,	NAA	46,762
81.RD		National Renewable Energy Laboratory	DE-AC36-08GO28308	ASA	241,026
81.RD		Navajo Technical College	DE-ED0000129	ASA	20,277
81.RD		Oak Ridge National Laboratory	4000120230	NAA	11,283
81.RD		Pennsylvania State University	DE-FG02-98ER20314	ASA	27,687
81.RD		Radiation Monitoring Devices Inc.	DE-SC0008292	ASA	58,631
81.RD		Sandia National Laboratories	1094391, 1117664, 1163638, 1163638/1293105, 1163638/1377633, 1163638/1387184, 1203436, 1246768, A03341154924, A03341156627	UAA	369,674
81.RD		Sandia National Laboratory	1144250, 1111357, PO 1177845	ASA	175,884
81.RD		Sharp Laboratories of America, Incorporated	SLA465UA/DE-AR0000465	UAA	5,101
81.RD		Stanford University	DE-EE-0004946	ASA	557,781
81.RD		Stanford University	85948	UAA	4,677
81.RD		Texas Engineering Experiment Station	DE-AR00000220	ASA	223,256
81.RD		Uchicago Argonne LLC	N/A	NAA	20,388
81.RD		University of Arizona	DE-EE-0005942	ASA	89,040
81.RD		University of Colorado, Boulder	1548804	UAA	53,936
81.RD		University of Florida	DE-NA0002378	ASA	17,849
81.RD		University of Michigan	3002937712	UAA	24,164
81.RD		University of North Carolina Charlotte	DE-EE0006133	ASA	33,006
81.RD		University of Wyoming	DE FOA 0000287	ASA	111,950
81.RD		Vanderbilt University	19067S5	UAA	195,689
81.RD		Washington State University	113354G002583	UAA	23,644
81.RD		ARRA—Western Electricity Coordinating Council	DE-OE0000423	ASA	151,409
	Department of Energy Subtotal				28,402,986
	Department of Education				
84.RD	Department of Education			UAA	1,603,209
84.RD	Institute of Education Sciences			ASA	2,704,351
84.RD	Office of Elementary and Secondary Education			ASA	660,657
84.RD	Office of Postsecondary Education			ASA	788,245
84.RD	Office of Special Education and Rehabilitative Services			ASA	566,933
84.RD		Arizona Board of Regents	AGR 01/01/02	ASA	159,847
84.RD		Arizona Department of Education	E8PD3273	ASA	123,057
84.RD		Arizona Department of Education	11-32-ED, 13-23-ED	UAA	583,000
84.RD		Arizona State University	LOU 13-211	NAA	139,136
84.RD		Arizona State University	13-209	UAA	104,449
84.RD		Blackwater Community School	S299A130020	ASA	14,009
84.RD		Center for Applied Special Technology	R305A110333	ASA	224,857
84.RD		Florida State University	R305F100027	ASA	134,213
84.RD		Georgia State University	R324C120001	ASA	13,415
84.RD		Georgia State University	SP00010919-01	UAA	249,449
84.RD		National Writing Project	09-AZ04-SEED2012	ASA	17,176
84.RD		Ohio State University	60023887	ASA	914,762
84.RD		Pennsylvania State University	R305A130327	ASA	115,805
84.RD		Public Broadcasting Service (PBS)	U295A100025	ASA	21,341
84.RD		Rutgers University	S374A120060	ASA	35,502
84.RD		Salus University	83401	UAA	31,098
84.RD		Sunnyside Unified School District	D132174	UAA	164,103
84.RD		Thomas Jefferson University	H327X070003	ASA	37,593
84.RD		University of California, Los Angeles	R305C080015	ASA	2,441
84.RD		University of Kansas	H326Y120005	ASA	16,568
84.RD		University of Memphis	R305A090528-12	ASA	35,077
84.RD		University of North Texas	R305A120808	ASA	223,483

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
84.RD		University of Oregon	R324C110004	ASA	998,448
84.RD		University of Tennessee	R32A120085	ASA	39,986
84.RD		University of Texas - El Paso	P120A130061	ASA	55,469
84.RD		WestEd	5814S09052	UAA	89,614
84.RD		Western Michigan University	6840	UAA	68,766
	Department of Education Subtotal				10,936,059
	Smithsonian Institution				
85.RD	Smithsonian Astrophysical Observatory			UAA	29,716
	Smithsonian Institution Subtotal				29,716
	Morris K. Udall Foundation				
85.RD	Stewart L. Udall and Morris K. Udall Foundation			UAA	237,798
	Morris K. Udall Foundation Subtotal				237,798
	National Archives and Records Administration				
89.RD		ARRA—Ceres Incorporated	20100903, LTR DTD 102511	UAA	32,147
	National Archives and Records Administration Subtotal				32,147
	Department of Health and Human Services				
93.RD	Agency for Healthcare Research and Quality			ASA	267,123
93.RD	Agency for Healthcare Research and Quality			UAA	127,765
93.RD	ARRA—Agency for Healthcare Research and Quality			UAA	134,777
93.RD	Centers for Disease Control and Prevention			UAA	2,404,176
93.RD	Department of Health and Human Services			ASA	5,111,306
93.RD	Department of Health and Human Services			UAA	364,039
93.RD	Eunice Kennedy Shriver National Institute of Child Health and Human Development			UAA	2,438,177
93.RD	Food and Drug Administration			UAA	164,231
93.RD	Health Resources and Services Administration			ASA	145,373
93.RD	Health Resources and Services Administration			UAA	396,456
93.RD	John E. Fogarty International Center			UAA	120,149
93.RD	National Cancer Institute			UAA	20,016,569
93.RD	National Center for Complementary & Alternative Medicine			UAA	1,145,197
93.RD	National Eye Institute			UAA	1,914,471
93.RD	National Heart, Lung, and Blood Institute			UAA	10,102,730
93.RD	National Human Genome Research Institute			UAA	172,303
93.RD	National Institute for Occupational Safety and Health			UAA	1,239,511
93.RD	National Institute of Allergy and Infectious Disease			UAA	7,423,412
93.RD	National Institute of Arthritis and Musculoskeletal and Skin Diseases			UAA	555,897
93.RD	National Institute of Biomedical Imaging and Bioengineering			UAA	2,640,302
93.RD	National Institute of Dental and Craniofacial Research			UAA	309,223
93.RD	National Institute of Diabetes and Digestive and Kidney Diseases			UAA	3,383,618
93.RD	National Institute of Environmental Health Sciences			UAA	5,920,199
93.RD	National Institute of General Medical Sciences			UAA	6,926,403
93.RD	National Institute of Mental Health			UAA	296,316
93.RD	National Institute of Neurological Disorders and Stroke			UAA	5,193,287
93.RD	National Institute of Nursing Research			UAA	484,106
93.RD	National Institute on Aging			UAA	1,766,620
93.RD	National Institute on Alcohol Abuse and Alcoholism			UAA	204,728
93.RD	National Institute on Deafness and Other Communication Disorders			UAA	2,599,885
93.RD	National Institute on Drug Abuse			UAA	2,232,900
93.RD	National Institute on Minority Health Disparities			UAA	750,416
93.RD	National Institutes of Health			ASA	44,348,342
93.RD	ARRA—National Institutes of Health			ASA	1,304
93.RD	National Institutes of Health			NAA	4,025,287
93.RD	National Institutes of Health			UAA	4,286,732
93.RD	National Institutes of Health	Battelle Memorial Institute	338586	NAA	120,794
93.RD	National Institutes of Health	University of Arizona	Y562157	NAA	7,924
93.RD	National Institutes of Health	University of California	2009-2157	NAA	167,847
93.RD	National Institutes of Health	University of Minnesota	H001208302	NAA	67,457
93.RD	National Library of Medicine			UAA	30,176
93.RD	Substance Abuse and Mental Health Services Administration			UAA	556,335
93.RD		4D Technology Corporation	2R44RR02817002	UAA	4,340
93.RD		Albert Einstein College of Medicine	31550C/P01GM068036	UAA	244,683
93.RD		American College of Radiology	1286/ACRIN 6695/5U01CA08009, 4701	UAA	23,729
93.RD		American Lung Association	LTR DTD 111009	UAA	25,131
93.RD		Arizona Alzheimer's Disease Consortium	AGR 06/17/13	ASA	143,854
93.RD		Arizona Cancer Therapeutics LLC	LTR DTD 112213	UAA	80,255
93.RD		Arizona Department of Health Services	ADHS11-006155, HG958299	ASA	126,997

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.RD		Arizona Department of Health Services	ADHS11003274, ADHS13-033569, ADHS13-036542, HS160052	UAA	116,746
93.RD		Arizona Governor's Council on Developmental Disabilities	2011G994902	ASA	101,329
93.RD		ARRA—Arizona Health-e Connection	90RC0035	ASA	57,920
93.RD		Arizona State University	10383, 10418, 11588, 12-756, 12-763, 13-064, 13-077, LOU13141	UAA	540,031
93.RD		Association of University Centers on Disability	447	UAA	1,230
93.RD		Banner Alzheimer's Institute	P30 AG019610-12	ASA	5,488
93.RD		Banner Health	P30 AG019610-12	ASA	138,374
93.RD		Banner Health System	01010214834/0432-02-39825, 4320233849, LMS 0432-02-29908/2P30AG019	UAA	60,557
93.RD		Banner Research Institute	LMS#0432-02-29905, LMS#0432-02-29907, P30AG019610AHERN	UAA	177,001
93.RD		Baylor College of Medicine	101750901/1R01CA172511	UAA	123,994
93.RD		Beth Israel Deaconess Medical Center	1024796	UAA	19,988
93.RD		Biosensics, LLC	LTR DTD 071812, LTR DTD 082812, LTR DTD 092313, LTR DTD 092512	UAA	325,075
93.RD		Biosensing Instrument	1R44GM106579-01	ASA	101,684
93.RD		Blackrock Microsystems	Unknown	ASA	6,543
93.RD		Brain and Behavior Research Foundation	18731	UAA	160
93.RD		Brigham and Women's Hospital	103122, 106476	UAA	89,806
93.RD		BrightOutcome Incorporated	LTR DTD 062712	UAA	87,398
93.RD		C/J Media, Incorporated	R41CA162502	UAA	63,656
93.RD		Caracal Incorporated	1R44CA144322	UAA	134,337
93.RD		Carnegie Mellon University	1090324267420	UAA	150,763
93.RD		Caucaseco Scientific Research Center	U19 AI089702	ASA	166,352
93.RD		Children's Hospital of Philadelphia	FP00013013_SUB164_01, LTR DTD 10/23/12	UAA	35,314
93.RD		Cincinnati Children's Hospital Medical Center	131950/1R01HL116906-01A1	UAA	160,573
93.RD		Claremont Graduate University	U01 HL097839	ASA	73,033
93.RD		Columbia University	1R01GM104960-01	ASA	373,488
93.RD		Columbia University	5-30332, 9 (GG006900)/PO G04426	UAA	37,040
93.RD		Community Partnership of Southern Arizona	LOA1301	UAA	1,344
93.RD		Diabetic Complications Consortium	3 U24 DK076169-07S1	ASA	5,009
93.RD		Dmetrix, Incorporated	4 R44 AG035446, LTR DTD 061014	UAA	101,288
93.RD		Duke University	161411/187937, 203-2594, 2033407, 303-4320, 3035292	UAA	548,130
93.RD		Eden Medical, Incorporated	1R43DK08843101, 5R4308372-03	UAA	40,706
93.RD		Electrical Geodesics Inc	R43 NS077598-02	ASA	2,730
93.RD		Emory University	R01 AI110720	ASA	67,008
93.RD		Emory University	S391810, T108311, T121854	UAA	39,650
93.RD		Engineering Arts	4R24GM106704-03	ASA	410,696
93.RD		Fairview Health Services	1R18HS019587-01	ASA	135,538
93.RD		Florida International University	800001205-01	ASA	64,260
93.RD		Florida State University	R21HD072286	ASA	156,316
93.RD		Genefluidics, Incorporated	R44AI088756-UOFA	UAA	225,868
93.RD		George Mason University	R01 DA032639-01A1	ASA	168,039
93.RD		Georgetown University	R33 CA177466	ASA	15,570
93.RD		Georgetown University	RX 4442-032-UA/P60 MD006920	UAA	73,502
93.RD		Georgia State University	R01 CA126858	ASA	74,458
93.RD		Giner, Incorporated	R43DK100999, R44DK070400	UAA	21,747
93.RD		Group Health Cooperative	2011102816, 2013102483, 2014101503	UAA	104,408
93.RD		Gynecologic Oncology Group	CA101165 CCOP-GOG-0225	UAA	360,755
93.RD		H. Lee Moffitt Cancer Center and Research Institute	R01CA170595-02	ASA	25,523
93.RD		H. Lee Moffitt Cancer Center and Research Institute Incorporated	10154839901G2, 10154859901G1, 10158719901G1	UAA	25,181
93.RD		Hawaii Pacific University	R34 DA031306	ASA	6,347
93.RD		Health Research, Incorporated	4760-01/1U01DD00104101	UAA	14,912
93.RD		Hualapai Tribe	LTR DTD 100509	UAA	6,959
93.RD		Illinois Institute of Technology	P20 MH085981	ASA	41,083

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.RD		Indiana University	IN4682011UA, IN4687706UA, IN4687713UA	UAA	171,465
93.RD		Inter Tribal Council of Arizona, Incorporated	U261IHS0077-01-01/U26IHS3, U26IHS300283	UAA	140,786
93.RD		inXsol	1 R43 ES022919-01A1	ASA	40,813
93.RD		Johns Hopkins University	U54 CA143868	ASA	75,756
93.RD		Johns Hopkins University	2001532544, 638000001	UAA	209,506
93.RD		Kaiser Permanente	R01 DK099277-01A1	ASA	6,345
93.RD		Kaiser Permanente	1, R01CA164128/ R01CA164128-01A	UAA	27,977
93.RD		Maricopa Integrated Health System (MIHS)	1R03HS022148-01A1	ASA	7,551
93.RD		Massachusetts General Hospital	U01 A1077883	ASA	11,162
93.RD		Mayo Clinic	63077846, 63384145/1U01EB017185-01, 6378070/U01CA154300	UAA	154,064
93.RD		Mayo Clinic-Rochester	DP1 DA031340	ASA	101,302
93.RD		Mayo Clinic Scottsdale	7P01CA077839-12	ASA	131,382
93.RD		McKing Consulting Corporation	200-2012-F-53729	ASA	15,400
93.RD		MD Anderson Cancer Research	5R01BR11453-05	ASA	19,733
93.RD		Medical College of Wisconsin	R01HL095410	UAA	857
93.RD		Molecular NeuroImaging	R42NS055475	UAA	49,911
93.RD		Mount Sinai Medical Center	1RO1DK098242-01	ASA	135,246
93.RD		Mount Sinai School of Medicine	0255-5571-4609	UAA	40,649
93.RD		New York University	F6906-01	UAA	204,188
93.RD		New York University Langone Medical Center	U01 CA086137-12	ASA	110,091
93.RD		Northern Arizona University	1001974-01, 1002020-01, 1002108, IHD31CP	UAA	661,080
93.RD		Northwestern University	P30 DA027828	ASA	1,852
93.RD		Ohio State University	R01 AT005216-04	ASA	159,054
93.RD		Ohio State University	RF01347752 / 7R01EY02090104	UAA	37,853
93.RD		Oregon Health & Science University	R01 OH009676	ASA	7,991
93.RD		Oregon Health and Science University	1002195_UArizona/ R01AI02164, 9004157_UA_Nikolich-Zugich, AVGT1099	UAA	52,767
93.RD		Oregon Research Institute	LTR DTD 091712, R01AA019671, R01CA098555	UAA	79,409
93.RD		Pacific Institute for Research & Evaluation	R01 AA017705	ASA	7,626
93.RD		Palo Alto Institute of Research and Education	LIA001201	UAA	77,551
93.RD		Pennsylvania State University	R21 DA024266	ASA	217,318
93.RD		Pennsylvania State University	UAZ HL098115/U10HL098115, UAZHL098115	UAA	194,085
93.RD		Radiation Effects Research Foundation (Japan)	HHSN272200900059C	UAA	124,582
93.RD		Rehabilitation Institute of Chicago (RIC)	R24 HD050821	ASA	9,599
93.RD		Rutgers University	1R01HD071583	ASA	116,769
93.RD		San Francisco State University	S12-0001	UAA	19,199
93.RD		SJT Micropower Inc.	R44 EB0077453	ASA	2,483
93.RD		Sonoran Biosciences	R41AR064080	ASA	43,410
93.RD		Stanford University	R01 GM097463	ASA	58,642
93.RD		Stanford University	2650584050957A	UAA	301,372
93.RD		State of Nevada Aging and Disability Services Division	18-040-45-AM-10	ASA	21,496
93.RD		State University of New York	1104875	UAA	63,116
93.RD		State University of New York Research Foundation	65765-1112908-2	UAA	387,959
93.RD		Sun Health Research Institute	U01 AG016976-13	ASA	2,501
93.RD		Teachers College Columbia University	R01DA014385	ASA	61,805
93.RD		Techshot Incorporated	2R44DK072647-04A1	UAA	60,987
93.RD		Temple University	360848-05440-02	UAA	43,860
93.RD		TERROS, Inc.	1H79T1024867-01	ASA	12,501
93.RD		Texas A & M University	R01 HD039367	ASA	3,504
93.RD		TF Health Corp	1R44ES021678-01	ASA	243,740
93.RD		Tohono O'Odham	LTR DTD 090512	UAA	1,509
93.RD		Tucson Indian Center	LTR DTD 121610	UAA	13,358
93.RD		Tulane University	TULHSC51713/14	UAA	25,555
93.RD		University of Arizona	R01 MH097803	ASA	156,208
93.RD		University of Arizona-Cancer Center	1R01CA151708-01A1	ASA	27,758
93.RD		University of California, Davis	201120402-06, 201222844-01, 20122469302	UAA	385,709
93.RD		University of California, Irvine	20092155, 20092317	UAA	269,561
93.RD		University of California, Los Angeles	1930GNA874, 2000GPM600	UAA	149,009

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.RD		University of California-San Diego	R01HL109222	ASA	198,492
93.RD		University of California-San Francisco	R25 DA028567	ASA	9,952
93.RD		University of California, San Francisco	5712SC, 7760sc, 7853SC	UAA	261,213
93.RD		University of Cincinnati	006883/5U01NS069763-04, 6883	UAA	261,514
93.RD		University of Colorado-Denver	7R18HS018646-04	ASA	14,964
93.RD		University of Colorado Denver	FY12.583.001 U AZ, FY13.568.001 2-5-17830	UAA	72,925
93.RD		University of Colorado Denver Anschutz Medical	FY11219007	UAA	27,681
93.RD		University of Connecticut Health Center	R33 CA143531	ASA	93,077
93.RD		University of Florida	13102, UF12292	UAA	183,810
93.RD		University of Houston	U18 DP003350	ASA	145,432
93.RD		University of Illinois	2010-07207-03-00/5P01HL09	UAA	349,219
93.RD		University of Illinois-Champaign/Urbana	1R33CA177446	ASA	9,119
93.RD		University of Illinois-Chicago	5P30AG022849	ASA	4,638
93.RD		University of Illinois at Chicago	2013-00537-01-00	UAA	122,226
93.RD		University of Iowa	1001104264, W000228447	UAA	35,259
93.RD		University of Louisville	9047301	UAA	298
93.RD		University of Maryland	U01 FS001418	ASA	2,394
93.RD		University of Maryland	105992001	UAA	34,613
93.RD		University of Michigan	R01 GM096194	ASA	58,873
93.RD		University of Michigan	3001413084-PNT, 3001745805, 3001922370BPT, 3002111999-SHN, 5000002949300069150 3RPT, 5000002949300077047 6ALIAS, 5000002949300130004 9PIII, F025189, F027440, F027973, U10CA32102	UAA	605,747
93.RD		University of Minnesota	P004058501, P004130801	UAA	88,074
93.RD		University of Mississippi	66550021114UA	UAA	31,404
93.RD		University of Mississippi Medical Center	66102700414-04UAZ	UAA	28,764
93.RD		University of Nebraska	36-5360-2141-001/5R01AG0371	UAA	66,026
93.RD		University of New Mexico	R01 DA034097	ASA	187,911
93.RD		University of North Carolina	531229	UAA	14,551
93.RD		University of North Carolina, Chapel Hill	90YR0041/03	ASA	37,857
93.RD		University of North Carolina at Chapel Hill	5-33340	UAA	130,320
93.RD		University of North Texas Health Science Center	R01 DA023957	ASA	14,790
93.RD		University of North Texas Health Science Center	RN00132009001	UAA	90,647
93.RD		University of Oregon	R01 DA016110-09	ASA	45,684
93.RD		University of Pittsburgh	R56 AI081759	ASA	34,414
93.RD		University of Pittsburgh	0040478(124095-1)/1R01LM011, 6476	UAA	24,913
93.RD		University of Rochester	415917G, 415919G, 415920-G, 415921G, 415922G, 415971-G	UAA	212,617
93.RD		University of South Carolina	1R01HL112787-01A1	ASA	29,373
93.RD		University of South Carolina	122003	UAA	155,221
93.RD		University of Southern California	U54 CA143907	ASA	335,543
93.RD		University of Southern California	H43023, H48494, H50658	UAA	4,336
93.RD		University of Texas at Austin	2R01NS056839-11	ASA	87,615
93.RD		University of Texas, Dallas	R01 DC010494	ASA	89,613
93.RD		University of Texas at Dallas	LTR DTD 061214, LTR DTD 060614	UAA	13,793
93.RD		University of Texas Health Science Center at Houston	0008027H, 0009919H	UAA	545,003
93.RD		ARRA—University of Texas Health Science Center at Houston	90TR0004-01	ASA	194,476
93.RD		University of Texas Health Science Center at San Antonio	U01 CA086402	ASA	38,628
93.RD		University of Utah	230200407AZ, 2309114-30	UAA	116,676
93.RD		ARRA—University of Vermont	RC4 HL106625	ASA	63,134
93.RD		University of Washington	U19 AI089688	ASA	58,950
93.RD		University of Washington	756271/1P50MH100023-01, 760067	UAA	289,695
93.RD		University of Wisconsin-Madison	R01 MH059785	ASA	6,805
93.RD		Vanderbilt University	VUMC 40760/R01AT006896, VUMC35934, VUMC38448	UAA	87,003
93.RD		Viamet Pharmaceuticals, Incorporated	LTR DTD 061512	UAA	69,842
93.RD		Virgin Instruments	1R44GM104596-01A1	ASA	251,706
93.RD		Walter R. McDonald & Associates	HHSP23320095656	ASA	114,332
93.RD		Washington University	P60 AA011998	ASA	31,733

CFDA/Identifying Number	Federal Grantor/Program Title/Cluster Title	Pass-Through Grantor	Pass-Through Grantor Identifying Number	Grantee (Appendix)	Expenditures
93.RD		Washington University in St. Louis	WU-13-115, WU-13-186, WU-13-27/PO2916314W	UAA	165,127
93.RD		Yale University	A06961M08135, A07593M10A10552, A08094M11A10894, M12A11387 (A08802), M15A11796 (A09585)	UAA	131,561
	Department of Health and Human Services Subtotal				159,234,304
	Department of Homeland Security				
97.RD	Department of Homeland Security			ASA	126,106
97.RD	Department of Homeland Security			NAA	1,742,546
97.RD	Department of Homeland Security			UAA	2,234,752
97.RD	Federal Emergency Management Agency			UAA	204,680
97.RD		Purdue University	2009-ST-061-CI0001	ASA	102,379
97.RD		Stanford University	60187534-103160-A/HSHQDC-	UAA	122,620
97.RD		Translational Genomics Research Institute	KEIM-10-02	NAA	556
	Department of Homeland Security Subtotal				4,533,639
	Agency for International Development				
98.RD	United States Agency for International Development			ASA	1,499,212
98.RD		Auburn University	14-AGR-368044-UA	UAA	8,429
98.RD		Colorado State University	EEM-A-00-10-00001	ASA	149,072
98.RD		East West Management Institute	G-854-12-100-3016-20	ASA	110,797
98.RD		Fundacion Empresarial para el Desarrollo Educativo	AID-519-A-12-0003	ASA	7,868
98.RD		Futures Group	AID-OAA-A-10-00067	ASA	233,049
98.RD		International Research and Exchanges Board (IREX)	S-ECAGD-14-CA-1038	ASA	32,574
98.RD		La Fundacion Nacional para el Desarrollo	AID-519-A-0003	ASA	1,249
98.RD		Purdue University	206766	ASA	1,860
98.RD		Regional Security System	Unknown	ASA	58,253
98.RD		Virginia Polytechnic Institute and State University	42597619101	UAA	84,192
	Agency for International Development Subtotal				2,186,555
	Total Research and Development Cluster				509,564,943
	Total Expenditures of Federal Awards				$ 12,850,592,188

See accompanying notes to schedule.

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State of Arizona
Notes to Schedule of Expenditure of Federal Awards
Year Ended June 30, 2014

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 business-type activities; 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, 2014; and were accounted for using the full accrual and modified 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 2014 *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 - 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, 2014 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, 2014
Education and Human Resources	47.076	$ 0	$ 200,450
ARRA—Trans-NSF Recovery Act Research Support	47.082	65,000	320,253
Federal Perkins Loan Program—Federal Capital Contributions	84.038	5,409,863	28,873,936
Nurse Faculty Loan Program (NFLP)	93.264	1,298,118	5,704,269
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	353,904	2,568,375
Nursing Student Loans	93.364	228,470	1,196,271
ARRA—Nurse Faculty Loan Program	93.408	0	453,793

In addition, the Universities distribute loans to students from the federal direct student loan program that is administered by the U.S. Department of Education. As of the year ended June 30, 2014, the Universities distributed $845,435,004 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, non-profit organizations, and individuals to purchase homes and rental properties. The Department distributed $3,769,408 in loans during fiscal year 2014 and had $29,339,462 in loan balances outstanding at June 30, 2014.

Note 5 - 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 in the schedule. The State's food commodity distributions during fiscal year 2014 totaled $43,657,130 and the amounts, by CFDA number, are presented as follows:

CFDA Number	Program Title	Amount
10.555	National School Lunch Program	$29,748,207
10.565	Commodity Supplemental Food Program	2,811,465
10.569	Emergency Food Assistance Program (Food Commodities)	11,097,458

Note 6 - Donation of Federal Surplus Personal Property

The value of the Donation of Federal Surplus Personal Property (CFDA number 39.003) program reported in 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 $4,838,271 for the year ended June 30, 2014.

Note 7 - Immunization Cooperative Agreements

The Immunization Cooperative Agreements (CFDA number 93.268) expenditures of $89,515,471 include $82,391,643 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 in the schedule.

Note 8 - 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	$446,268,086
ARRA—Federal Additional Compensation (FAC) Recoupment	(973,736)
Unemployment compensation for federal employees	3,719,876
Unemployment compensation for ex-service members	3,010,934
Administrative costs	36,183,301
ARRA—Administrative costs	3,000,000
Total expenditures	$491,208,461

Note 9 - Contingent Liabilities

Although the Schedule of Expenditures of Federal Awards is prepared to the best of our knowledge and belief, amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including the amount already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor, if any, cannot be determined at this time.

State of Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
	Yes	**No**
Internal control over financial reporting:		
Material weakness identified?	___	X
Significant deficiencies identified?	X	___
Noncompliance material to the financial statements noted?	___	X

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	X	___
Significant deficiencies identified?	X	___

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs except for Emergency Management Performance Grants (97.042), which was adverse; and National Guard Military Operations and Maintenance (O&M) Projects (12.401); Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126); and Centers for Disease Control and Prevention—Investigations and Technical Assistance (93.283), 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 Number	Name of Federal Program or Cluster
10.551/10.561	SNAP Cluster
10.553/10.555/10.556/10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
10.560	State Administrative Expenses for Child Nutrition
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.267	Continuum of Care Program
17.258/17.259/17.278	WIA Cluster
20.205/20.219	Highway Planning and Construction Cluster

20.233	Border Enforcement Grants
84.027/84.173	Special Education Cluster (IDEA)
84.374/84.385	Teacher Incentive Fund Cluster
84.010	Title I Grants to Local Educational Agencies
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
84.184	Safe and Drug-Free Schools and Communities—National Programs
84.367	Improving Teacher Quality State Grants
84.369	Grants for State Assessments and Related Activities
93.558	TANF Cluster
93.775/93.777/93.778	Medicaid Cluster
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563	Child Support Enforcement
93.658	Foster Care—Title IV-E
93.667	Social Services Block Grant
93.719	ARRA—State Grants to Promote Health Information Technology
93.767	Children's Health Insurance Program
96.001	Disability Insurance/SSI Cluster
97.042	Emergency Management Performance Grants
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	___

Financial Statement Findings

2014-01

The Arizona Department of Administration's Data Center should strengthen their contracts with state agencies

Criteria: Information technology (IT) services that the Arizona Department of Administration's Data Center (Data Center) provides to state agencies should be well documented, complete, comprehensive, up to date, and include all parties' responsibilities. Well-documented and up-to-date services provide staff with repeatable processes and clear expectations. In addition, the Data Center should maintain a listing of state agencies it has provided services to and the services provided.

Condition and context: The Data Center's IT service contracts with state agencies are broad, not agency specific, and do not adequately address critical services, including disaster recovery. Consequently, agencies may not understand their responsibilities in the event of a disaster, including what they would need to provide (e.g., data, software, etc.) to the Data Center.

Effect: Contracts for services between the Data Center and state agencies could result in the failure to clearly communicate policies and procedures, limit staff accountability, and result in inconsistencies. For example, if a major disruption or disaster were to occur, the order in which systems were restored may not match individual state agencies' or the State's criticality or operational priorities. In addition, state agencies might incorrectly assume that the Data Center will always provide full off-site backup and disaster recovery.

Cause: The Data Center did not have sufficient policies and procedures to help ensure their contracts with state agencies, including disaster recovery services, are specific for each state agency and are updated as needed. In addition, the Data Center did not maintain a comprehensive listing of state agencies it provided services to along with the services provided.

Recommendation: To help ensure IT services provided to state agencies are well documented, complete, comprehensive, up to date, and include the specific responsibilities of all parties, the Data Center should strengthen its IT services policies and procedures. For example, an IT service contract for disaster recovery should include a comprehensive disaster recovery plan that includes all systems and infrastructure for which it is responsible, and addresses important elements such as regulatory and contractual requirements, the state agencies' overall business continuity needs, IT resource management requirements and interdependencies, an analysis of business impacts, risk assessments, emergency procedures, testing, and ongoing maintenance of its disaster recovery efforts. In addition, the Data Center should maintain a comprehensive listing of state agencies it has provided services to along with the services provided.

2014-02

The State of Arizona should strengthen its internal controls over purchasing cards

Criteria: The State's General Accounting Office (GAO) Technical Bulletin 08-1, *Statewide Purchasing Card (P-Card) Policies and Procedures*, requires state agencies to establish policies, procedures, and documentation requirements for p-card transactions that conform to the State's policies and procedures. These agency-specific policies and procedures should include requiring all employees who are issued a p-card to sign an agreement acknowledging their cardholder responsibilities that are approved by appropriate agency personnel, a supervisory review of all p-card transactions, and a reconciliation of posted transactions against purchasing activity. The agencies should also establish systemic controls restricting the use of the p-cards, such as single transaction limits, monthly spending limits, and category blocks such as prohibiting travel purchases or other unallowed transactions.

Condition and context: During fiscal year 2014, state agencies used p-cards to help facilitate the purchase of over $13.3 million in goods and certain services. However, the State did not ensure its agencies had adequate internal controls over the use of p-cards. Specifically, auditors reviewed the policies and procedures, cardholder agreements, and a sample of 114 p-card transactions for 10 of the 93 state agencies that had p-card purchases and noted the following deficiencies:

- An employee at the Department of Health Services used a p-card to purchase gift cards for patients of the Arizona State Hospital during the month of December. The Department indicated the gift cards were purchased to be used as rewards for patient behavior; however, it was unable to provide evidence that the cards were actually given to the patients or used for that purpose.

- Employees at the Game and Fish Department, the Department of Emergency and Military Affairs, and the Department of Education used p-cards for travel-related activities, including hotel stays and rental cars, which the State's p-card policies prohibit. Further, the transactions for the rental cars at the Department of Emergency and Military Affairs included a luxury vehicle rental, liability insurance, and prepaid gas, which are not allowable expenditures under the State's policy for travel-related expenses.

- The Department of Education did not always have their p-card transactions independently reviewed by the cardholder's supervisor or the p-card administrator. Further, some of the transaction receipts for the Department of Revenue's p-card transactions were retained by the cardholder and not submitted with the monthly reconciliation for retention with all the p-card documentation. As a result, the p-card administrator may not have always had sufficient details available in order to properly approve the transactions.

- Employees at the Department of Education had single transaction limits for p-card purchases. However, auditors determined two employees split their purchases into separate transactions to circumvent the Department's p-card limits.

- The Department of Administration and the Department of Revenue did not have current agency-specific policies and procedures in place for p-card transactions.

- The Department of Administration did not retain all the p-card agreements that employees signed acknowledging their responsibilities for the use of the p-card. Further, the Department of Education did not have the appropriate department personnel approve and sign the p-card agreement.

- The Department of Emergency and Military Affairs' procedures included a requirement for the p-card transactions to be reviewed by the procurement area. However, auditors determined this review was not always performed on a timely basis.

Effect: The State may have an increased risk of misuse, waste, or theft of public monies related to p-card transactions.

Cause: The State relies on the management of the individual state agencies to implement their own p-card policies and procedures that conform to its p-card policies and procedures. However, the State does not ensure the agencies have implemented policies and procedures and does not always monitor compliance with established policies and procedures.

Recommendation: The State should establish monitoring and oversight procedures to help ensure that individual state agencies have properly implemented p-card policies and procedures, as directed by the State's General Accounting Office (GAO) Technical Bulletin 08-1, *Statewide Purchasing Card (P-Card) Policies and Procedures*, to help prevent and detect potential fraud, waste, and abuse related to p-card transactions.

2014-03

The Department of Revenue should continue to strengthen its procedures for processing income tax revenues

Criteria: The Department of Revenue (Department) should improve procedures to ensure that it collects and reports all state income tax revenues.

Condition and context: The Department is responsible for collecting and reporting state income taxes. While testing procedures for income tax revenues, auditors noted additional procedures that the Department should perform to help ensure it achieves this. 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 income taxes.

Cause: The Department's information 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.

2014-04

The Northern Arizona University must ensure all deposits are fully collateralized as required by state statute

Criteria: To protect public monies from potential loss, Arizona Revised Statutes (A.R.S.) §15-1668 requires that eligible banks, before receiving a deposit in excess of the federally insured amount, pledge collateral equal at all times to the amount of the deposits. Further, U.S. generally accepted accounting principles (GAAP) requires the Northern Arizona University (University) to disclose the amount of its bank balance that is uninsured and uncollateralized at the end of the period.

Condition and context: During the fiscal year, the University switched servicing banks for its depository accounts and failed to have a collateral agreement on file with the new servicing bank. As a result, $41.5 million of the University's bank balance was uninsured and uncollateralized at June 30, 2014. In addition, the University improperly reported the deposits as uninsured and collateralized by the servicing bank in its notes to the financial statements.

Effect: Cash deposits exceeding the Federal Deposit Insurance Corporation coverage of $250,000 are at risk of being lost if the bank becomes insolvent. No loss of public monies resulted from these uninsured and uncollateralized deposits. In addition, the University did not properly report the amount of deposits as uninsured and uncollateralized at the end of the period. The University revised its notes to the financial statements to correct this error.

Cause: The collateral was not pledged by the servicing bank, and the University improperly reported the deposits as collateralized due to a miscommunication between university management and its servicing bank.

Recommendation: To help protect public monies from potential loss and to comply with state statutes, the University must ensure that all deposits not covered by federal depository insurance are collateralized in accordance with A.R.S. §15-1668. In addition, the University should properly disclose the amount of its bank balance that is uninsured and uncollateralized at the end of the period to comply with GAAP.

2014-05

The Department of Economic Security should update and test its disaster recovery plan over its information technology systems

Criteria: It is critical that the Department of Economic Security (Department) have a comprehensive, up-to-date disaster recovery plan for its information technology (IT) systems to provide for the continuity of operations and to ensure that it can recover information and data in the event of a system or equipment failure or other system interruption. Also, the plan should be evaluated, tested, and updated annually.

Condition and context: The Department had a disaster recovery plan for its IT systems; however, the Department did not evaluate or test its plan annually.

Effect: Inadequate disaster recovery controls subject the Department to risks that can result in inaccurate or incomplete financial, federal program, or management information; expensive recovery efforts; and financial losses. In addition, the disruption of services in the event of a system or equipment failure or other system interruption could result in significant harm or inconvenience to the State and its citizens.

Cause: The Department did not follow its policies and procedures to ensure its disaster recovery plan is sufficiently tested and evaluated annually.

Recommendation: To help ensure the continuity of the Department's operations and to help ensure that electronic information and data are not lost in the event of a system or equipment failure or other system interruption, the Department should evaluate, test, and update its disaster recovery plan annually and retain documentation of all disaster recovery plan tests and those tests' results.

This finding is also reported as a federal finding. See finding 2014-109.

Other auditors' findings:

The other auditors who audited the Water Infrastructure Finance Authority and the Arizona State Lottery, which are departments of the State, reported the following findings.

2014-06

Year End Financial Statement Preparation

Criteria: The Water Infrastructure Finance Authority's (WIFA) management is responsible for the preparation and fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America. The audit firm may advise management about appropriate accounting principles and their application and may assist in the preparation of the financial statements, but management remains responsible for the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records and the selection and application of accounting principles.

Condition: During our audit procedures, we noted several audit adjustments that were necessary to properly classify balances and transactions within the financial statements and meet required footnote disclosures. Audit adjustments were necessary to properly implement *GASB 65 Items Previously Reported as Assets and Liabilities* for bond issuance costs, to properly classify deferred loss on bond refundings as a deferred outflow of resources, and meet required footnote disclosure requirements. Reclassifications were made to report amounts on deposit in trustee accounts for purposes of satisfying certain bond master trust indenture provisions as restricted net position. Finally, after further consideration of the level of constraint

placed on WIFA's resources by the Environmental Protection Agency in carrying out its revolving loan programs, management determined that a more transparent reporting resulted in all of its resources classified as restricted net position.

Effect: There was no net effect to the total net position reported or the change in net position. A reclassification was required to properly report the balance of prior year gains and losses on bond refundings into the GASB 65 required account titled deferred outflows. In addition, a reclassification was made among the net position accounts that resulted in all ending net position reporting as restricted.

Cause: Management switched audit firms during the last fiscal year. In the transition, management did not hear about the requirements of the new standard, GASB 65, and did not learn about the implementation requirements from other sources. As to the reporting of net position, management applied a narrower focus on the more accurate reporting the corpus of its loan program resources from EPA capitalization grants as restricted, instead of applying the classification criteria on a broader scale to all of WIFA's resources.

Recommendation: There are a number of governmental accounting standards update continuing education sessions available through the American Institute of Certified Public Accountants, the Government Finance Officers Association, Arizona specific governmental conferences, and Moss Adams has a number of webcasts that we make available to our clients. We recommend that WIFA provide opportunities for staff responsible for external reporting to attend these training courses.

2014-07

Accounting and Reporting Components of Net Position

Criteria: For the Arizona State Lottery (Lottery), we believe that paragraph 12.123 of the American Institute of Certified Public Accountants, (AICPA) State and Local Government Audit and Accounting Guide provides the relevant accounting guidance for liabilities for prizes and forfeitures of unclaimed prizes. Forfeitures of unclaimed prizes should be recognized as a gain (net against prize expense) as of the date the claim is forfeited according to the provisions of a State's stated regulations. Many States have regulations with regard to how forfeited unclaimed prizes must be utilized. For example some States require all forfeited unclaimed prizes be transferred to another State fund or agency having a different mission. Arizona Revised Statutes 5-568 states the following:

> Disposition of unclaimed prize money
> Unclaimed prize money for the prize on a winning ticket or share shall be retained for the person entitled to the prize for one hundred eighty days after the drawing in which the prize was won in the case of a drawing prize and for one hundred eighty days after the announced end of the game in question in the case of a prize determined in any manner other than by means of a drawing. If a claim is not made for the money within the applicable period, seventy per cent of the prize money shall be held in the state lottery prize fund for use as additional prizes in future games and thirty per cent shall be transferred monthly to the court appointed special advocate fund established by section 8-524.

We believe the State's statute places a restriction on the use of forfeited prizes. Restricted net position should be reported when constraints placed on net position are either externally imposed by grantors, creditors, contributors, or by laws or enabling legislation. The restriction to use unclaimed prizes that are forfeited represents a specific purpose, does not represent a liability in our view, rather it is the underlying transaction exchange transaction resulting from the sale of lottery tickets for games in progress that creates a liability, defined by GASB's Concept Statement No. 4, *Elements of Financial Statements*, as the present obligation to sacrifice resources.

Condition: The previous balance reported as liabilities for prizes was comprised of several components of the Lottery's Prize Fund. These components consisted of unclaimed forfeited prizes, accumulated prize fund balance, accumulated investment earnings of the prize fund, and flows of the prize fund. Certain of these components do not appear related to a present obligation for prizes. The Arizona Lottery retains and reports unclaimed prizes as a liability.

Context: Management's estimate of liability attributable to only prizes is approximately $14 million. A portion of this estimate is attributable to forfeited prizes is approximately $5 million.

Effect: We believe the liability for prizes has been overstated and that components of net position are understated or other liabilities exist.

Cause: We do not believe management had fully considered the applicable accounting and financial reporting guidance for prizes or components of net position.

Recommendation: We recommend that management review the underlying nature and agreements for each significant reported balance and assess reporting restricted components of net position and review/revise its accounting policies with regard to activities of the *Prize Fund*. Those policies should reflect the use of resources in conformity with State statute while also considering the financial condition of the Lottery.

2014-08

Regularly Review Third-Party Service Reports

Criteria: Service organizations are entities that provide outsourcing activities that are relevant to the control environments at user organizations. A Type II SSAE 16 report is an independent report on the design and operating effectiveness of key controls at a service organization. A Type II SSAE 16 provides assurance to user organizations that the control objectives relating to the services provided by their service organization are suitably designed and operating effectively throughout the examination period.

Condition and context: The Arizona State Lottery (Lottery) utilizes reports and systems of GTECH, a service organization; however GTECH does not currently provide a Type II SSAE 16 report to the Lottery.

Effect: Errors, if any, in the reports provided to the Lottery by GTECH may not be detected in a timely manner.

Cause: GTECH does not appear to have a Type II SSAE 16 report available for the Lottery.

Recommendation: We recommended that management obtain and review SSAE 16/SAS 70 annually to ensure service providers have sufficient controls in place and are operating effectively given the significance of the information provided by GTECH to the Lottery.

Federal Award Findings and Questioned Costs

2014-101

Cluster Name:	**SNAP Cluster**
CFDA No. and Name:	10.551 **Supplemental Nutrition Assistance Program** 10.561 **State Administrative Matching Grants for the Supplemental Nutrition Assistance Program**
Award Number and Years:	7AZAZ4S2514, 2013 and 2014
Cluster Name:	**Child Nutrition Cluster**
CFDA No. and Name:	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 Number and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.558 **Child and Adult Care Food Program**
Award Numbers and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014 7AZ300AZ4, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.560 **State Administrative Expenses for Child Nutrition**
Award Number and Years:	7AZ300AZ2, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Agriculture**
CFDA No. and Name:	12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Numbers and Years:	Various
Federal Agency:	**U.S. Department of Defense**
CFDA No. and Name:	14.267 **Continuum of Care Program**
Award Numbers and Years:	Various
Federal Agency:	**U.S. Department of Housing and Urban Development**
Cluster Name:	**WIA Cluster**
CFDA No. and Name:	17.258 **WIA Adult Program** 17.259 **WIA Youth Activities** 17.278 **WIA Dislocated Worker Formula Grants**
Award Numbers and Years:	AA-21382, 2011; AA-22922, 2012; AA-24079, 2013
Federal Agency:	**U.S. Department of Labor**

Cluster Name:	**Highway Planning and Construction Cluster**
CFDA No. and Name:	20.205 **Highway Planning and Construction**
	20.205 **ARRA—Highway Planning and Construction**
	20.219 **Recreational Trails Program**
Award Numbers and Years:	Various
CFDA No. and Name:	20.233 **Border Enforcement Grants**
Award Numbers and Years:	FM-BEG-0029-13-01-00, 2013; FM-BEG-0044-14-01-00, 2014
Federal Agency:	**U.S. Department of Transportation**
Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States**
	84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012; H027A130120, 2013; H173A110003, 2011; H173A120003, 2012; H173A130003, 2013
Cluster Name:	**Teacher Incentive Fund Cluster**
CFDA No. and Name:	84.374 **Teacher Incentive Fund**
	84.385 **ARRA—Teacher Incentive Fund, Recovery Act**
Award Numbers and Years:	S385A100163, 2010; S374A110163, 2011
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
Award Numbers and Years:	H126A110002, 2011; H126A120002, 2012; H126A130002, 2013; H126A140002, 2014
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
CFDA No. and Name:	84.369 **Grants for State Assessments and Related Activities**
Award Number and Years:	S369A110003, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Education**
Cluster Name:	**TANF Cluster**
CFDA No. and Name:	93.558 **Temporary Assistance for Needy Families**
Award Numbers and Years:	G1202AZTANF, 2012; G1302AZTANF, 2013; G1402AZTANF, 2014
Cluster Name:	**Medicaid Cluster**
CFDA No. and Name:	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**

Award Numbers and Years:	Various
CFDA No. and Name:	93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
Award Numbers and Years:	Various
CFDA No. and Name:	93.563 **Child Support Enforcement**
Award Numbers and Years:	G1304AZ4004, 2013; G1404AZ4004, 2014
CFDA No. and Name:	93.658 **Foster Care—Title IV-E**
Award Numbers and Years:	1201AZ1401, 2012; 1301AZ1401, 2013; 1401AZ1401, 2014
CFDA No. and Name:	93.667 **Social Services Block Grant**
Award Numbers and Years:	G1201AZSOSR, 2012; G1301AZSOSR, 2013; G1401AZSOSR, 2014
CFDA No. and Name:	93.719 **ARRA—State Grants to Promote Health Information Technology**
Award Number and Year:	90HT0023/01-13, 2011
Federal Agency:	**U.S. Department of Health and Human Services**
Cluster Name:	**Disability Insurance/SSI Cluster**
CFDA No. and Name:	96.001 **Social Security—Disability Insurance**
Award Numbers and Years:	04-1104AZDI00, 2011; 04-1304AZDI00, 2013; 04-1404AZDI00, 2014
Federal Agency:	**U.S. Social Security Administration**
CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Numbers and Years:	EMW-2012-EP-00003, 2012; EMW-2013-EP-00024, 2013
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	$191,267

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 (State) did not comply with the allowable costs/cost principles requirements with respect to Arizona Strategic Enterprise Technology (ASET) Office information technology service costs charged to federal programs administered by various state agencies. Arizona Revised Statutes §41-3505 created the Information Technology Fund for ASET to provide information technology services and for state agencies to pay for these services by contributing 0.2 percent of the agency's total payroll each pay period. A portion of the charge is for technology project oversight services ASET provides. However, these services were determined to be unallowable because the services involved were not chargeable in accordance with relative benefits received.

Effect: The State's Department of Administration has determined these charges totaled $191,267 during fiscal year 2014, including $109,629 for the major federal programs listed above and $81,638 for all other federal programs. It was not practical to extend our auditing procedures sufficiently to determine whether

the amount was properly calculated and whether any additional questioned costs resulted from this finding. 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 technology project oversight services and, therefore, was not caused by the federal programs' administration.

Recommendation: The State should ensure that technology project oversight 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.

2014-102

CFDA No. and Name:	Various
Award Numbers and Years:	Various
Federal Agency:	Various
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	$11,339,618

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 the following legislatively mandated fund transfers:

- House Bill 2001 of the 51st Legislature, First Special Session, Chapter 1, §125, mandated a fund balance transfer from the Special Employees Health Insurance Trust Fund to the State's General Fund to help provide adequate support and maintenance for state agencies.

- House Bill 2001 of the 51st Legislature, First Special Session, Chapter 1, §126, mandated fund balance transfers from the Automation Operation Fund and Information Technology Fund to the State's Automation Project Fund.

- House Bill 2001 of the 51st Legislature, First Special Session, Chapter 1, §127, mandated fund balance transfers from various state funds into the Automation Projects Fund for the purpose of state-wide information technology and automation projects.

- House Bill 2004 of the 51st Legislature, First Special Session, Chapter 4, §7, directed the transfer of monies from the State's Risk Management Revolving Fund to the Arizona Navigable Stream Adjudication Commission for unpaid legal obligations.

A portion of these balances transferred included federal monies and was therefore unallowable because the transfers were not based on the relative benefits received.

Effect: The State's Department of Administration (Department) has determined these transfers' total federal portion to be $11,339,618 during fiscal year 2014. The Department has not compiled the information for the disallowed costs by federal program for each agency. In addition, this amount is still subject to review and approval by the U.S. Department of Health and Human Services. 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 this finding affected. This finding could potentially affect all federal programs administered by state agencies that had legislatively mandated fund balance transfers.

Cause: The noncompliance for the mandated transfers resulted from state legislation and, therefore, was not caused by the federal programs' administration.

Recommendation: The State should ensure that legislatively mandated fund balance transfers do not include federal program monies. In addition, the Department 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.

2014-103

CFDA No. and Name: Not applicable
Questioned Costs: N/A

Criteria: In accordance with OMB Circular A-133, §.300, the State is required to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report federal award expenditures in accordance with OMB Circular A-133, §.205. In addition, OMB Circular A-133, §.310(b), requires the SEFA to include the Catalog of Federal Domestic Assistance (CFDA) title and number, amount expended, federal awarding agency name, and, if applicable, pass-through grantor name and identifying number for each of the State's federal awards.

Condition and context: The State's fiscal year 2014 SEFA comprised 48 state agencies with federal award expenditures totaling $12,850,592,188. The State's Department of Administration (Department) is responsible for compiling the State's SEFA based on data obtained from the State's financial system or information provided by certain state agencies. However, the Department did not always ensure that it

obtained all the necessary information to accurately report those agencies' federal expenditures on the SEFA. In addition, the information received was not always analyzed to ensure that any federal monies transferred between state agencies were properly presented on the SEFA under the agency that expended the monies. As a result, the Department reported federal program expenditures under the incorrect CFDA number or incorrect state agency. In addition, the Department did not include one agency's federal expenditures on the SEFA, which resulted in an understatement of $1.7 million. The State's SEFA was adjusted for these errors.

Effect: The State's SEFA did not always accurately identify federal award expenditures by CFDA number or responsible state agency, or report correct amounts. This finding also has the potential to impact the correct identification of major programs for the Single Audit based on the expenditures reported.

Cause: The Department's procedures for compiling the SEFA were not sufficient to ensure that all federal award expenditures were properly reported.

Recommendation: The Department should revise its SEFA compilation procedures to obtain all necessary information and properly analyze the transfer of federal monies between state agencies to help ensure federal award expenditures are properly reported on the State's SEFA.

2014-104

CFDA No. and Name:	84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
Award Numbers and Years:	H126A120002, 2012; H126A130002, 2013; H126A140002, 2014
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Eligibility
Questioned Costs:	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 60 days after the individual has submitted an application for the services unless the Department and the applicant agree to an extension.

Condition and context: The Department's Division of Employment and Rehabilitation Services, Rehabilitation Services Administration (Administration), did not determine applicant eligibility within 60 days or within the extension period for 9 of 40 applications tested. Specifically, for 9 of 40 applications tested, it took the Administration between 67 and 707 days, or an average of 182 days, to either determine if the applicants were eligible for the program or close the case. For 3 of the 9 applications tested, 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 extension of time. For 5 of the 9 applications tested, an extension letter was not prepared. Finally, for one application tested, the Administration included

an extension letter in the applicant's case file; however, it was prepared after the 60-day period ended and lacked the applicant's signature evidencing that the individual agreed to a specific extension of time.

Effect: Failure to make timely eligibility determinations may result in delayed services.

Cause: The Administration did not always follow its policies and procedures and react to system alerts that open applications were close to the 60-day eligibility determination requirement or retain documentation of a specific extension of time signed by both the Administration and applicant.

Recommendation: The Administration should provide adequate supervision of its case workers 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.
- When eligibility cannot be determined within 60 days, prepare a letter before the end of the 60-day eligibility period to establish a specific extension of time to justify exceeding the 60-day period. Both the Administration and the applicant should sign this letter. Also, an applicant's eligibility should be determined within the extension period.

Further, the Administration should react to the computer information system alerts that open applications are close to the 60-day eligibility determination requirement.

This finding is similar to a prior-year finding.

2014-105

CFDA No. and Name:	84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
Award Numbers and Years:	H126A120002, 2012; H126A130002, 2013; H126A140002, 2014
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Level of Effort
Questioned Costs:	None

Criteria: In accordance with 29 U.S. Code 731(a)(2)(B)&(C), the Department of Economic Security (Department) is required to provide maintenance of effort by expending from nonfederal sources, in any given fiscal year under the vocational rehabilitation program state plan, an amount that is at least equal to the total of such expenditures from nonfederal sources that was made in the second previous fiscal year, unless a waiver or modification of the maintenance of effort requirement has been granted.

Condition and context: The Department's Division of Employment and Rehabilitation Services, Rehabilitation Services Administration (Administration), did not maintain the required level of nonfederal expenditures and did not receive a waiver or modification of the maintenance of effort requirement. For the

fiscal year 2012 award, the only award closed out during fiscal year 2014, the required maintenance of effort was based on fiscal year 2010 nonfederal expenditures of $17,447,545. However, the Administration provided only $17,002,420 of nonfederal expenditures, resulting in a $445,125 maintenance of effort deficit.

Effect: The federal grantor can reduce the Administration's allotment of federal monies for the vocational rehabilitation program by the amount of the maintenance of effort deficit totaling $445,125.

Cause: The maintenance of effort deficit was the result of decreased legislative appropriations in the current and previous year.

Recommendation: The Administration should analyze the adequacy of its nonfederal revenue sources and consider requesting a waiver or modification of its maintenance of effort requirement from the U.S. Department of Education's Rehabilitation Services Administration when it cannot meet the required level of effort. In addition, the Administration should pursue a settlement with the U.S. Department of Education's Rehabilitation Services Administration regarding its current-year maintenance of effort deficit.

This finding is similar to a prior-year finding.

2014-106

Cluster Name:	**TANF Cluster**
CFDA No. and Name:	93.558 **Temporary Assistance for Needy Families**
Award Numbers and Years:	G1202AZTANF, 2012; G1302AZTANF, 2013; G1402AZTANF, 2014
Federal Agency:	**U.S. Department of Health and Human Services**
Compliance Requirement:	Eligibility
Questioned Costs:	$867

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 without adequately supporting each decision regarding the Temporary Assistance for Needy Families' (TANF) eligibility requirements. Auditors tested 40 case records and identified 2 cases where the information used to calculate the benefit amount was not adequately supported. Specifically, auditors noted the following:

- In one case, the FAA issued benefits for a dependent child who was 18 years old, without maintaining evidence of the verification that the child was enrolled in school. Because there was no documentation for this eligibility requirement, benefits should have been paid at a lower rate from December 2013 to June 2014, resulting in a questioned cost of $383.

- For another case, the FAA issued benefits without maintaining documentation that a member of the applicant's family had assigned the State any other benefit rights that the family member may have. Because there was no documentation for this eligibility requirement, no benefits should have been issued in May or June 2014, resulting in a questioned cost of $484.

Effect: Benefits were issued to recipients at incorrect amounts or who may have been ineligible. 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 document facts in the applicants' or recipients' case records to support eligibility decisions.

Recommendation: The FAA should ensure that each decision regarding eligibility or ineligibility is supported by documentation maintained in the applicant's or recipient's case record.

This finding is similar to a prior-year finding.

2014-107

Cluster Name:	**TANF Cluster**
CFDA No. and Name:	93.558 **Temporary Assistance for Needy Families**
Award Numbers and Years:	G1202AZTANF, 2012; G1302AZTANF, 2013; G1402AZTANF, 2014
Federal Agency:	**U.S. Department of Health and Human Services**
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: In accordance with 45 CFR §265.7(a), reporting for the ACF-199 TANF Data Report must be complete and accurate. Also, in accordance with 45 CFR §265.9(c)(5), 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 expenditures as of the fiscal year-end. In addition, in accordance with 2 CFR §170, Appendix A, and the Federal Funding Accountability and Transparency Act of 2006 (FFATA), the Department of Economic Security (Department) must report each subaward to a subrecipient that amounts to $25,000 or more.

Condition and context: The Department did not accurately prepare various reports submitted during fiscal year 2014 for the TANF program. Auditors noted errors in three of the five reports tested. Specifically, auditors noted the following:

Family Assistance Administration (FAA)

- For the March 31, 2014, quarterly ACF-199 TANF Data Report, for one of the seven case files examined, the FAA incorrectly reported the recipient's "parent with minor child" status, indicating that the recipient was a parent with no minor children, while the case file indicated that the recipient had minor children.

- For the federal fiscal year (FFY) 2013 ACF-204 Annual Report including the Annual Report on State Maintenance-of-Effort Programs, the FAA overstated the number of families served by 45 families for the Cash Assistance Program.

Division of Aging and Adult Services (DAAS)

- For the FFY 2013 ACF-204 Annual Report including the Annual Report on State Maintenance-of-Effort Programs, DAAS understated the number of families served by 6 families for the Domestic Violence Prevention Program, overstated the number of families served by 107 families for the Short-Term Crisis Services Program, and overstated the number of families served by 23 for the Coordinated Homeless Program.

Financial Services Administration (FSA)

- The FSA informed auditors that they sometimes reported TANF program actions based on amounts expended by subrecipients rather than reporting obligations to subrecipients as required. Because auditors were unable to verify a complete FFATA reporting population, no further auditing procedures were performed.

Effect: Incorrect financial and nonfinancial data was submitted to the federal grantor that may result in potential errors in analysis or other determinations. In addition, obligations to subrecipients were not accurately posted to the federal FSRS.gov Web site, resulting in inaccurate information on USASpending.gov. It was not practical to extend our auditing procedures to determine the number of reports and subaward obligations that should have been reported. This finding did not result in questioned costs because 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 its reports. Furthermore, the Department does not have detailed policies and procedures to help ensure compliance with FFATA reporting requirements.

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. Further, the Department should develop internal control policies and procedures to accurately and consistently identify all subaward obligations to subrecipients from individual awards.

This finding is similar to a prior-year finding.

2014-108

CFDA No. and Name: Not applicable
Questioned Costs: N/A

Criteria: In accordance with Office of Management and Budget (OMB) Circular A-133, §.310(b)(5), to the extent practical, pass-through entities should identify in the Schedule of Expenditures of Federal Awards (SEFA) the total amount provided to subrecipients from each federal program. Further, subrecipient monitoring requirements require an entity to have procedures that allow it to identify the total amount provided to subrecipients from each federal program.

Condition and context: The Department of Economic Security (Department) does not have detailed policies and procedures for compiling and reconciling reported amounts to the underlying accounting records and reviewing amounts provided to subrecipients from each federal program for SEFA reporting. In addition, the Department did not have a uniform account code structure that it uses for all programs to identify amounts provided to subrecipients from each federal program.

Effect: The Department may not consistently or accurately compile amounts provided to subrecipients from each federal program for SEFA reporting.

Cause: The Department's various divisions did not consistently account for amounts provided to subrecipients from each federal program within the accounting system. Also, amounts provided to subrecipients and vendors from federal programs were comingled in the Department's accounting system.

Recommendation: The Department should develop detailed policies and procedures for compiling and reconciling reported amounts to the underlying accounting records and reviewing the amounts provided to subrecipients from each federal program for SEFA reporting. In addition, the Department should require that all programs use a uniform account code structure to identify amounts provided to subrecipients from federal programs.

This finding is similar to a prior-year finding.

2014-109

Cluster Name:	**SNAP Cluster**
CFDA No. and Name:	10.551 **Supplemental Nutrition Assistance Program** 10.561 **State Administrative Matching Grants for the Supplemental Nutrition Assistance Program**
Award Number and Years:	7AZAZ4S2514, 2013 and 2014
Federal Agency:	**U.S. Department of Agriculture**
Cluster Name:	**WIA Cluster**
CFDA No. and Name:	17.258 **WIA Adult Program** 17.259 **WIA Youth Activities** 17.278 **WIA Dislocated Worker Formula Grants**
Award Numbers and Years:	AA-21382, 2011; AA-22922, 2012; AA-24079, 2013
Federal Agency:	**U.S. Department of Labor**
CFDA No. and Name:	84.126 **Rehabilitation Services—Vocational Rehabilitation Grants to States**
Award Numbers and Years:	H126A110002, 2011; H126A120002, 2012; H126A130002, 2013; H126A140002, 2014
Federal Agency:	**U.S. Department of Education**
Cluster Name:	**TANF Cluster**
CFDA No. and Name:	93.558 **Temporary Assistance for Needy Families**
Award Numbers and Years:	G1202AZTANF, 2012; G1302AZTANF, 2013; G1402AZTANF, 2014
CFDA No. and Name:	93.563 **Child Support Enforcement**
Award Numbers and Years:	G1304AZ4004, 2013; G1404AZ4004, 2014
CFDA No. and Name:	93.658 **Foster Care—Title IV-E**
Award Numbers and Years:	1201AZ1401, 2012; 1301AZ1401, 2013; 1401AZ1401, 2014
CFDA No. and Name:	93.667 **Social Services Block Grant**
Award Numbers and Years:	G1201AZSOSR, 2012; G1301AZSOSR, 2013; G1401AZSOSR, 2014
Federal Agency:	**U.S. Department of Health and Human Services**
Cluster Name:	**Disability Insurance/SSI Cluster**
CFDA No. and Name:	96.001 **Social Security—Disability Insurance**
Award Numbers and Years:	04-1104AZDI00, 2011; 04-1304AZDI00, 2013; 04-1404AZDI00, 2014
Federal Agency:	**U.S. Social Security Administration**
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Matching, Level of Effort, Earmarking, Reporting, and Special Tests and Provisions
Questioned Costs:	N/A

Criteria: It is critical that the Department of Economic Security (Department) have a comprehensive, up-to-date disaster recovery plan for its information technology (IT) systems to provide for the continuity of operations and to ensure that it can recover information and data in the event of a system or equipment failure or other system interruption. Also, the plan should be evaluated, tested, and updated annually.

Condition and context: The Department had a disaster recovery plan for its IT systems; however, the Department did not evaluate or test its plan annually.

Effect: The Department risks the ability to recover financial information and data and conduct daily operations in the event of a system or equipment failure or other system interruption. This finding could potentially affect all federal programs the Department administered.

Cause: The Department did not follow its policies and procedures to ensure its disaster recovery plan is sufficiently tested and evaluated annually.

Recommendation: To help ensure the continuity of the Department's operations and to help ensure that electronic information and data are not lost in the event of a system or equipment failure or other system interruption, the Department should evaluate, test, and update its disaster recovery plan annually and retain documentation of all disaster recovery plan tests and those tests' results.

This finding was also reported as a financial reporting finding. See finding 2014-05.

2014-110

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	Unknown

Criteria: In accordance with 20 U.S. Code (U.S.C.) §6321, a local educational agency (LEA) may receive program monies only if state and local monies will be used in schools to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving program monies. A state may consider an LEA that has only one building for each grade span as exempt from this requirement.

Condition and context: The Department of Education (Department) provides LEAs with guidance on calculating comparability and requires LEAs to submit a written assurance of comparability every 2 years. The Department's guidance allowed LEAs with fewer than 1,000 students to be exempt from the comparability requirements without considering the federal exemptions, which did not allow exceptions for LEAs with less than 1,000 students.

Effect: The Department provided guidance allowing LEAs with fewer than 1,000 students but with more than one building for each grade span to claim exempt status, resulting in 21 of 84 LEAs that did not comply with the comparability of services required by federal regulations. While auditors were able to determine that a total of 84 LEAs were subject to the comparability requirements, it was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding.

Cause: The Department incorrectly prescribed guidance related to federal comparability requirements. The Department then provided this guidance to LEAs, and the LEAs used this guidance to determine if they were required to perform federal comparability requirements.

Recommendation: To help ensure that LEAs comply with federal comparability requirements outlined in 20 U.S.C. §6321, the Department should evaluate the guidance it provides to LEAs to ensure it is aligned with federal regulations. In addition, the Department should disseminate revised guidance to all LEAs.

2014-111

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirements:	Level of Effort and Subrecipient Monitoring
Questioned Costs:	$64,326

Criteria: In accordance with 34 CFR §299.5, a school district or charter school may receive its full allocation of program monies only after the State determines that the local educational agency (LEA) has maintained its required level of effort. In the LEA's level-of-effort calculations, the State should not include community services, capital outlay, or debt service expenditures.

Condition and context: For 11 of 40 LEA level-of-effort calculations tested, the Department of Education (Department) incorrectly included debt service expenditures in its formula for calculating the LEAs' level of effort. In addition, for the 2 of 12 LEAs whose level of effort was based on revised annual financial reports, the Department improperly calculated the LEAs' level of effort.

Effect: Auditors recalculated all of the Department's LEA level-of-effort calculations and found that a total of 8 LEAs received excess funding allocations of $62,886 and $1,440 for the Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants programs, respectively. This finding has the potential to affect other federal programs the Department administered.

Cause: The Department's level-of-effort calculation formula incorrectly included debt service payments, and calculations were not independently reviewed for propriety.

Recommendation: To help ensure that LEAs comply with 34 CFR §299.5 and that LEA funding allocations, which are based on the Department's LEAs' level-of-effort calculations, are correct, the Department should require and perform independent reviews of its LEA level-of-effort calculations to ensure that they are accurate and comply with federal regulations.

2014-112

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Earmarking
Questioned Costs:	$435,831

Criteria: In accordance with 34 CFR §200.100, the State should earmark 4 percent of program monies to carry out school improvement activities authorized under Elementary and Secondary Education Act (ESEA) §§1116 and 1117, provided that the earmarking reservation does not reduce the sum of the allocation a local educational agency (LEA) receives under ESEA §1002(a) below the allocation the LEA received in the previous year.

Condition and context: The Department of Education (Department) calculated the amount of program monies that should have been earmarked for school improvement activities for each LEA. However, for 23 of 490 LEAs, the Department's formulas to calculate this amount contained errors, which resulted in inaccurate earmarking calculations. Consequently, the Department incorrectly concluded that the earmarking requirement was met for these LEAs. In addition, for one of three journal entries tested to record the Department's transfer of monies for school improvement activities, the Department did not maintain adequate documentation to determine that the LEAs spent the monies for school improvement activities.

Effect: Noncompliance with the program's earmarking requirements. Auditors determined that the amount earmarked for school improvement activities for the 23 LEAs was approximately $435,831 less than the required amount. Consequently, the LEAs may have inappropriately spent monies reserved for school improvement activities on other activities.

Cause: The Department did not have policies and procedures to independently review calculations used to determine how much program monies should have been reserved for school improvement activities. In addition, the Department did not follow its policies and procedures to maintain sufficiently detailed documentation to support transfers of program monies spent for school improvement activities.

Recommendation: To help ensure the Department complies with 34 CFR §200.100 and ESEA requirements, it should develop policies and procedures requiring an independent review of its calculations used to determine the amount of program monies LEAs earmark for school improvement activities to ensure the calculations are accurate. In addition, to demonstrate that LEAs appropriately spend program monies earmarked for school improvement activities, the Department should follow its policies and procedures for maintaining written justification and approvals supporting that transfers of program monies were proper and in compliance with the program's requirements.

2014-113

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Cash Management and Subrecipient Monitoring
Questioned Costs:	$9,156

Criteria: As required by 34 CFR §80.21, the State should have policies and procedures in place to minimize the time elapsing between the transfer of monies to and disbursement by local educational agencies (LEAs). LEAs may be paid in advance if they are able to minimize the time elapsing between the receipt of federal monies and their disbursement so that they do not accumulate excess cash balances. Excess cash balances may be carried forward to the next period's grant award project when requested or returned to the grantor at the end of the grant award period.

Condition and context: The Department of Education (Department) required LEAs to request monies for reimbursement of federal award expenditures by submitting cash management requests through its Grants Management Enterprise (GME) system. At the end of the award period, the Department required LEAs to submit completion reports, which are considered the projects' final cash management reports. Auditors selected a sample of 40 LEAs to test the reimbursement requests and completion reports for each of the major federal programs administered through the GME system and noted deficiencies related to the Department's LEA monitoring. Specifically, for 2 of 40 LEAs tested, the Department disbursed federal award monies when the LEA reported cash on hand. Further, the Department mistakenly released payment for the amount of the cash on hand, instead of requesting the LEA to return the excess cash, resulting in additional cash on hand for these LEAs.

Effect: Auditors extended auditing procedures and determined that the excess cash balances were not amended to the subsequent year's grant award after the completion reports were approved. It was not practical to extend our auditing procedures sufficiently to determine additional questioned costs, if any, that may have resulted from this finding. This finding could potentially affect other federal programs that the Department administered.

Cause: There are certain automated controls to hold the release of payments on the GME system. However, certain manual reviews and approvals are required to prevent releasing payment when cash balances exist and completion reports are being finalized and approved. The Department's procedures for the manual review and approval of completion reports was not properly performed, resulting in the Department improperly releasing additional payments and not requesting the return of excess cash. In addition, the LEAs did not request that the excess cash be carried forward to the next period's grant award project, nor did the Department adjust the subsequent grant award or request the excess cash to be returned.

Recommendation: To help ensure the Department complies with federal program requirements related to cash management and subrecipient monitoring, it should follow its policies and procedures for manually reviewing reimbursement requests and completion reports for excess cash LEAs reported prior to approving the release of payment and requesting the return of excess cash or reducing the subsequent grant award as appropriate.

This finding is similar to a prior-year finding.

2014-114

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	N/A

Criteria: In accordance with 34 CFR §200.19, the State should calculate and report graduation rate data for all public high schools in the State's annual report card. The graduation rate is defined as the total number of students who graduate with a regular high school diploma divided by the number of students who entered high school 4 years earlier, considering transfers, such as students who transfer high schools, relocate to another country, or are deceased. Further, in accordance with the State's approved application for the Elementary and Secondary Education Act (ESEA) waiver, the State should identify and report on at least three categories of schools, consisting of reward schools, priority schools, and focus schools in the State's annual report card.

Condition and context: The Department of Education (Department) did not verify that local educational agencies (LEAs) maintained proper documentation to support student transfer information that they reported, which was used in the Department's graduation rate calculation for the State's annual report card. Further, the Department reported only 87 of the 100 schools that met the criteria to be classified as reward schools in the State's annual report card.

Effect: Noncompliance with the program's special tests and provisions. Also, the information required to be reported in the State's annual report card could be incorrect because information LEAs reported was not verified and because of errors in reporting reward schools.

Cause: The Department's policies and procedures did not require the verification of student transfer information LEAs reported or whether LEAs maintained the documentation supporting this information. In addition, the Department failed to independently review or maintain support used to identify reward schools reported in the State's annual report card.

Recommendation: To help ensure the Department accurately reports graduation rate data on the State's annual report card, it should develop policies and procedures to verify documentation supporting the student transfer information LEAs report as part of the Department's LEA monitoring. In addition, an independent person should review reward school data the Department compiles to ensure the data is accurate, and the Department should maintain documentation supporting this data. Accordingly, all information the Department compiles for the State's annual report card should be reviewed by a person who is independent of its preparation to help ensure its accuracy.

2014-115

CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Subrecipient Monitoring
Questioned Costs:	None

Criteria: In accordance with 34 CFR §200.62-.63, local educational agencies (LEAs) receiving program monies must obtain a written affirmation, signed by an appropriate private school official, documenting that the LEA conducted timely consultations with private school officials to determine the educational services to be provided to eligible private school children.

Condition and context: The Department of Education (Department) requires each LEA to submit written affirmations regarding private schools with the application for program monies. However, for 2 of 44 LEAs tested, the Department did not ensure that the LEA's application included the required affirmations for all applicable private schools. In addition, for 1 of 44 LEAs tested, the Department did not ensure that the LEA's application included a statement signed by an appropriate LEA official certifying that there were no private schools within the LEA's boundaries as required by the Department's policies.

Effect: The Department provided federal funding to LEAs without ensuring they had properly documented consultations with private school officials and provided other written affirmations regarding private schools required by the Department's policies.

Cause: The Department did not follow its procedures for ensuring that LEAs' applications included the required private school written affirmations.

Recommendation: To help ensure that LEAs comply with 34 CFR §200.62-.63 and department policies, the Department should follow its established procedures for ensuring that LEAs' applications include the private school written affirmations.

2014-116

Cluster Name:	**Child Nutrition Cluster**
CFDA No. and Name:	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 Numbers and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014;
	7AZ300AZ4, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.558 **Child and Adult Care Food Program**
Award Numbers and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014;
	7AZ300AZ4, 2011, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Agriculture**
Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States**
	84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012;
	H027A130120, 2013; H173A110003, 2011;
	H173A120003, 2012; H173A130003, 2013
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011;
	S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Subrecipient Monitoring
Questioned Costs:	None

Criteria: In accordance with OMB Circular A-133 §400(d)(4), pass-through entities should ensure that a subrecipient expending $500,000 or more in federal awards during the subrecipient's fiscal year has met the audit requirements for that fiscal year.

Condition and context: The Department of Education (Department) did not always ensure that subrecipients expending $500,000 or more in federal awards met the OMB Circular A-133 audit requirements. Specifically, for 1 of 40 subrecipients tested, the Department did not obtain the subrecipient's single audit report or written notification that the report did not contain any findings related to awards the Department provided, and did not notify the subrecipient regarding the noncompliance.

Effect: The Department did not follow OMB Circular A-133 requirements for ensuring that subrecipients expending $500,000 or more in federal awards submit a single audit report or written notification to the Department. This finding could potentially affect other federal programs that the Department administered.

Cause: The Department recently reassigned this monitoring function to personnel who were not familiar with the OMB Circular A-133 requirements. In addition, the Department's procedures were not followed to include federal awards passed through the Department, as well as sources external to the Department, in its calculation used to determine if subrecipients met the threshold requiring a single audit. Further, the Department did not include all federal grant awards in its single audit threshold calculation.

Recommendation: To help ensure the Department complies with OMB Circular A-133 §400(d)(4), it should ensure that personnel responsible for monitoring subrecipients are trained on OMB Circular A-133 requirements. In addition, the Department should evaluate and update, as appropriate, its policies and procedures to ensure that it can determine which subrecipients are subject to the single audit requirements and ensure those subrecipients receive a single audit in accordance with OMB Circular A-133 and submit the single audit report or written notification to the Department.

2014-117

CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049; 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Eligibility
Questioned Costs:	$6,579

Criteria: In accordance with 20 U.S. Code (U.S.C.) §6621(a), the State should disburse federal program monies to local educational agencies (LEAs) in accordance with formulas specified in the regulations.

Condition and context: For 2 of 25 LEAs tested, the Department of Education's (Department) funding allocation formulas contained errors. Auditors analyzed nine counties that received approximately 91 percent of the Improving Teacher Quality State Grants program monies and determined that funding errors occurred totaling $6,579.

Effect: The Department did not comply with the program's eligibility requirements for allocating federal program monies to LEAs because of formula errors. This control deficiency had the potential to result in larger errors that the Department may not have detected. As a result of the errors, schools in Coconino

County received a combined total of $4,936 less than they should have been allocated. All other counties' schools received more funding than they should have totaling this same amount. Additionally, Gila County charter schools were allocated $1,643 more than they should have, and Gila County school districts received $1,643 less than they should have. It was not practical to extend our auditing procedures sufficiently to determine additional questioned costs, if any, that may have resulted from this finding.

Cause: The Department failed to require and perform an independent review of spreadsheet calculations used to determine the LEA funding allocations.

Recommendation: To help ensure the Department complies with 20 U.S.C. §6621(a), it should establish policies and procedures that require all spreadsheet calculations used to determine LEA funding allocations to be independently reviewed and approved prior to disbursing federal awards.

2014-118

Cluster Name:	**Child Nutrition Cluster**
CFDA No. and Name:	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 Number and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Agriculture**
Compliance Requirements:	Subrecipient Monitoring and Special Test and Provisions
Questioned Costs:	Unknown

Criteria: In accordance with OMB Circular A-133 §400(d), a pass-through entity is required to perform certain subrecipient monitoring activities for compliance with federal program requirements. Specifically, as outlined in 7 CFR §210.18(l-k), a pass-through entity should withhold federal award payments to a subrecipient if the subrecipient does not provide a documented corrective action for critical findings within 30 days of the deadline as determined by the pass-through entity; however, the pass-through entity may grant an extension upon the subrecipient's written request. In addition, the pass-through entity should provide written notification to the subrecipient of any findings and corrective action, deadlines for completion of corrective action, and potential fiscal action to be taken by the pass-through entity resulting from its monitoring reviews, in accordance with 7 CFR §210.18(j). Finally, the pass-through entity should reconcile records of subrecipients identified as high risk by the federal agency's guidelines to the food processor's performance reports as part of the pass-through entity's monitoring reviews, as required by 7 CFR §250.16 (a)(4).

Condition and context: For 1 of 14 subrecipients tested, the Department of Education (Department) did not require a written request from the subrecipient for an extension for documenting and submitting a corrective action plan beyond the established deadline. Additionally, for 1 of 6 subrecipients tested, the Department did not provide written notification of, or otherwise communicate, its Summer Food Service

Program's review findings, resulting in uncorrected subrecipient findings. Finally, for 1 of 5 subrecipients tested, the Department did not reconcile the records of subrecipients identified as high risk by the federal agency's guidelines to the food processor's performance reports as part of the Department's monitoring review.

Effect: The Department did not comply with subrecipient monitoring requirements. 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's policies and procedures for monitoring did not always align with the federal agency's regulations, and were not always followed and communicated to those responsible for performing the monitoring reviews.

Recommendation: To help ensure the Department complies with subrecipient monitoring requirements, it should evaluate and update, as appropriate, its existing policies and procedures to ensure they are aligned with the federal agency's regulations and that all personnel performing and approving monitoring reviews are adequately trained on the Department's policies and procedures as well as the federal requirements.

2014-119

Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States**
	84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012; H027A130120, 2013; H173A110003, 2011; H173A120003, 2012; H173A130003, 2013
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Subrecipient Monitoring
Questioned Costs:	N/A

Criteria: The Department of Education (Department), should have a process in place to either monitor internal controls or request and review service organizations' internal control audit reports of significant outsourced service providers when the contractor's internal controls may impact the State's financial reporting or federal compliance. Specifically, a service organization's audit report on internal controls should

outline both the service organization's and Department's responsibilities over internal controls, including any internal control weaknesses of the service organization, that could affect the Department's ability to accurately process vital grant information, including awards, disbursements of federal awards, and subrecipient monitoring.

Condition and context: The Department outsourced certain information technology (IT) functions, such as change management, storage, and backup and recovery, of its Grants Management Enterprise (GME) System and related data for processing federal grants. The Department relies on the service organization's internal controls to ensure that vital grant information is properly backed up and secured, and that systems and data can be recovered in the event of a disaster, system or equipment failure, or other system interruption. However, the Department did not monitor the service organization's internal controls, and the service organization had not had an audit in accordance with *Statement on Standards for Attestation Engagements* (SSAE) No. 16 to demonstrate that its internal controls were operating effectively. In addition, the Department did not ensure that the service organization's contract required such audits or access to the service organization's records for the Department to perform its own monitoring of internal controls.

Effect: There is an increased risk that the Department's service organization did not have adequate internal controls in place and that changes to the Department's GME system could be unauthorized or inappropriate, or could have unintended results without proper documentation, authorization, review, testing, and approval prior to implementation. In addition, there is an increased risk that vital grant information and data are not properly backed up and secured, and that systems and data may not be recovered in the event of a disaster, system or equipment failure, or other system interruption. This finding could potentially affect other federal programs that the Department administered.

Cause: The Department recently outsourced these functions. The department personnel responsible for procuring and contracting these services were not familiar with the aspects of due diligence on the Department's part necessitating either an SSAE No. 16 audit or the Department's ongoing monitoring of internal controls over the outsourced functions.

Recommendation: To help ensure the Department has assurances to rely on a service organization's internal controls, the Department should require the service organization to have an SSAE No. 16 audit to demonstrate that the service organization's internal controls were operating effectively. Such audits should be performed on a periodic basis and should be submitted to and reviewed by the Department. Alternatively, the Department should perform monitoring of the service organization's internal controls on a periodic basis. The Department should document and follow up on such monitoring, including any internal control weaknesses identified. In addition, the Department should establish policies and procedures for procuring and monitoring service providers when significant functions that may impact the State's financial reporting or federal compliance are outsourced.

2014-120

Cluster Name:	**Child Nutrition Cluster**
CFDA No. and Name:	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 Number and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.558 **Child and Adult Care Food Program**
Award Numbers and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014;
	7AZ300AZ4, 2011, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Agriculture**
Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States**
	84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012;
	H027A130120, 2013; H173A110003, 2011;
	H173A120003, 2012; H173A130003, 2013
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011;
	S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Subrecipient Monitoring
Questioned Costs:	None

Criteria: The Department of Education's (Department) Grants Management Enterprise (GME) system and its accounting software application used to upload to the State's general ledger are vital for processing grant information, approving and disbursing federal awards, and monitoring subrecipients for compliance with various federal program requirements. Consequently, the Department should have effective policies and procedures in place to ensure that access granted to the system is authorized and system and data changes or modifications are authorized, documented, tested, reviewed, and approved prior to implementation.

Condition and context: The following deficiencies were noted for the GME system and accounting software application:

- For 5 of 8 users tested with administrative access rights, the Department did not maintain the documentation supporting the approval of the access granted.
- For 13 of 15 users tested with standard system access privileges, the Department did not maintain the documentation supporting the approval of the access granted.
- For 2 of 5 terminated users tested, the GME system access was not revoked immediately upon termination.
- There was an excessive number of users with administrative access rights to the accounting software application.
- The Department did not monitor the activities of users with administrative access in both the GME system and accounting software application.
- The Department allowed multiple personnel to use generic user accounts to access and modify data tables in the GME system.
- Modifications to data tables in both the GME system and accounting software application were not logged, reviewed, and approved prior to implementation.

Effect: The Department may not be able to detect errors or unauthorized modifications made to both the GME system and accounting software application. This finding could potentially affect other federal programs that the Department administered.

Cause: The Department did not have adequate documented policies and procedures for these areas.

Recommendation: To help prevent and detect unauthorized access or changes to the GME system and accounting software application, the Department should develop and implement written policies and procedures such as:

- Requiring all users' access to be properly approved and documented.
- Removing users' access rights immediately upon termination.
- Performing a periodic, comprehensive review of all existing user accounts for the GME system and accounting software application to help ensure that access granted is appropriate and compatible with job responsibilities and removing those users who have inappropriate or excessive access privileges.
- Logging and periodically monitoring users' access and activities for the GME system and accounting software application, especially users with administrative-level access and elevated access privileges.
- Reviewing all generic user accounts to eliminate or minimize their use when possible.
- Logging and monitoring all changes to data tables in both the GME system and accounting software application, and ensuring they are independently reviewed, tested, and approved prior to implementation.

This finding is similar to a prior-year finding.

2014-121

Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States** 84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012; H027A130120, 2013; H173A110003, 2011; H173A120003, 2012; H173A130003, 2013
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011; S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: In accordance with 2 CFR §170, Appendix A, and the Federal Funding Accountability and Transparency Act (FFATA) of 2006, for grant awards beginning on October 1, 2010, or later, the State should report on a monthly basis to the FFATA Subaward Reporting System each subaward to a subrecipient of $25,000 or more.

Condition and context: The Department of Education (Department) did not submit the required FFATA reports listing subawards of $25,000 or more to subrecipients for its U.S. Department of Education programs, nor did the Department request or obtain permission from the Office of Management and Budget to deviate from this requirement.

Effect: Noncompliance with the FFATA reporting requirements for all U.S. Department of Education programs the Department administered. This finding has the potential to affect other federal programs the Department administered.

Cause: The Department had demonstrated a good faith effort to comply with this requirement in prior years, but failed to comply this year because of turnover in the personnel responsible for the FFATA reporting.

Recommendation: To help ensure the Department complies with FFATA reporting requirements, it should establish and implement policies and procedures to report on a monthly basis each subaward of $25,000 or more to subrecipients or maintain documentation that it made a good faith effort to comply with FFATA reporting requirements.

2014-122

Cluster Name:	**Child Nutrition Cluster**
CFDA No. and Name:	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 Number and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.558 **Child and Adult Care Food Program**
Award Numbers and Years:	7AZ300AZ3, 2011, 2012, 2013, 2014;
	7AZ300AZ4, 2011, 2012, 2013, 2014
CFDA No. and Name:	10.560 **State Administrative Expenses for Child Nutrition**
Award Number and Years:	7AZ300AZ2, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Agriculture**
Cluster Name:	**Special Education Cluster (IDEA)**
CFDA No. and Name:	84.027 **Special Education—Grants to States**
	84.173 **Special Education—Preschool Grants**
Award Numbers and Years:	H027A110007, 2011; H027A120007, 2012;
	H027A130120, 2013; H173A110003, 2011;
	H173A120003, 2012; H173A130003, 2013
CFDA No. and Name:	84.010 **Title I Grants to Local Educational Agencies**
Award Numbers and Years:	S010A090003, 2009; S010A110003, 2011;
	S010A120003, 2012; S010A130003, 2013
CFDA No. and Name:	84.184 **Safe and Drug-Free Schools and Communities—National Programs**
Award Number and Year:	Q184Y100027-13, 2014
CFDA No. and Name:	84.367 **Improving Teacher Quality State Grants**
Award Numbers and Years:	S367A110049, 2011; S367A120049, 2012; S367A130049, 2013
CFDA No. and Name:	84.369 **Grants for State Assessments and Related Activities**
Award Number and Years:	S369A110003, 2012, 2013, 2014
Federal Agency:	**U.S. Department of Education**
Compliance Requirements:	Procurement and Suspension and Debarment, and Subrecipient Monitoring
Questioned Costs:	Unknown

Criteria: The Department of Education (Department) is responsible for awarding over $1.1 billion in federal grant awards and contracts to local educational agencies (LEAs) consisting of school districts, charter schools, and various other educational organizations. Therefore, it is imperative that department management and employees who are involved in making award decisions comply with the State's personnel rules, A.R.S. §38-501 et seq., and 34 CFR §80.36. These rules, laws, and regulations require that employees disclose conflicts of interest when employees or their relatives have a business interest or employment with

another entity to which the Department awards grants and contracts, and abstain from any involvement in an award decision for which a conflict of interest exists. These disclosures should be made on an annual basis to comply with the State's personnel rules.

Condition and context: The Department did not have adequate internal controls to ensure that its management and employees completed conflict-of-interest disclosure statements to comply with federal and state conflict-of-interest requirements.

Effect: There is an increased risk that federal program monies could potentially be awarded to an entity in violation of state rules and laws and 34 CFR §80.36. When conflict-of-interest requirements are not complied with, there is an increased risk that federal program monies could be used for personal gain and activities that are not allowed. 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 that the Department administered.

Cause: State employees are required to complete conflict-of-interest and disclosure statements when they are hired and annually thereafter. Employees are also required to update disclosure statements for conflicts of interest as they arise, as required by the State's policies and laws. However, the Department did not provide regular communications to management and employees to remind them of the importance of conflict-of-interest rules and laws. Further, the Department did not have policies and procedures requiring its management and employees to complete annual conflict-of-interest disclosures statements to help ensure that employees do not make federal award decisions when a conflict of interest exists.

Recommendation: To help ensure the Department's management and employees comply with conflict-of-interest rules, laws, and regulations, the Department should provide regular communications about the importance of conflict-of-interest requirements and require all employees to complete an annual conflict-of-interest disclosure statement. Policies and procedures and training should require management and employees to abstain from making award and compliance decisions that involve entities for which conflicts of interest exist.

This finding is similar to a prior-year finding.

2014-123

CFDA No. and Name:	14.267 **Continuum of Care Program**
Award Numbers and Years:	Various
Federal Agency:	**U.S. Department of Housing and Urban Development**
Compliance Requirement:	Procurement and Suspension and Debarment
Questioned Costs:	None

Criteria: In accordance with 2 CFR §§180 and 2424, the Arizona Department of Housing (Department) is prohibited from contracting with or making subawards to any party that is suspended or debarred or is otherwise excluded from participating in federal assistance programs.

Condition and context: The Department awarded over $5.4 million in Continuum of Care federal grant monies during the fiscal year to a total of 17 subrecipients consisting of Arizona counties and other nonprofit organizations. However, the Department did not always verify the subrecipients were not suspended or debarred, or otherwise excluded from participating in the program prior to making the awards. Auditors performed additional audit procedures and determined no payments were made to suspended or debarred parties.

Effect: Awards could be made to suspended or debarred parties. This finding could affect other federal programs that the Department administered.

Cause: The Department had internal control policies and procedures to check the Excluded Parties List System (EPLS) for first-time subrecipients; however, for additional awards to a subrecipient, the Department did not verify that their status had not changed.

Recommendation: The Department should establish policies and procedures to verify that subrecipients are not suspended or debarred prior to making awards. Documentation of this verification must be retained. This may be accomplished by checking the EPLS maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the contracts.

2014-124

CFDA No. and Name:	93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
Award Numbers and Years:	5U58DP001956-05, 2014; 5UR3DD000826-03, 2014; 3U50CI000922-02, 2014
Federal Agency:	**U.S. Department of Health and Human Services**
Compliance Requirements:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR §225, Appendix B, 8.h, the Arizona 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 fiscal year 2014, five bureaus administering the federal program within the Department spent approximately $5 million of program monies, with $1.4 million being spent on salaries and wages. For those employees who worked on multiple activities, salaries and wages were charged to the program using distribution percentages that were determined before the employees performed the services. In addition, these salaries and wages were not always supported by personnel activity reports or equivalent documentation to support the actual time spent working on the program. Further, for those

employees who worked solely on the federal award, salaries and wages were not always supported by periodic certifications. Specifically, auditors noted the following deficiencies at three of the five bureaus:

Bureau of Tobacco and Chronic Disease

- For 16 out of the 17 employees tested, there were no personnel activity reports supporting the distribution of the employees' salaries and wages to multiple activities or certifications that the employees worked solely on the federal program.

Bureau of State Laboratory Services

- For the one employee who worked on the program, there were no personnel activity reports supporting the distribution of the employee's salaries and wages.

Bureau of Epidemiology and Disease Control

- For one out of the eight employees tested, there were no personnel activity reports supporting the distribution of the employee's salaries and wages for one pay period.

Effect: The employee salaries and wages charged to the program did not always 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 effective internal controls in place to ensure that salaries and wages reflect the actual time spent working on the program.

Recommendation: The Department should implement effective internal controls to help ensure that salaries and wages reflect actual time spent working on the federal program. For employees who work on multiple activities, the Department should ensure that documentation is prepared at least monthly reflecting an after-the-fact distribution of the hours and activities worked. Also, the Department should continue to ensure that all employees' distribution percentages that were determined before the services were performed, are compared to the distribution percentages of the actual time worked, at least quarterly, and make any necessary correcting adjustments to the amounts charged to the program. Further, the Department should require employees who work solely on the program to prepare certifications at least semiannually. 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.

This finding is similar to a prior-year finding.

2014-125

CFDA No. and Name:	93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
Award Numbers and Years:	5UR3DD000826-03, 2014; 5U58DP002034-05, 2014; 2U58DP001956-06, 2014; 5U50OE000047-02, 2014; 5U50DP000729-05, 2014; 3U50CI000922-02, 2014; 5U50CK000224-02, 2014
Federal Agency:	**U.S. Department of Health and Human Services**
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: In accordance with 2 CFR §170, Appendix A, and the Federal Funding Accountability and Transparency Act (FFATA) of 2006, the Arizona Department of Health Services (Department) must report to the FFATA Subaward Reporting System each subaward that amounts to $25,000 or more. The Department must report each subaward action no later than the end of the month following the month in which the obligation was made.

Condition and context: The Department did not submit the required FFATA reports listing subawards of $25,000 or more for the program. Additionally, the Department did not request or obtain permission from the Office of Management and Budget to deviate from this requirement and could not provide evidence of communication with the federal awarding agency to attempt a good faith effort to comply with this requirement.

Effect: Awards to subrecipients were not submitted to the FFATA Subaward Reporting System, resulting in a lack of information being posted on the USASpending.gov Web site. This finding has the potential to affect other federal programs the Department administered.

Cause: The Department did not have policies and procedures to ensure compliance with the FFATA reporting requirements for the program.

Recommendation: To comply with the FFATA reporting requirements, the Department should develop internal control policies and procedures to ensure that employees compile, review, and submit the required reports in a timely manner.

This finding is similar to a prior-year finding.

2014-126

CFDA No. and Name: 97.042 **Emergency Management Performance Grants**
Award Number and Year: EMW-2012-EP-00003, 2012
Federal Agency: **U.S. Department of Homeland Security**
Compliance Requirement: Matching
Questioned Costs: $6,726,857

Criteria: In accordance with its grant agreement and 44 CFR §13.24(b)(6), the Department of Emergency and Military Affairs (Department) is required to match 100 percent of program expenditures with nonfederal monies and must maintain records of costs and third-party, in-kind contributions counting toward satisfying the matching requirement.

Condition and context: The Department expended $6,726,857 in federal monies for the FFY 2012 award that ended during the state fiscal year 2014 and also reported this amount to the federal grantor as the required match. However, it did not maintain support for the match amount or separately identify and track in its accounting records any costs or third-party, in-kind contributions that could have been counted toward satisfying the matching requirement.

Effect: The Department was unable to demonstrate that it met the matching requirement for the federal program.

Cause: The Department did not have adequate procedures in place to ensure that matching requirements were met and verifiable from its records.

Recommendation: The Department should establish policies and procedures to ensure it complies with the program's matching requirement. This includes ensuring that the Department's accounting records support matching expenditures.

2014-127

CFDA No. and Name: 97.042 **Emergency Management Performance Grants**
Award Numbers and Years: EMW-2012-EP-00003, 2012; EMW-2013-EP-00024, 2013
Federal Agency: **U.S. Department of Homeland Security**
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Period of Availability of Federal Funds
Questioned Costs: $2,015,000

Criteria: In accordance with 2 CFR §225, Appendix A, E.2. and 44 CFR §13.23(a), the Department of Emergency and Military Affairs (Department) may charge only direct costs, such as employee compensation

for the time devoted and identified specifically to the performance of federal awards, incurred during the funding period to the program. Further, to comply with 2 CFR §215.22(b)(2), cash advances to a recipient organization shall be timed to be in accordance with the recipient organization's actual, immediate cash requirements in carrying out the approved program or project's purpose.

Condition and context: The Department charged program costs to the FFY 2013 award that were incurred prior to the funding period. Specifically, the Department overspent its FFY 2012 award primarily to cover salaries and benefits. The Department borrowed $2,015,000 from state monies anticipating the receipt of the FFY 2013 award. Subsequently, the Department drew down monies from its FFY 2013 award to repay the borrowed state monies, which was not in accordance with the approved FFY 2013 program's immediate cash needs.

Effect: The Department incorrectly charged FFY 2012 program costs to the FFY 2013 award, which resulted in improper cash drawdowns and a questioned cost of $2,015,000. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding.

Cause: The Department did not have policies and procedures to ensure it did not exceed program funding levels.

Recommendation: The Department should ensure that program costs do not exceed the approved funding levels and are charged to the appropriate funding period.

2014-128

CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Numbers and Years:	EMW-2012-EP-00003, 2012; EMW-2013-EP-00024, 2013; EMW-2014-EP-00016, 2014
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirement:	Cash Management
Questioned Costs:	Unknown

Criteria: In accordance with 44 CFR §13.20(b), accounting records must be properly supported and effective controls and accountability must be maintained over federal monies to ensure that it is used solely for authorized purposes. Therefore, the Department of Emergency and Military Affairs (Department) should maintain source documentation for drawdown requests and separate responsibilities over cash management so that no one employee is responsible for compiling and submitting cash requests to drawdown federal monies.

Condition and context: The Department did not establish adequate procedures to ensure that cash drawdown requests were supported, reviewed, and approved prior to submission. While gaining an understanding over the program's internal controls, auditors determined that cash drawdown requests were

not supported and one employee was responsible for compiling, approving, and submitting the cash drawdown requests.

Effect: The Department could request cash for unauthorized purposes, have excess cash on hand, and incur an interest liability on cash balances. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may result from this finding.

Cause: The Department did not have adequate internal control policies and procedures in place for the drawdown of federal funds.

Recommendation: The Department should develop internal control policies and procedures to ensure cash drawdowns are properly supported. In addition, it should assign a second employee to review and approve cash drawdown requests for accuracy before they are submitted to the grantor.

2014-129

CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Number and Year:	EMW-2013-EP-00024, 2013
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirements:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR §225, Appendix A, F.1., indirect costs claimed for the program should consist of costs that are incurred for a common or joint purpose benefiting more than one cost objective and should be distributed to benefited cost objectives in accordance with the approved indirect cost agreement. Further, in accordance with 44 CFR §13.20(b) and 31 CFR §205.33(a), the timing and amount of the cash advances shall be as close as is administratively feasible to the recipient organization's actual disbursements for the direct costs and proportionate share of any allowable indirect costs.

Condition and context: The Department of Emergency and Military Affairs (Department) requested and received $778,996 in program monies for indirect costs prior to incurring the direct costs associated with these indirect costs, which were subsequently transferred to its Indirect Cost Recovery Fund. Further, the amount of indirect costs were determined by using the total indirect costs budgeted for the entire award period instead of the approved indirect cost rate agreement approved by the federal awarding agency.

Effect: Indirect costs were improperly charged to the award, which resulted in an improper cash drawdown. Further, the Department may have transferred monies to its Indirect Cost Recovery Fund that were received in advance for indirect costs that were not based on allowable direct costs. 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 have policies and procedures in place to ensure it charged indirect costs to the program as the underlying direct costs were incurred.

Recommendation: The Department should have policies and procedures in place to ensure that indirect costs are calculated using the approved indirect cost rate agreement. Further, the Department should not charge indirect costs to the program until the accumulated direct costs used to distribute indirect costs have occurred.

2014-130

CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Numbers and Years:	EMW-2012-EP-00003, 2012; EMW-2013-EP-00024, 2013
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirements:	Cash Management and Subrecipient Monitoring
Questioned Costs:	Unknown

Criteria: In accordance with 44 CFR §13.40, the Department of Emergency and Military Affairs (Department) is required to monitor subgrantee activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Further, to comply with 31 U.S. Code 7502(f)(2)(C) and OMB Circular A-133 §.400(d), the Department must ensure that subrecipients expending $500,000 or more in federal awards obtain 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. Finally, to comply with 44 CFR §13.21(g), the Department should not withhold payments to subgrantees for proper charges incurred unless the subgrantee has failed to comply with the award conditions.

Condition and context: During the fiscal year, the Department disbursed $530,000 in program monies to 13 subrecipients for the FFY 2012 award. However, the Department did not monitor subrecipient activities or obtain and review the required audits. In addition, for the 4 FFY 2013 award subrecipients selected for test work, the Department was to reimburse the subrecipients' program costs quarterly; however, in some instances payments were withheld until fiscal year-end.

Effect: Subrecipients may not have complied with the grant agreements and may not have had single audits completed. Further, subrecipients may not have received timely reimbursements for program costs in accordance with their contracts. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding has the potential to affect other federal programs the Department administered.

Cause: The Department relied on the subrecipients to report accurate financial information without performing monitoring procedures to ensure accuracy. Further, the Department was unaware of the requirement to obtain and review subrecipients' audits. Finally, the Department withheld some payments to

subrecipients anticipating the need to use program monies for personnel costs until the next FFY award was received.

Recommendation: The Department should monitor the subrecipients' use of all federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that subrecipients administer federal awards in compliance with the grant agreement and that performance goals are achieved. Further, the Department should establish adequate procedures to ensure all subrecipients have the required audits, the Department issues management decisions on audit findings, and subrecipients take appropriate corrective action. Finally, the Department should ensure that subrecipients are reimbursed in a timely manner for program costs in accordance with their contracts.

2014-131

CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Numbers and Years:	EMW-2012-EP-00003, 2012; EMW-2013-EP-00024, 2013
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirement:	Reporting
Questioned Costs:	Unknown

Criteria: In accordance with 44 CFR §13.20(b)(1), the Department of Emergency and Military Affairs' (Department) financial reports must be accurate, current, and complete and disclose the financial results of federal activities in accordance with the program's financial reporting requirements.

Condition and context: The Department did not have effective internal control policies and procedures in place for preparing its financial reports. Specifically, for the FFY 2012 award final federal financial report, the Department reported the award's amount of federal funds authorized as the cash received, cash disbursed, and recipient share required and expended. However, the amounts reported did not agree to the accounting records. Further, for the one FFY 2013 quarterly report reviewed, the amounts reported did not agree to the accounting records, and no supporting documentation was maintained for the amounts reported.

Effect: The financial reports submitted to the federal awarding agency did not reflect accurate program financial information. 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 have effective policies and procedures in place to ensure the financial reports were accurately prepared or properly reviewed prior to submitting them to the federal agency.

Recommendation: The Department should develop and implement effective policies and procedures for the preparation and review of financial reports to ensure that financial information is accurate, current, and complete. Further, the Department should maintain supporting documentation for amounts reported.

2014-132

CFDA No. and Name:	97.042 **Emergency Management Performance Grants**
Award Number and Year:	EMW-2012-EP-00003, 2012
Federal Agency:	**U.S. Department of Homeland Security**
Compliance Requirement:	Earmarking
Questioned Costs:	Unknown

Criteria: In accordance with the funding opportunity announcement (FOA), the Department of Emergency and Military Affairs (Department) may use up to 5 percent of the program monies for management and administration (M&A) activities. M&A activities are those defined as directly relating to program management and administration, such as financial management and monitoring.

Condition and context: The Department could not provide support that it tracked or did not exceed the allowable earmarking requirements; therefore, auditors were unable to determine whether the Department complied with the earmarking requirements. While the Department created specific accounting codes to track M&A activities, the codes were not always used. Specifically, for the FFY 2012 award, the Department charged travel, fleet, and other operating costs totaling $2,335 to the codes; however, there were no charges to the codes for salaries of employees who were assigned to work on M&A activities.

Effect: The Department may have used more than the allowable amount for M&A costs. 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 have adequate internal control policies and procedures to ensure M&A costs were appropriately identified and recorded in the accounting system.

Recommendation: The Department should establish internal control policies and procedures to help ensure M&A costs are appropriately identified and recorded in the accounting system and the amount of M&A costs do not exceed the amount allowable.

2014-133

CFDA No. and Name:	12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Numbers and Years:	Various
Federal Agency:	**U.S. Department of Defense**
Compliance Requirement:	Cash Management
Questioned Costs:	Unknown

Criteria: In accordance with National Guard Regulation 5-1, chapter 11-5, 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 320 days of daily cash balances and noted the Department exceeded the 45-day limit on 39 different occurrences.

Effect: The Department could incur an interest liability on cash balances that exceeded 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 has internal control procedures in place to estimate expenditures prior to requesting advancement of funds; however, in some instances expenditures did not occur as estimated, creating excess cash balances over the 45 days allowed.

Recommendation: The Department should develop additional 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.

This finding is similar to a prior-year finding.

2014-134

CFDA No. and Name:	12.401 **National Guard Military Operations and Maintenance (O&M) Projects**
Award Number and Year:	W912L2-11-2-1001, 2012
Federal Agency:	**U.S. Department of Defense**
Compliance Requirement:	Period of Availability of Federal Funds
Questioned Costs:	$1,018

Criteria: In accordance with National Guard Regulation 5-1, chapter 11-10, effective May 28, 2010, costs incurred in a fiscal year that are not disclosed by the grantee within 90 days of the end of the FFY shall not be eligible for reimbursement.

Condition and context: The Department of Emergency and Military Affairs (Department) did not have adequate internal control policies and procedures in place to ensure that all program expenditures were disclosed to the grantor agency within the required time frame. Specifically, auditors identified $1,018 of program expenditures that were charged to the FFY 2012 grant and paid for with excess grant monies, but were not disclosed to the grantor agency within 90 days of the end of the FFY. Therefore, these costs were not eligible for reimbursement and resulted in a questioned cost of $1,018.

Effect: The Department may not receive reimbursement for eligible expenditures if the costs are not disclosed to the grantor within the required time frame. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding.

Cause: The Department was not aware that it did not disclose costs associated with its FFY 2012 award until more than 90 days after the FFY ended.

Recommendation: To help ensure the Department receives reimbursement for all allowable costs charged to the program it must liquidate or disclose all program costs to the grantor agency within 90 days of the end of the FFY in accordance with program guidelines.

2014-135

CFDA No. and Name:	98.AID-486-A-12-00005 **The Vocational University Leadership and Innovation Institute (VULII)**
Award Number and Years:	486-A-12-00005, 2012 through 2015
Federal Agency:	**Agency for International Development**
Compliance Requirements:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	$206,214

Criteria: In accordance with 2 CFR §220, Appendix A, C.4.d, the Arizona State University (University) is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under cost principles.

Condition and context: The University notified auditors that program expenditures incurred for the Vocational University Leadership and Innovation Institute (VULII), a nonmajor program during the period July 1, 2013 through June 30, 2014, may be unallowable due to an employee charging expenditures to an incorrect funding source. In October 2014, the University completed an internal review on the program and identified $206,214 of previously reimbursed expenditures charged to the program primarily for travel and conference costs that were not allowable program costs. Of that amount, the University estimates approximately $17,535 was considered to be fraudulent expenditures.

Effect: The University was reimbursed $206,214 for expenditures later determined to be unallowable. The University credited the entire $206,214 back to the federal program by reducing a future reimbursement request for the grant in December 2014. It was not practical to extend our auditing procedures to determine whether any additional questioned costs resulted from this finding.

Cause: The University has internal controls in place requiring review and approval of grant expenditures for allowability; however, the review performed was not adequate.

Recommendation: The University credited the unallowable expenditures back to the federal agency. However, the University should ensure proper review and approval of expenditures are performed for allowability on all grant awards by a faculty or staff member who is familiar with the program and the allowable activities and costs that can be charged to the program.

Other auditors' findings:

The other auditors who audited the Medicaid Cluster administered by the Arizona Health Care Cost Containment System (AHCCCS) reported the following finding:

2014-136

Cluster Name:	**Medicaid Cluster**
CFDA No. and Name:	93.778 **Medical Assistance Program**
Award Numbers and Years:	Various
Federal Agency:	**U.S. Department of Health and Human Services**
Compliance Requirement:	Eligibility
Questioned Costs:	N/A

Criteria: According to the AHCCCS eligibility requirements, the SOBRA Child eligibility category allows enrollment/participation for participants from ages 6 to 18. The month after reaching the age of 19 and maintaining other eligibility criteria, participants should be moved out of the SOBRA child eligibility category and into a comparable AHCCCS program. Internal controls should be in place to provide reasonable assurance that participants are moved out of the SOBRA Child eligibility category the month after they turn 19 (aged out).

Condition: In connection with our testing, we noted certain participants were either not transferred from the SOBRA Child eligibility category to another eligibility group the month after they turned 19 or were transferred subsequent to the month after the participant turned 19 years of age.

Context: In order to test eligibility, we selected a sample of 40 participants to verify the participant met the applicable eligibility criteria. In connection with our testing, we noted one instance where a participant was enrolled in the SOBRA Child eligibility category and was not transferred from the SOBRA Child eligibility category the month after they turned 19. As a result of this exception, we expanded our testing to the entire population of the SOBRA Child eligibility category to ensure that participants were being properly transferred out of the SOBRA Child eligibility category the month after the participant turned 19 (aged out). Using eligibility data, we identified 1,948 individuals enrolled in the SOBRA Child eligibility category who were not transferred timely out of the SOBRA eligibility category in the month after the participant turned 19 in fiscal year 2014. For these 1,948 exceptions, we noted that the participants were incorrectly left in the SOBRA Child eligibility category and not transferred to another adult eligibility category for a total of 5,731 months.

Effect: AHCCCS pays contracted health plans to provide services to the participants in the SOBRA Child eligibility category using a capitated per member, per month payment methodology. The SOBRA Child eligibility category per member per month payment is lower than the per member per month payment for the AHCCCS Care eligibility category (the eligibility category the SOBRA Child eligibility category participants would have been transferred to). As a result, given the 1,948 exceptions, the number of months participants were incorrectly left in the SOBRA Child eligibility category, and the per member per month

capitation rate differentials between the SOBRA Child and AHCCCS Care eligibility categories, we determined that AHCCCS improperly paid (underpaid) capitation to contracted health plans by approximately $1,225,704 as a result of the untimely transfer between eligibility categories.

Cause: AHCCCS' eligibility department had a large backlog and was not able to properly transfer participants between eligibility categories on a timely basis and in accordance with program requirements.

Recommendation: We recommend that AHCCCS establish policies and procedures to ensure that participants are transferred out of the SOBRA Child eligibility category the month following the participant's 19th birthday. This will include the implementation of an eligibility system enhancement to automatically transfer SOBRA Child eligible out of this eligibility program in the month following the participant's 19th birthday. We further recommend that AHCCCS review the size and compliment of their eligibility department to ensure the staffing is adequate to address eligibility changes in a timely manner.

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Appendix

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State of Arizona
Appendix
State of Arizona Agency Codes
Year Ended June 30, 2014

Agency Code	Agency
ADA	Arizona Department of Administration
AEA	Arizona Radiation Regulatory Agency
AGA	Office of Attorney General
AHA	Arizona Department of Agriculture
ASA	Arizona State University
BNA	Arizona State Board of Nursing
BRA	Arizona Board of Regents
CAA	Arizona Commerce Authority
CCA	Arizona Corporation Commission
CDA	Arizona Early Childhood Development and Health Board
CRA	Arizona Cotton Research and Protection Council
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	The Arizona Geological Survey
GVA	Office of the Arizona Governor
HCA	Arizona Health Care Cost Containment System
HDA	Arizona Department of Housing
HIA	Arizona Historical Society
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
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	State of Arizona 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, 2014

Agency Code	Agency
SPA	Arizona Supreme Court
STA	Office of the Secretary of State
UAA	University of Arizona
VSA	Arizona Department of Veterans' Services
WCA	Arizona Department of Water Resources
WFA	Water Infrastructure Finance Authority of Arizona

Financial Statement Findings

2014-01

The Arizona Department of Administration's Data Center should strengthen their contracts with state agencies

Agency: Department of Administration – Arizona Strategic Enterprise Technology Division (ADOA-ASET)
Contact persons and titles: 1. Donald L Hennington, Chief Operating Officer & Assistant Director, (602) 542-1422
2. Gary Hensley, Chief Enterprise Integration Officer & Assistant Director, (602) 771-6401
Anticipated completion date: July 1, 2016

The Agency has reviewed the audit finding and recommendation associated with the audit of the Data Center contracts with state agencies. We concur with the audit finding and recommendation. The Agency will take the following corrective actions:

- The ADOA-ASET State Data Center (SDC), with the assistance of an outside contractor, has created and finalized a comprehensive Disaster Recovery/Incident Recovery Plan (DR/IRP) document, which includes all system and infrastructure components for which it is responsible, and addressed important elements such as regulatory and contractual requirements, the Department's overall business continuity needs, IT resource management requirements and interdependencies, an analysis of business impacts, risk assessments, emergency procedures, testing, and ongoing maintenance of its disaster recovery efforts. This document is a living document which will be maintained and updated as changes occur as business needs dictate.

  a. ADOA-ASET will clarify a client agency's responsibilities in the provisioning of Agency specific business recovery and disaster recovery requirements to effectuate an agency's business continuity and recovery as part of an agency's IT risk management planning.

  b. ADOA-ASET will provide assistance to individual agencies to define their individual business impacts, risk assessments, emergency procedures, testing, and ongoing maintenance of an agency's disaster recovery needs.

- ADOA-ASET has prepared a full listing of State Agencies and the services provided to them. Additional development effort is being defined to refine the individual services to articulate the individual services in business terms, so that they would be readily understandable by the agency business community. In support of that effort, ADOA-ASET will define a services costing model that will be based on an agency's business requirements.

- ADOA-ASET will improve the contractual language of State Data Center service contracts to ensure clarity of services provided and specific responsibilities of all parties. The current Inter-Agency Services Agreement (ISA) is being reviewed by ADOA legal, and recommendations from that review process will

be incorporated into a new agreement with clarified terms and conditions that are specific to the requesting agency.

2014-02

The State of Arizona should strengthen its internal controls over purchasing cards

Agency: Department of Administration
Contact person and title: Clark Partridge, State Comptroller
Anticipated completion date: June 30, 2016

The State understands the importance of internal controls over purchasing cards. We will review and update policies and procedures as appropriate.

The Department of Health Services has instituted procedures that require documentation be maintained with the Business Office at the Arizona State Hospital identifying patients that receive gift cards as a reward for appropriate behavior and are used as therapy for community reintegration. The documentation will be in either hardcopy or electronic form, include signatures by the patient verifying receipt of the gift card, and will be maintained as part of our records for five years past the end of the fiscal year of the purchase.

The Game and Fish Department has added information to existing training to distinguish between use of a purchasing card and the travel card or Central Travel Account. Additionally, this training is being converted into a computer based training in order to increase accessibility to card program policies and procedures.

The Department of Emergency and Military Affairs will use the Central Travel Account for emergency travel purposes and will be managed and maintained by the Deputy Director.

The Department of Education will continue to utilize existing controls to help ensure that all purchasing card rules are followed and all transactions are appropriate and allowable. Each purchasing card transaction is approved by a Procurement Department member. The Procurement Department within the Department of Education gives all Department of Education staff the opportunity to refresh their procurement knowledge at quarterly procurement training sessions.

The Department of Revenue agrees that not all transaction receipts are submitted with the monthly reconciliation, but all transactions are reviewed to ensure the purchase was appropriate and for a public purpose. If a transaction is questionable or more information is needed, the purchasing card holder is contacted. The Department of Revenue will update policies and procedures for purchasing card transactions, including requiring all receipts be submitted with monthly purchasing card reconciliation statement and require the reconciliation review to include a comparison of each transaction to its receipt.

The Department of Administration has updated the purchasing card policies and procedures. Additionally the Department of Administration has obtained signed purchasing card agreement forms from all current purchasing card holders.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2014

2014-03

The Department of Revenue should continue to strengthen its procedures for processing income tax revenues

Agency: Department of Revenue
Contact person and title: Francis Becker, Senior Internal Auditor, (602) 716-6156
Anticipated completion date: Unknown

The Department has instituted and continues to research compensating controls to minimize risks to tax revenue.

2014-04

The Northern Arizona University must ensure all deposits are fully collateralized as required by state statute

Agency: Northern Arizona University
Contact person and title: Robert G. Norton, Associate Vice President and Comptroller, (928) 523-6054
Anticipated completion date: Corrected

The University has reviewed the audit finding and recommendation associated with the annual audit of the University's Annual Financial Report for the year ended June 30, 2014. We concur with the audit finding and recommendation. The University switched servicing banks during the fiscal year and for a period of 69 days from April to June 30, 2014 the deposits were uncollateralized although this requirement is stipulated in the University Request for Proposal (RFP) for banking services. Beginning July 1, 2014 the State Treasurer began administering collateral for all University deposits and since July 1, 2014 all deposits are properly collateralized and the University receives monthly confirmation of the collateralized amounts. As noted in the finding, no loss of public monies resulted from the uninsured, uncollateralized deposits. There was no malfeasance or theft related to the finding. In addition the University will reemphasize in its fiscal year end procedures to verify proper collateralization of deposits before preparing the University footnote for Cash and Investments.

2014-05

The Department of Economic Security should update and test its disaster recovery plan over its information technology systems

Agency: Department of Economic Security
Contact person and title: Josephine Wilt, Project Manager
Anticipated completion date: June 30, 2017

Contingency Planning is comprised of both a Continuity of Operations Plan (COOP) focused on process continuity and a Disaster Recovery Plan (DRP) focused on the supporting technology. This Corrective Action Plan addresses the disaster recovery findings of the OAG audit.

The current DES Disaster Recovery Plan has been in place since 1999. There was a formal review of the Plan in 2006 and it was last updated in 2011. The last failover test was completed in 2010 and included a failover to an IBM mainframe located in Boulder, Colorado. Currently data from the mainframe is simultaneously stored in a secondary secured location. The backup tapes from the mainframe are stored off-site at a facility specifically designed for storing data. For SFY 2015, DES received funding for moving the DES Data Center into a purpose built, Tier III data center operated by a third party. The facility risk of outages is anticipated to be greatly reduced by this move.

Milestones	Anticipated Completion Date	
	SFY16	SFY17
A. Migrate the data center to new location	✓	
B. Review and modify Recovery Plan	✓	
C. Perform annual test	✓	
D. Document overall testing strategies, testing frequencies, and test results		✓
E. Implement technology appropriate to ensure continuity of operations		✓

Other auditors' corrective action plans:

2014-06

Year End Financial Statement Preparation

Agency: Water Infrastructure Finance Authority
Contact person and title: Sandra Sutton, Executive Director (602) 364-1310

I have reviewed and concur with the audit finding recommendation. WIFA staff will continue to schedule and attend training courses on Accounting subjects.

2014-07

Accounting and Reporting Components of Net Position

Agency: Arizona State Lottery

Management will review accounting policies for activities in the Prize Fund. The Lottery has been consistent in its reporting of prize liability since the Lottery's inception and that reporting is similar to reporting used by other state lotteries. We agree with the auditor to revise the presentation of prize liability this year and will seek to find an appropriate presentation in future years.

The Lottery also believes that forfeited prizes are properly included in prize liability. Some of those forfeited prizes are committed to prize subsidies for Scratchers games that began in FY13 and are continuing into FY14 and the balance of forfeited prizes will be used to subsidize other games before the end of FY14. The Lottery has historically subsidized Scratchers by $6 to $8 million annually. The Lottery also has an ongoing

commitment to fund a $1 million jackpot for the Pick game. It is currently taking from twelve to fourteen draws to fully fund jackpot payouts from sales. Any subsidy would come from forfeited prizes.

2014-08

Regularly Review Third-Party Service Reports

Agency: Arizona State Lottery

With the present on-line contract GTECH was required to provide, within the first year but not before six months, the Arizona Lottery with a SAS 70 report. This report was to study the controls put into place by GTECH Arizona. The Arizona Lottery was able to approve the contractor that GTECH proposed to use for the SAS 70 report. The cost associated with this project was placed on the winner of the on-line contract. It was a built in expense as it is quite expensive to produce. The Lottery is always attempting to make sure all systems and processes are followed, not only by the rules set forth by the Lottery but, also with the rules set forth under the Multi State Lottery agreement. The Lottery's internal auditing department verifies all changes made to the GTECH process and programs. These changes are reviewed and tested before they are implemented. The Arizona Security department also observers the process several times a year to ensure compliance with existing rules and processes. To start a SSAE 16/SAS 70 report outside of the contract would place an undue financial burden upon the Lottery as it is not required by contract to be performed by GTECH. If it is indeed necessary this will be made an ongoing requirement placed in the upcoming RFP for the on-line contract.

Federal Award Findings and Questioned Costs

2014-101

SNAP Cluster
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
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.: 10.560 State Administrative Expenses for Child Nutrition
CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
CFDA No.: 14.267 Continuum of Care Program
WIA Cluster
CFDA No.: 17.258 WIA Adult Program
17.259 WIA Youth Activities
17.278 WIA Dislocated Worker Formula Grants

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.: 20.233 Border Enforcement Grants
Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
Teacher Incentive Fund Cluster
CFDA No.: 84.374 Teacher Incentive Fund
84.385 ARRA—Teacher Incentive Fund, Recovery Act
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
CFDA No.: 84.369 Grants for State Assessments and Related Activities
TANF Cluster
CFDA No.: 93.558 Temporary Assistance for Needy Families
Medicaid Cluster
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
CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
CFDA No.: 93.563 Child Support Enforcement
CFDA No.: 93.658 Foster Care—Title IV-E
CFDA No.: 93.667 Social Services Block Grant
CFDA No.: 93.719 ARRA—State Grants to Promote Health Information Technology
Disability Insurance/SSI Cluster
CFDA No.: 96.001 Social Security—Disability Insurance
CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Administration
Name of contact person and title: Clark Partridge, State Comptroller
Anticipated completion date: Unknown

We have an established process in place for monitoring legislation. The unallowable services provided through the State's Web portal are no longer incurred within this fund. The methodology of the charge 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, Cost Allocation Services (DHHS-CAS), for the payment and appropriate resolution of

the questioned costs. We agree and commit to continue to work with DHHS-CAS, to the best of our ability, to find a resolution which ensures that the federal programs will be properly charged for these costs.

2014-102

CFDA No.: Various
Agency: Department of Administration
Name of contact person and title: Clark Partridge, State Comptroller
Anticipated completion date: Unknown

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-CAS, for the payment and appropriate resolution of the questioned costs. We agree and commit to continue to work with DHHS-CAS and appropriate bodies within the State, to the best of our ability, to find an equitable resolution to this issue.

2014-103

CFDA No.: N/A
Agency: Department of Administration
Name of contact person and title: Clark Partridge, State Comptroller
Anticipated completion date: June 30, 2016

The State understands the importance of properly stating expenditures of Federal grants and other Federal Financial Assistance. In conjunction with implementation of the State's financial system, we will review and update policies and procedures as appropriate.

2014-104

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Name of contact person and title: Kristen Mackey, Manager of Policy and Programs
Anticipated completion date: October 31, 2015

While the acceptable error rate for client signatures on extensions to the 60 day eligibility determination timeframe is 0%, RSA has shown significant improvement on this issue, reducing this error rate from 58% in 2012 to 33% in 2013 and to 23% in 2014. The following corrective actions will be or have been implemented to ensure the Department of Economic Security, Rehabilitation Services Administration (RSA) staff is aware of and follows applicable eligibility policies and procedures.

Provide a mandatory Eligibility Compliance training statewide to all supervisors and counselors. The course will be followed by a mandatory Eligibility Compliance Test with a requirement to pass the test with a 100%.

- Revise policy and procedure specific to obtaining signatures on eligibility extensions.
- Provide training to all staff on digital signature pads which will facilitate obtaining signatures.
- Include a performance measure on the supervisor and counselor MAP to track compliance.
- Set action alert message to alert staff at 30 days if eligibility has not been completed.
- Begin an aging tracking report which will alert counselors, supervisors, managers, Deputies, and Administrator of timeliness of eligibility determination.
- Conduct a random sample audit on a monthly basis and alert counselors, supervisors, managers, Deputies, and Administrators of results.

2014-105

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Agency: Department of Economic Security
Name of contact person and title: Kristen Mackey, Manager of Policy and Programs
Anticipated completion date: August 31, 2015

The Department of Economic Security Rehabilitation Services Administration agrees there was a Maintenance of Effort deficit. The Arizona Rehabilitation Services Administration will pursue a mutually agreeable settlement with the U.S. Department of Education Rehabilitation Services Administration regarding the maintenance of effort deficit. While the Department of Economic Security agrees there was a Maintenance of Effort deficit, the current deficit is 280% lower than the deficit identified in 2013.

2014-106

TANF Cluster
CFDA No.: 93.558 Temporary Assistance for Needy Families
Agency: Department of Economic Security
Name of contact persons and titles: Beverly Hyde, Executive Staff Assistant and Veronica Romero, Executive Assistant
Anticipated completion date: April 30, 2015

The Division concurs with the finding and will implement strategies to help prevent these types of errors from occurring in the future. In both instances, documentation was necessary to ensure eligibility, but does not indicate definitively that benefits were erroneously issued.

Regarding the first bullet, this scenario is included in the training curriculum for staff performing cash assistance eligibility. In order to refresh staff on the policy, the Division will send out a policy directive to all staff reiterating the process for children who are 18 and required to attend school. Additionally, the Division will follow up with the specific worker in this case to ensure the worker understands the policy.

Regarding the second bullet, the need for this documentation is included in training for all staff. The Division will send out a specific bulletin regarding the signature of assignment of rights when necessary. Additionally, the Division will follow up with the individual employee to ensure compliance.

2014-107

TANF Cluster
CFDA No.: 93.558 Temporary Assistance for Needy Families
Agency: Department of Economic Security
Name of contact persons and titles: Beverly Hyde, DBME/FAA, Executive Staff Assistant, Veronica Romero, DBME/FAA, Executive Assistant, Nina Sutton, DAAS, Finance and Business Operations Administrator, and Joshua Beltran, FSA, Principle Managing Analyst
Anticipated completion date: Various, see below

Family Assistance Administration (FAA)—Regarding the first bullet, this case was an anomaly that did not fit into one of the routine categories that would normally be reported on. The Division has amended the report process to ensure that any cases that do not match existing routine criteria are reviewed individually to ensure that the reporting of each specific case is appropriate. Additionally, the Division has added a business administrator and a data administrator to the chain of review for this report prior to submission.

Regarding the second bullet, the Division has reviewed the data provided and determined that the initial information was accurate at the time it was developed. However, retroactive changes are continually made in the AZTECS case management system which causes issues with reports that are produced with the initial data. The new eligibility system, HEAPlus, will help alleviate this issue but in the interim, until eligibility is moved into that system, the Division has amended the report process to ensure that the information pulled is consistent with the reporting timeframe. Additionally, the Division will maintain the data extract in order to demonstrate the information that was included in the final submission of the report.

FAA anticipates completing these corrective actions by April 30, 2015.

Division of Aging and Adult Services (DAAS)—In order to prevent future discrepancies between the annual MOE Report and data collected from the contractors, DAAS will implement a more thorough review of the backup documentation compared to the numbers submitted for the report, and include a validation

process through the DAAS Information Resources Unit. Supervisory and upper management review will be incorporated into this process. DAAS anticipates completing these corrective actions by June 30, 2015.

Financial Services Administration (FSA)—With the implementation of a new accounting system that will go live on July 1st, FSA tentatively anticipates that the completion date for the corrective action plan below will fall between the 6 to 9 month timeframe. However, the correct FFAFTA reporting instructions as it is defined by the online guidelines will be implemented immediately and will be reflected in the February 2015 Report.

FSA has identified the following corrective actions that will be implemented in the near term to ensure that FFAFTA reporting policies and procedures are in compliance with the requirements.

1. Coordinate with divisions that are TANF subrecipients to develop universal FFATA reporting standards to ensure that true obligation monitoring is occurring on a month by month basis.
2. Work with supervisors during the report input process to verify that accurate amounts of TANF Obligations are being reported within the FFAFTA Reporting subsystem.
3. Create and document electronic copies of submitted reports within the FSA file structure to expedite the review of submitted reports.
4. Once policies and procedures have been established, share the best practices with the rest of FSA to ensure that there is a universal reporting pattern between all teams on FFAFTA eligible grants.
5. Conduct random internal audits on an intermittent basis to ensure compliance and inform supervisors and managers of the results.

FSA anticipates completing these corrective actions by May 31, 2016.

2014-108

CFDA No.: N/A
Agency: Department of Economic Security
Name of contact person: Kim Smith, Accounting Administrator
Anticipated completion date: June 30, 2016

Program and Support Divisions within the Department of Economic Security (DES) have made substantial progress in the past year collaborating together to improve processes to identify, track and report on subrecipient activity. New guidelines for subrecipient relationships were established by support divisions and implemented by DES programs during the fiscal year. With conversion to a new state-wide accounting system for fiscal year 2016, DES has developed a robust, uniform accounting structure that will capture and track subrecipient activity beginning in fiscal year 2016. While procedures were in place to identify, track and report on subrecipient activity, a formal agency-wide policy is still in the development stage. Corrective action to finalize the formal policy for subrecipient tracking and SEFA reporting is estimated to be completed during fiscal year 2016.

2014-109

SNAP Cluster
CFDA No.: 10.551 Supplemental Nutrition Assistance Program
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
WIA Cluster
CFDA No.: 17.258 WIA Adult Program
17.259 WIA Youth Activities
17.278 WIA Dislocated Worker Formula Grants
CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
TANF Cluster
CFDA No.: 93.558 Temporary Assistance for Needy Families
CFDA No.: 93.563 Child Support Enforcement
CFDA No.: 93.658 Foster Care—Title IV-E
CFDA No.: 93.667 Social Services Block Grant
Disability Insurance/SSI Cluster
CFDA No.: 96.001 Social Security—Disability Insurance
Agency: Department of Economic Security
Name of contact person and title: Josephine Wilt, Project Manager
Anticipated completion date: June 30, 2017

Contingency Planning is comprised of both a Continuity of Operations Plan (COOP) focused on process continuity and a Disaster Recovery Plan (DRP) focused on the supporting technology. This Corrective Action Plan addresses the disaster recovery findings of the OAG audit.

The current DES Disaster Recovery Plan has been in place since 1999. There was a formal review of the Plan in 2006 and it was last updated in 2011. The last failover test was completed in 2010 and included a failover to an IBM mainframe located in Boulder, Colorado. Currently data from the mainframe is simultaneously stored in a secondary secured location. The backup tapes from the mainframe are stored off-site at a facility specifically designed for storing data. For SFY 2015, DES received funding for moving the DES Data Center into a purpose built, Tier III data center operated by a third party. The facility risk of outages is anticipated to be greatly reduced by this move.

Milestones	Anticipated Completion Date	
	SFY16	SFY17
A. Migrate the data center to new location	✓	
B. Review and modify Recovery Plan	✓	
C. Perform annual test	✓	
D. Document overall testing strategies, testing frequencies, and test results		✓
E. Implement technology appropriate to ensure continuity of operations		✓

State of Arizona
Corrective Action Plan
Year Ended June 30, 2014

2014-110

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that local educational agencies (LEAs) comply with federal comparability requirements, the Title I Deputy Associate Superintendent has ensured that the written guidance provided to all LEAs regarding comparability is now accurate and aligned with federal regulations. The written guidance regarding the determination of comparability was revised by Title I in September 2014 and removed the incorrect exemption. This guidance was posted in September 2014 within the resources tab of ALEAT, the web-based system that LEAs use to upload their assurances and their evidence of compliance for FY15. The guidance is also accessible from the Document Library on the Title I web page of ADE's website at www.azed.gov. Additionally, Title I staff presented a training session on comparability that included the changes to the guidance at the Mega Conference in November 2014.

2014-111

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that local educational agencies (LEAs) comply with federal regulations and that LEA funding allocations, which are based on LEAs' level of effort are correct, ADE will require and perform independent reviews of its LEA level of effort calculations to ensure that they are accurate and comply with federal regulations. The Title I Deputy Associate Superintendent (DAS) will ensure that these calculations for FY15 are reviewed and any corrections made by June 30, 2015 and that the calculations are performed accurately for FY16. Additionally, the Title I DAS will develop procedures to ensure that these calculations are reviewed by a knowledgeable staff member from a non-Title I federal program.

2014-112

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that it complies with federal regulations, ADE will develop policies and procedures requiring an independent review of the calculations used to determine the amount of program monies earmarked by LEAs for school improvement activities to ensure that the calculations are accurate and this will occur by June 30, 2015. The Title I Deputy Associate Superintendent (DAS) will ensure that these calculations for FY15 are reviewed and any corrections made by June 30, 2015, and that the calculations are performed accurately for FY16. Title I has developed procedures for the FY16 allocation of federal funds that are a part of the Elementary and Secondary Education Act (ESEA) Consolidated Application to include Title I-A, Title I-D, Title II-A and Rural Low-Income Schools programs. Also, the procedures include implementation of the ESEA Section 1003(a) requirement of a 4% set aside of funds for school improvement purposes. Moreover, the procedures include a review by a designee of the DAS from each of the included programs. In the case of the regular Title I–A allocations a review will also be conducted by a financial staff member of one of the other federal programs, e.g., Career and Technical Education. To address the second part of this recommendation that ADE follow its policies and procedures for maintaining sufficient documentation supporting transfers of program monies, the Title I DAS will follow the established procedures for documenting transfer information and maintaining this documentation.

2014-113

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that ADE complies with federal program requirements related to cash management and subrecipient monitoring, the ADE Deputy Associate Superintendent (DAS) of Grants Management will ensure that procedures are developed for manually reviewing reimbursement requests and completion reports for excess cash reported by local educational agencies (LEAs) prior to approving the release of payment, and requesting the return of excess cash or reducing the subsequent grant award as appropriate. Beginning in March 2015, the Grants Technology Director will provide a report to each program area to show which LEA's are required to send in a refund (cash on hand). Additionally, by June 30, 2015, a dashboard will be implemented to store this information with every LEA identified that has cash on hand. Designated program area staff will be

responsible for manually reviewing this information on the dashboard and making a determination as to whether a particular LEA's funding will then be put on hold.

Additionally, by June 30, 2015, the DAS of Grants Management will develop specific criteria for the threshold regarding the amount of cash on hand the LEAs will be allowed to have and not have their funding placed on hold. Finally, by June 30, 2015 and going forward, LEAs with cash on hand exceeding the established threshold will have their funding withheld and this information will be documented in the Grants Management Enterprise system.

2014-114

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that it complies with the program's special tests and provisions and to correctly report information on the State's annual report card, ADE has developed a procedure to verify documentation supporting the student transfer information reported by local educational agencies (LEAs) as part of ADE's monitoring of LEAs. Specifically, beginning in December, 2014 the ADE Title I Unit developed a procedure for reviewing student withdrawal forms and comparing the codes used on the forms to the data reported by the LEAs in SAIS. The same month, the ADE Audit Unit began performing a review of a sample of student withdrawal forms and comparing the withdrawal codes in those forms to the code in SAIS for those students going forward on every LEA's average daily membership (ADM), or student attendance, audit performed. These reviews verify the documentation that LEAs complete and maintain and support student transfer information that is used for graduation calculations by ADE.

Additionally, to help ensure that reward school data compiled by ADE is accurate and adequate supporting documentation maintained, the ADE Research and Evaluation Unit in FY14 established a 5-step peer review procedure to maintain and review the support documentation used to identify reward schools reported in the State's Annual Report Card. The Title I Deputy Associate Superintendent (DAS) will coordinate with the ADE DAS of Research and Evaluation and will review and document each of these reviews after they are performed to ensure that all schools are accurately classified.

State of Arizona
Corrective Action Plan
Year Ended June 30, 2014

2014-115

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that all local educational agencies (LEAs) comply with federal requirements and its policies, ADE will follow its established procedures for ensuring that LEAs' applications include the private school written affirmations. Specifically, the Elementary and Secondary Education Act (ESEA) Consolidated Application Checklist in the grant application requires that the reviewing specialist confirm that the appropriate private school documentation is submitted prior to approval. The Title I Deputy Associate Superintendent (DAS) will be reviewing all of the FY15 year applications to ensure that all of the documentation is current and that all specialists have been trained appropriately by March 31, 2015. In addition, the Title I DAS will review its guidance to the LEAs that need to submit affirmations so that discrepancies do not occur and that the directions for uploading and maintaining the forms are consistent and this will be performed by June 30, 2015. Finally by June 30, 2015, the Title I DAS will ensure that the data base of private schools is accurate.

2014-116

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
Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that ADE complies with OMB Circular A-133 audit requirements, the Deputy Associate Superintendent (DAS) of Grants Management will develop a procedure by June 30, 2015 to ensure that all subrecipients required to have a Single Audit

performed actually have one. Also by June 30, 2015, the Grants Technology Director will acquire a complete listing of all entities from both grants systems to verify if there was $500,000 in federal expenditures and request a copy of the audits. Entities will be compared to a list from the previous year and Grants Management staff will follow up with those LEAs that have history of having a single audit performed but did not forward one to ADE. The Grants Technology Director will then compare the list of entities to those listed on the Federal Clearinghouse website and send emails to those entities that are required to have one, but did not submit one. Finally, the DAS of Grants Management will ensure that all staff responsible for monitoring subrecipients are trained on OMB Circular A-133 requirements. All of these activities will be performed by the end of FY15 and will be performed going forward for FY16.

2014-117

CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that it complies with federal requirements, the Title I Deputy Associate Superintendent (DAS) will establish policies and procedures that require all spreadsheet calculations used to determine LEA funding allocations to be independently reviewed and approved prior to disbursing federal awards and this will occur by June 30, 2015. These procedures will ensure that all calculations for FY15 are reviewed and any corrections made by June 30, 2015 and that the calculations are performed accurately for FY16. Moreover, the procedures include a review by a designee of the DAS from each of the included programs. In the case of the regular Title I – A allocations, a review will also be conducted by a financial staff member of one of the other federal programs.

2014-118

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
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. ADE's Health and Nutrition unit has evaluated its existing policies and procedures related to subrecipient monitoring requirements specific to the Child Nutrition Cluster and has implemented the following procedures to ensure that federal

requirements are met for all administrative reviews. On October 14, 2014, all personnel responsible for conducting administrative reviews were provided training pertaining to the requirement of either receiving the request for a due date extension or providing the local educational agency (LEA) an on-hold notice no later than the 20th day past the due date. Additionally, Health and Nutrition currently has 2 program project specialists tracking the corrective action due dates to ensure an on-hold notice is sent to LEAs no later than the 20th day past the due date if ADE has not received corrective action. The Health and Nutrition unit is in the process of updating the written policy and procedure to encompass these changes and anticipates a completion date of April 30, 2015.

Regarding the record reconciliation for high risk subrecipients, this was an administrative review requirement for only one school year, which ended on June 30, 2014. The USDA memorandum SP 61-2014 updated the School Meal Programs Administrative Review Manual, Tools, Forms and Instructions for School Year (SY) 2014-2015 by removing the USDA Foods from Off-site Assessment and Resource Management (RM) Risk Indicator Tools. The memorandum states the USDA Foods information will be added to the Local Agency Procurement Review Tool to be released. For SY 15, USDA Foods Processing was not reviewed, as it is not a requirement, however, the Health and Nutrition unit has addressed the underlying issue of ineffective, inter-unit communication by implementing a system to facilitate reviewers from all units communicating with each other in a timely manner.

2014-119

Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that ADE has sufficient assurances to rely on the service organization that is performing certain IT functions relating to the Grants Management Enterprise (GME) system, the Deputy Associate Superintendent of Grants Management will coordinate with ADE's Chief Procurement Officer to modify the contract with the external service organization and set the requirement that this organization have a Statement on Standards for Attestation Engagements (SSAE) No. 16 audit annually starting in FY16 to demonstrate that its internal controls are operating effectively. Once this audit is performed, ADE will obtain this report and ADE's Data Governance Commission and IT staff will review it.

2014-120

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
Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help prevent and detect unauthorized access to the Grants Management Enterprise (GME) system, the Deputy Associate Superintendent (DAS) of Grants Management will develop and implement written policies and procedures for all user access changes by May 30, 2015. Additionally, the DAS of Grants Management has reassigned the duty of terminating user access to the Grants Technology Director. To ensure that user access is immediately terminated from the Grants Management Enterprise System, ADE's Human Resources will provide termination requests to the Grants Technology Director, who will then be required to terminate the access immediately. Additionally, the Grants Technology Director will send quarterly reports to ADE designated program area staff to verify the accuracy of users' access. Changes will be made as needed by the Grants Technology Director and appropriately documented.

2014-121

Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) agrees with this finding. To help ensure that it complies with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements, the Deputy Associate Superintendent (DAS) of Grants Management reassigned this function to the Director of Grants Technology. FFATA data for FY14 has been submitted to the USDOE by the Director of Grants Technology and is currently awaiting confirmation. Similarly, FFATA data for FY15 will also be submitted by March 30, 2015 by the Director of Grants Technology and monthly going forward. Beginning June 30, 2015, a Grants Management project specialist will submit FFATA reports monthly for all federal programs.

2014-122

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.: 10.560 State Administrative Expenses for Child Nutrition
Special Education Cluster (IDEA)
CFDA No.: 84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 84.184 Safe and Drug-Free Schools and Communities—National Programs
CFDA No.: 84.367 Improving Teacher Quality State Grants
CFDA No.: 84.369 Grants for State Assessments and Related Activities
Agency: Department of Education
Name of contact person and title: Lisa Eddy, Chief Auditor
Anticipated completion date: June 30, 2015

The Arizona Department of Education (ADE) accepts this finding and has implemented a new process to ensure that all staff in management positions and who have access to any of ADE's payment systems sign an Annual Declaration and Disclosure Form. This form is required by the State of Arizona General Accounting Office Technical Bulletin 09-06 and will serve as a control against potential conflict of interest issues. The ADE Deputy Associate Superintendent (DAS) of Human Resources (HR) will require staff to update this form annually, beginning March 2015 and every subsequent March. This process will apply to all grade 22s and any employee with access to Grants Management, CNP Web, or School Finance's systems. Every year, HR will request the forms in March and follow up to ensure all forms are received by no later than June 15th of every year. This process will be documented via an annual Outlook reminder. ADE also will continue to use its Disclosure Statement, which is required by the Arizona Department of Administration (ADOA) Human Resources for all new staff to fill out and update as necessary. ADE HR will review all personnel files and follow up for any missing forms and ensure these forms are received by no later than June 15, 2015.

Finally, ADE requires all new hires to review the State Employee Handbook (which includes information regarding conflict of interest and requires an online acknowledgement) and this process will continue. In 2014, ADE HR implemented a process to require that several online courses be re-completed by all staff annually, which includes the handbook and acknowledgement. This process will continue and is completed monthly by looking back 13 months to determine which employees are due for renewal courses and this process will be documented via a monthly Outlook reminder.

2014-123

CFDA No.: 14.267 Continuum of Care Program
Agency: Department of Housing
Name of contact person and title: Karia Lee Basta, Special Needs Housing Programs Administrator
Anticipated completion date: April 30, 2015

At the request and recommendation of the Office of the Auditor General ("AG"), the Arizona Department of Housing (the "Department") has printed verifications from the Excluded Parties List System ("EPLS") documenting that none of the parties to which it has issued sub-awards were suspended or debarred. Further, effective immediately the Department will add a clause to each renewal contract that its sub-recipients sign that certifies that they are not suspended or debarred from receiving federal awards. We understand that this will clear the AG's finding.

That being said, the Department states for the record that it respectfully disagrees with the finding and takes exception to the statement that the Department "did not always verify that sub-recipients were not suspended or debarred, or otherwise excluded from participating in the program prior to making awards." As the AG's report correctly points out, the Department's internal control policies and procedures maintained procedures to check the EPLS for first-time sub-recipients, complying with the regulatory requirement. However, the Department disagrees with the AG's current view that the Department was thereafter required to re-check the EPLS status of sub-recipients when it extended its existing agreements and/or added additional funding to existing programs which are ongoing multi-year programs intended to operate continually and without interruption.

In the case of this particular program, the Department has for years had ongoing relationships with its sub-recipients which were all initially cleared through the EPLS. The Department continually monitors its sub-recipients through both desk monitoring and on-site visits and reviews the annual audit reports for each entity. Were any of its sub-recipients to become suspended or debarred subsequent to the Department's initial clearance of the organization through the EPLS, the Department would, without a doubt, have knowledge regarding such issues.

It is important to note that the AG audited this same program for its FY2013 audit (Note: in the past year there was a consolidation of two existing programs which resulted in the changing of the programs' names to Continuum of Care.) In the AG's FY2013 audit, the AG made no findings or recommendations regarding the Department's practice of clearing a sub-recipient initially, without re-checking the EPLS status of sub-recipients when the Department extended existing agreements or added additional funding to existing

programs which are ongoing multi-year programs intended to operate continually and without interruption. In light of the AG's current view that existing sub-recipients are required to be cleared through the EPLS, the Department has adopted the recommendations contained in the FY2014 audit.

2014-124

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
Agency: Department of Health Services
Name of contact person and title: Alexandra Percival, Chief Auditor
Anticipated completion date: February 2015

The Department's Public Health Preventive Services Division, Bureau of Tobacco and Chronic Disease is no longer receiving funding under this grant. However, the Program does expect to receive federal funding in the future and has established procedures to ensure Personnel Activity Reports (PARs) are completed for all employees working on multiple activities and certifications are completed for all employees working solely on a federal program.

The Department's Public Health Preparedness Services Division, Bureau of State Laboratory Services has implemented procedures requiring any employees working on the federal program, to complete a PAR rather than journalizing salaries and wages at the end of each grant year.

The Department's Public Health Preventive Services Division, Bureau of Epidemiology and Disease Control has implemented procedures to ensure when an employee leaves the Bureau or the employment of the Department a PAR is collected. The Bureau has reminded personnel and Supervisors and has added the PAR collection to the "Packet for Exiting Employees".

The Department will continue to ensure that all employees' distribution percentages that are determined before the services are performed, are compared to the distribution percentages of the actual time worked, at least quarterly, and make any necessary correcting adjustments to the amounts charged to the program.

2014-125

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
Agency: Department of Health Services
Name of contact person and title: Alexandra Percival, Chief Auditor
Anticipated completion date: Unknown

The Department's Division for Planning and Operations, Business and Financial Services (BFS) did hire an employee to fill this role, but the employee later resigned. Currently, the State of Arizona is in a hiring freeze. BFS will recruit for this position when allowed. The position will be responsible for developing, implementing, and monitoring procedures to ensure timely and accurate FFATA reporting.

2014-126

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: August 2014

The agency has requested additional funding from the executive and legislative branches to ensure proper matching levels for future grant awards. The level of expenditures continues to be limited to the available match funding. Internal controls have been established requiring that all quarterly Federal Financial Reports, SF 425's, and drawdowns be supported with detailed expenditures from the State's accounting system and in-kind contributions to demonstrate and document that the matching requirements are consistently being met.

2014-127

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: Will be implemented under the new award, June 2015

The agency has established the following policies and procedures to ensure that the program's costs do not exceed the approved funding levels and are charged to the appropriate funding period.

- The divisions within ADEM will submit their budget requirements for the following FY to ADEM leadership three months prior to the end of the budget cycle. ADEM leadership will evaluate the requests to determine if the costs are reasonable, allowable and allocable and that they align with the EMPG work plan.
- Validated requirements will then be prioritized and the budget built based upon the projected award amount. Unfunded, validated requirements will be prioritized for consideration in the event there are budget savings during the execution phase and for future fiscal years. The budget will be consolidated, formatted and submitted upon the issuance of the FOA from FEMA.
- ADEM will begin the budget execution phase upon receipt of the award letter. No funds will be expended prior to that date. On a monthly basis a budget review will be conducted with ADEM leadership. The DEMA CFO will report the amount of funds executed and the current projections for the remainder of the budget cycle based upon the approved budget. If there are any savings recognized the leadership will evaluate the funding of any unfunded requirements previously discussed or any new validated requirements. Upon the decision to fund it will be determined if it increases any of the budget categories

by more than 10%. If it does a budget amendment will be submitted to FEMA for approval. Upon the approval of the budget amendment the funds will then be re-aligned and executed.

- All expenditures that are made with EMPG funding are required to go through an internal approval process to ensure the item is within budget and thoroughly vetted. Any item that would incur an expenditure that is above a Section's budget requires approval from both the Director of the agency and the CFO; if approved, appropriate adjustments are made to ensure the grant as a whole is not overspent.

2014-128

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: March 2015

The agency has established internal controls that segregates the duties for draw-downs. The agency's Financial Grants Coordinator will prepare the draw request and provide it, along with supporting accounting documentation, to the CFO for review. The CFO will review and validate the request and forward to the ADEM Director or Deputy Director for their authorization. Upon authorization either the CFO or the Grants Coordinator will complete the draw request. The draw request and all supporting documentation will be maintained in the grant file.

2014-129

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: August 2014

As part of the internal controls for draw down requests, the grants coordinator will calculate the authorized indirect costs utilizing the approved indirect cost rate agreement and the accumulated direct costs for salaries and fringe benefits year to date. The amount charged for indirect costs for that period will be the difference between what is authorized and what has been previously charged to the agreement.

2014-130

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: Partially implemented in August 2014, fully by June 2015

Dedicated Grants Coordinators have been appointed to conduct programmatic and financial oversight of subrecipients to assure compliance with applicable federal requirements and that performance goals are being achieved. ADEM has developed a set of standardized documents to be utilized on both programmatic and financial monitoring visits with subrecipients. Site visits are conducted once a year at a minimum and desk monitoring is conducted quarterly when reviewing the subrecipient reimbursements and progress reports. Guidance and policies on the monitoring visits is provided as part of the Local Programmatic Guidance to the subrecipients. Annual workshops are now conducted which provide programmatic & financial training and review to subrecipients. Documentation of visits, desk monitoring and other written communication is maintained in the subrecipients grant files. Subrecipients are reimbursed upon successful programmatic and financial review of the subrecipient reimbursement requests.

ADEM obtains a record of the subrecipient's most current Single Audit as part of the subrecipient's budget request. The report is reviewed and a determination is made by ADEM leadership if there are any concerns that impact the decision to award funds to the subrecipient. The decision is documented and placed into the subrecipient's grant file along with the Single Audit report.

2014-131

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: August 2014

Internal controls have been established requiring that all quarterly Federal Financial Reports, SF 425's, and drawdowns be supported with detailed expenditures from the State's accounting system and in-kind contributions to demonstrate and document the matching requirements. All physical documentation pertaining to the grant is kept in a standardized filing system that is easily accessible to all financial and programmatic staff.

2014-132

CFDA No.: 97.042 Emergency Management Performance Grants
Agency: Department of Emergency and Military Affairs
Names of contact persons and titles: Wendy Smith-Reeve, Deputy Director, DEMA, Director, ADEM, and Renee Dudden, Resource Manager
Anticipated completion date: January 2015

A separate accounting code has been established and is being utilized to track the costs associated with M&A. Only those costs associated with the positions charged with the management and administration of the grant, primarily the grant coordinators, are authorized M&A costs. The M&A costs and projected annual costs are reviewed on a monthly basis during the financial reviews with ADEM leadership to assure costs do not exceed the allowable amount.

2014-133

CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
Agency: Department of Emergency and Military Affairs
Name of contact person and title: Renee Dudden, Resource Manager
Anticipated completion date: March 2015

- The agency will only request advance funding for those projected expenditures that are supported by either encumbrances, projected staffing or estimated utilities.
- Cash flow projections for large projects over $100K will be based upon an estimated progress payment schedule directly from the contractor.
- The agency will return any excess advance funds that are remaining 45 days after the end of the period of availability. Draw requests will be done so on a reimbursement basis. Reimbursement requests will be completed thereafter as invoices are received against valid encumbrances.

2014-134

CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
Agency: Department of Emergency and Military Affairs
Name of contact person and title: Renee Dudden, Resource Manager
Anticipated completion date: March 2015

The Department of Emergency & Military Affairs will immediately institute the following to prevent the payment of costs beyond the period of availability that are not disclosed within the 90 days of the end of the federal fiscal year (FFY). They are:

- Increased emphasis on the management of federal grants and cooperative agreements. The agency will hire a Grants Coordinator position to provide dedicated financial oversight and management of the agency's federal grants and cooperative agreements.
- The agency has fully implemented the 3 way matching payment process through the State's Procurement system, ProcureAZ. This provides a tool for program managers and their staff to review purchase orders to ensure that payments have been made for goods and services received.
- Provide additional training to program managers, their staff and the agency's accounting section as to how to determine whether a cost is allowable and authorized after the period of availability.
- Internal controls will be established whereby prior to the payment of prior period obligations, the Comptroller or Deputy Comptroller will ensure that the obligation was identified in the most recent 90 day extension.
- Internal controls have been implemented whereby all purchase change orders are submitted through ProcureAZ and require the authorization of the Comptroller or Chief Finance Officer. Change orders utilizing funds from a prior period are not authorized and declined.
- Any obligations identified after the period of availability and not identified in the initial extension request will be paid out of current year funds.

2014-135

CFDA No.: 98.AID-486-A-12-00005 The Vocational University Leadership and Innovation Institute (VULII)
Agency: Arizona State University
Name of contact person and title: Marilyn Mulhollan, Executive Director, Financial Accounting Services
Anticipated completion date: April 2015

The University terminated the employee in question. The grant, which was in transition, has been assigned to a new principal investigator. The University will implement an annual notification to all principal investigators of the responsibilities of serving as a principal investigator. The University in conjunction with its academic units will reinforce through its training of faculty and staff, including principal investigators, the importance of timely review of expense allowability based on specific program criteria.

Other auditors' corrective action plans:

2014-136

Medicaid Cluster
CFDA No.: 93.778 Medical Assistance Program
Agency: Arizona Health Care Cost Containment System
Name of contact person and title: Penny Ellis, Deputy Assistant Director
Anticipated completion date: October 2, 2014

To ensure individuals who turn age 19 are transitioned out of the SOBRA Child category timely, we implemented an automated process on October 2, 2014. The eligibility system, Health-e-Arizona Plus, identifies individuals turning 19 and automatically processes the change in categories effective the month after the individual's 19th birthday. This automated process will run each month. We will run monthly reports for three months to monitor this new process and make adjustments, if needed.

We are in the process of completing the retroactive changes. We have completed September and August age changes and will have all retroactive age changes completed by December 31, 2014.

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State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Status of Federal Award Findings and Questioned Costs

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
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 (LVER)
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
81.087 Renewable Energy Research and Development
81.087 ARRA—Renewable Energy Research and Development
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
84.048 Career and Technical Education—Basic Grants to States
84.282 Charter Schools
84.365 English Language Acquisition State Grants
84.367 Improving Teacher Quality State 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
93.268 Immunization Cooperative Agreements
93.767 Children's Health Insurance Program
93.959 Block Grants for Prevention and Treatment of Substance Abuse
97.067 Homeland Security Grant Program
Finding No.: 2013-101
Agency: Department of Administration
Status: Fully Corrected

State of Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

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
10.568 Emergency Food Assistance Program (Administrative Costs)
10.569 Emergency Food Assistance Program (Food Commodities)
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)
14.239 Home Investment Partnerships Program
15.605 Sport Fish Restoration Program
15.611 Wildlife Restoration and Basic Hunter Education
16.803 Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories
16.575 Crime Victim Assistance
17.207 Employment Service/Wagner-Peyser Funded Activities
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program (LVER)
17.225 Unemployment Insurance
17.225 ARRA—Unemployment Insurance
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
66.468 Capitalization Grants for Drinking Water State Revolving Funds
66.468 ARRA—Capitalization Grants for Drinking Water State Revolving Funds
81.041 State Energy Program
81.041 ARRA—State Energy Program

81.042 Weatherization Assistance for Low-Income Persons
81.042 ARRA—Weatherization Assistance for Low-Income Persons
81.087 Renewable Energy Research and Development
81.087 ARRA—Renewable Energy Research and Development
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
84.282 Charter Schools
84.365 English Language Acquisition State 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
84.048 Career and Technical Education—Basic Grants to States
84.287 Twenty-First Century Community Learning Centers
84.367 Improving Teacher Quality State Grants
84.410 Education Jobs Fund
93.044 Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
93.045 Special Programs for the Aging—Title III, Part C—Nutrition Services
93.053 Nutrition Services Incentive Program
93.268 Immunization Cooperative Agreements
93.712 ARRA—Immunization
93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.720 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
93.069 Public Health Emergency Preparedness

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
93.659 Adoption Assistance
93.667 Social Services Block Grant
93.767 Children's Health Insurance Program
93.889 National Bioterrorism Hospital Preparedness Program
93.959 Block Grants for Prevention and Treatment of Substance Abuse
93.917 HIV Care Formula Grants
96.001 Social Security—Disability Insurance
97.067 Homeland Security Grant Program

Finding No.: 2013-102, 12-102, 11-102, 10-102
Agency: Department of Administration
Status: Partially corrected

We have an established process in place for monitoring legislation. The unallowable services provided through the State's Web portal are no longer incurred within this fund. The methodology of the charge is controlled by statute and cannot be resolved without a legislative change.

This issue is a cross-cutting finding and is appropriately being addressed with the Department of Health and Human Services, Cost Allocation Services (DHHS-CAS), for the payment and appropriate resolution of the questioned costs. We agree and commit to continue to work with DHHS-CAS, to the best of our ability, to find a resolution which ensures that the federal programs will be properly charged for these costs.

CFDA No.: Various
Finding No.: 2013-103, 12-103, 11-103
Agency: Department of Administration
Status: Not corrected

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-CAS, for the payment and appropriate resolution of the questioned costs. We agree and commit to continue to work with DHHS-CAS and appropriate bodies within the State, to the best of our ability, to find an equitable resolution to this issue.

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
84.390 ARRA—Rehabilitation Services—Vocational Rehabilitation Grants to States, Recovery Act
Finding No.: 2013-104, 12-104, 11-106, 10-108
Agency: Department of Economic Security
Status: Not corrected

While the acceptable error rate for client signatures on extensions to the 60 day eligibility determination timeframe is 0%, RSA has shown significant improvement on this issue, reducing this error rate from 58% in 2012 to 33% in 2013 and to 23% in 2014.The following corrective actions will be or have been implemented to ensure the Department of Economic Security, Rehabilitation Services Administration (RSA) staff is aware of and follows applicable eligibility policies and procedures.

Provide a mandatory Eligibility Compliance training statewide to all supervisors and counselors. The course will be followed by a mandatory Eligibility Compliance Test with a requirement to pass the test with a 100%.

- Revise policy and procedure specific to obtaining signatures on eligibility extensions.
- Provide training to all staff on digital signature pads which will facilitate obtaining signatures.
- Include a performance measure on the supervisor and counselor MAP to track compliance.
- Set action alert message to alert staff at 30 days if eligibility has not been completed.
- Begin an aging tracking report which will alert counselors, supervisors, managers, Deputies, and Administrator of timeliness of eligibility determination.
- Conduct a random sample audit on a monthly basis and alert counselors, supervisors, managers, Deputies, and Administrators of results.

CFDA No.: 84.126 Rehabilitation Services—Vocational Rehabilitation Grants to States
Finding No.: 2013-105
Agency: Department of Economic Security
Status: Not corrected

The Department of Economic Security Rehabilitation Services Administration agrees there was a Maintenance of Effort deficit. The Arizona Rehabilitation Services Administration will pursue a mutually agreeable settlement with the U.S. Department of Education Rehabilitation Services Administration regarding the maintenance of effort deficit. While the Department of Economic Security agrees there was a Maintenance of Effort deficit, the current deficit is 280% lower than the deficit identified in 2013.

CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Finding No.: 2013-106, 12-106, 10-109
Agency: Department of Economic Security
Status: Not corrected

2013-106—To ensure only recipients who meet all Temporary Assistance for Needy Families eligibility requirements receive cash assistance, the Department of Economic Security Family Assistance Administration (FAA) took the following actions. FAA reviewed each error with the local office manager, supervisor, and employee responsible for the error. In addition, FAA issued a Flash Bulletin Broadcast (13-33) via electronic mail to all staff with a reminder to ensure the Household System Check and the Interface Inquiry screens are reviewed for receipt of income.

12-106—Division of Benefits and Medical Eligibility (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.

10-109—In February 2012, DBME completed implementation of its Process Management Model. This model focuses on freeing up administrative capacity and improving quality by streamlining the most important practices and processes. DBME focused on streamlining the initial application and interview processes, verification and eligibility decision processes, and the maintenance and recertification processes.

CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Finding No.: 2013-107, 12-108, 11-109
Agency: Department of Economic Security
Status: Fully corrected

CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Finding No.: 2013-108, 12-105
Agency: Department of Economic Security
Status: Partially corrected

2013-108—

Family Assistance Administration (FAA)—To ensure TANF reports are accurately prepared, a team of Department of Economic Security employees from the Division of Benefits and Medical Eligibility and the Division of Technology Services worked to identify the issues and determine appropriate corrective action. The team identified a series of errors within the eligibility system and completed a number of system fixes. The team has monitored these fixes and confirmed their effectiveness.

Division of Aging and Adult Services (DAAS)—DAAS reviewed the process used to calculate the ACF-204 report data entries for the Domestic Violence Prevention Program. Contractors that receive TANF funding report the number of TANF eligible individuals and families on a quarterly basis. These totals were entered into a spreadsheet used to report year-end numbers. The spreadsheet utilized an auto sum feature and a second column was created to verify data. The numbers from the original spreadsheet were not accurately transferred and this resulted in the error. DAAS added formulas to the spreadsheets for 2013 and subsequent years so a secondary verification method is not necessary. These changes were implemented as of February 13, 2013.

To ensure that the Short-Term Crisis Services Program reflects accurate data for the number of households assisted, DAAS developed a Case Management (CMT) Checklist. Service providers submit the number of households they assisted on monthly CMT Reports. The checklist is used to review the monthly CMT Reports and is initialed by the reviewing party. The checklist provides documentation that DAAS correctly reviewed the monthly data entry. To ensure documentation is retained and can be located, the CMT spreadsheet is saved in PDF format in a specified folder. These changes were implemented as of February 13, 2013.

Division of Employment and Rehabilitation Services (DERS)—To ensure the Department of Economic Security (DES) accurately prepares the quarterly ACF-199 TANF Data Report, the Division of Technology Services (DTS) identified the issue that caused the errors. DTS corrected the issue and established policies and procedures to ensure that the error does not occur again.

Financial Services Administration (FSA)—To help ensure compliance with reporting requirements, the Department of Economic Security (DES) Financial Services Administration (FSA) provides the DES programs assistance with keying and verifying information to populate the FFATA website. There is a collaborative effort within DES to automate, aggregate and standardize the sharing of FFATA related information from the various systems. FSA is working with the DES programs, the Office of Procurement,

and the Office of Accounting to identify additional entities that meet the criteria for FFATA reporting. As FSA gathers this information, FSA will continue to provide support to DES to assist with migration of the information to the FFATA website. FSA anticipates completing these corrective actions by July 2015.

12-105—

Division of Benefits and Medical Eligibility (DBME)—To ensure the DBME provides accurate information for the ACF-199 TANF Data Report in the future, the Systems Interface Program section researched and identified the programming issue. DBME systems updated the programming logic to properly account for this circumstance and verify the correction through case testing to ensure that the error does not reoccur. 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 prints a copy of the report as entered into the system. Reviewers crosscheck the copy of the report draft submission with the original report spreadsheet prior to certification by the manager. Reviewers return any errors to the responsible analyst for correction; otherwise, reviewers initial the report route slip, indicating readiness for certification.

Division of Aging and Adult Services (DAAS)—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 reminds Contract Specialists to contact contractors who have not submitted a report by the due date. A copy of the report is forwarded to the Program Specialist when it is received. The Coordinated Homeless Office and the Contract Manager 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 submitted a revised ACF-204 report on July 1, 2013. DBF reviews 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 completed the following:

- Added a field in the Jobs Automated System (JAS) database files to capture deemed hours;
- Created a batch job to identify cases with deemed hours (this includes testing on-line screens and batch jobs and validating the jobs program);
- Modified the program that captures JAS data to include deemed hours; and
- Modified the program to include deemed hours for each month for the ACF-199 TANF Data Report.

CFDA No.: 93.044 Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers
93.045 Special Programs for the Aging—Title III, Part C—Nutrition Services
93.053 Nutrition Services Incentive Program
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
93.667 Social Services Block Grant
Finding No.: 2013-109
Agency: Department of Economic Security
Status: Not corrected

Program and Support Divisions within the Department of Economic Security (DES) have made substantial progress in the past year collaborating together to improve processes to identify, track and report on subrecipient activity. New guidelines for subrecipient relationships were established by support divisions and implemented by DES programs during the fiscal year. With conversion to a new state-wide accounting system for fiscal year 2016, DES has developed a robust, uniform accounting structure that will capture and track subrecipient activity beginning in fiscal year 2016. While procedures were in place to identify, track and report on subrecipient activity, a formal agency-wide policy is still in the development stage. Corrective action to finalize the formal policy for subrecipient tracking and SEFA reporting is estimated to be completed during fiscal year 2016.

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
84.048 Career and Technical Education—Basic Grants to States
Finding No.: 2013-110
Agency: Department of Education
Status: Not corrected

ADE Human Resources plans to implement an annual process by the end of fiscal year 2015 to remind staff to update their Conflict of Interest Disclosure Form as needed.

CFDA No.: 84.048 Career and Technical Education—Basic Grants to States
Finding No.: 2013-111
Agency: Department of Education
Status: Not corrected

ADE Career and Technical Education is in the process of developing specific monitoring procedures for its staff and expects them to be fully implemented and staff trained on them by the end of fiscal year 2015.

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
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.011 Migrant Education—State Grant Program
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
84.048 Career and Technical Education—Basic Grants to States
84.282 Charter Schools
84.287 Twenty-First Century Community Learning Centers
84.318 Educational Technology Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.377 School Improvement Grants
84.388 ARRA—School Improvements Grants, Recovery Act
84.365 English Language Acquisition State Grants
84.367 Improving Teacher Quality State Grants
Finding No.: 2013-112, 12-115, 11-113, 10-115, 09-121, 08-115
Agency: Department of Education
Status: Partially corrected

The Department developed and tested a disaster recovery plan in late 2014. ADE IT currently uses the SWAT Critical Incident Management Process to assist with disaster recovery efforts. This process plan is distributed to all key disaster recovery team members. ADE IT ensures that a copy of the plan is kept offsite and that protocols for the notifications to key personnel are included. The disaster recovery team will use both the SWAT process and the disaster recovery plan to assist with recovery efforts. ADE IT plans to test its disaster recovery plan annually and maintain documentation of testing procedures and results, including resolutions

to problems encountered or failed tests. ADE plans to strengthen access controls over the Child Nutrition Program Web and Grants Management Enterprise systems by the end of fiscal year 2015.

CFDA No.: 84.002 Adult Education—State Grant Program
84.010 Title I Grants to Local Educational Agencies
84.389 ARRA—Title I Grants to Local Educational Agencies, Recovery Act
84.011 Migrant Education—State Grant Program
84.027 Special Education—Grants to States
84.173 Special Education—Preschool Grants
84.391 ARRA—Special Education—Grant to States, Recovery Act
84.392 ARRA—Special Education—Preschool Grants, Recovery Act
84.282 Charter Schools
84.318 Educational Technology Grants
84.386 ARRA—Education Technology State Grants, Recovery Act
84.367 Improving Teacher Quality State Grants
Finding No.: 2013-113, 12-114, 11-114, 10-117, 09-123, 08-118, 07-104, 06-107
Agency: Department of Education
Status: Not corrected

ADE Grants Management plans to train staff on the policies and procedures relating to disbursing federal program monies and effectively monitoring those disbursements through the new Grants system by the end of fiscal year 2015.

CFDA No.: 84.365 English Language Acquisition State Grants
Finding No.: 2013-114
Agency: Department of Education
Status: Not corrected

ADE Office of English Language Acquisition Services developed a procedure regarding Title III allocations for new or expanding charter schools and expects it to be fully resolved by the end of fiscal year 2015.

CFDA No.: 84.048 Career and Technical Education—Basic Grants to States
Finding No.: 2013-115
Agency: Department of Education
Status: Not corrected

The ADE Audit Unit performed an audit of the ADE Print Shop in August 2014 and the Print Shop as of September 2014 is now providing chargeback documentation and invoices to the ADE Accounting Unit, and expects it to be fully resolved by the end of fiscal year 2015.

CFDA No.: 81.087 Renewable Energy Research and Development
81.087 ARRA—Renewable Energy Research and Development
Finding No.: 2013-116
Agency: Arizona Geological Survey
Status: Fully corrected

CFDA No.: 81.087 Renewable Energy Research and Development
81.087 ARRA—Renewable Energy Research and Development
Finding No.: 2013-117
Agency: Arizona Geological Survey
Status: Fully corrected

CFDA No.: 81.087 Renewable Energy Research and Development
81.087 ARRA—Renewable Energy Research and Development
Finding No.: 2013-118
Agency: Arizona Geological Survey
Status: Fully corrected

CFDA No.: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
Finding No.: 2013-119, 12-118
Agency: Department of Health Services
Status: Fully corrected

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Finding No.: 2013-120
Agency: Department of Health Services
Status: Not corrected

The Department's Division for Planning and Operations, Business and Financial Services (BFS) did hire an employee to fill this role, but the employee later resigned. Currently, the State of Arizona is in a hiring freeze. BFS will recruit for this position when allowed. The position will be responsible for developing, implementing, and monitoring procedures to ensure timely and accurate FFATA reporting.

CFDA No.: 12.401 National Guard Military Operations and Maintenance (O&M) Projects
Finding No.: 2013-121
Agency: Department of Emergency and Military Affairs
Status: Not corrected

- The agency will only request advance funding for those projected expenditures that are supported by either encumbrances, projected staffing or estimated utilities.
- Cash flow projections for large projects over $100K will be based upon an estimated progress payment schedule directly from the contractor.
- The agency will return any excess advance funds that are remaining 45 days after the end of the period of availability. Draw requests will be done so on a reimbursement basis. Reimbursement requests will be completed thereafter as invoices are received against valid encumbrances.

Research and Development Cluster
CFDA No.: Various
Finding No.: 2013-122
Agency: University of Arizona
Status: Fully Corrected

CFDA No.: 20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
20.516 Job Access—Reverse Commute Program
20.521 New Freedom Program
Finding No.: 2013-123
Agency: Arizona Department of Transportation
Status: Fully corrected

CFDA No.: 20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
20.516 Job Access—Reverse Commute Program
20.521 New Freedom Program
Finding No.: 2013-124
Agency: Arizona Department of Transportation
Status: Fully corrected

CFDA No.: 66.468 Capitalization Grants for Drinking Water State Revolving Funds
Finding No.: 2013-125
Agency: Water Infrastructure & Finance Authority
Status: Fully corrected

CFDA No.: 93.558 Temporary Assistance for Needy Families
93.716 ARRA—Temporary Assistance for Needy Families (TANF) Supplemental Grants
Finding No.: 12-107
Agency: Department of Economic Security
Status: Fully corrected

CFDA No.: 12.400 Military Construction, National Guard
Finding No.: 12-120
Agency: Department of Emergency and Military Affairs
Status: Partially corrected

The Department continues to request advance funds that are based upon updated progress payment schedules from contractors. To further mitigate cash management violations, the Department will also return any excess advance funds when there are delays in construction.

CFDA No.: 20.205 Highway Planning and Construction
20.205 ARRA—Highway Planning and Construction
20.219 Recreational Trails Program
Finding No.: 12-125, 11-136
Agency: Arizona Department of Transportation
Status: Fully corrected

CFDA No.: 93.558 Temporary Assistance for Needy Families
93.714 ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
Finding No.: 11-107
Agency: Department of Economic Security
Status: Fully corrected