FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janet Napolitano, Governor
State of Arizona

The Honorable Ken Bennett, President
Arizona State Senate

The Honorable James P. Weiers, Speaker
Arizona House of Representatives

The Honorable Ruth V. McGregor, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments and the component units, which account for the following percentages of the assets and revenues of the opinion units affected:

Opinion Unit/Department	Assets	Revenues
Government-Wide Statements		
Governmental activities:		
Arizona Health Care Cost Containment System	2.11%	11.55%
Department of Transportation	66.77%	15.22%
Business-type activities:		
Lottery Department	1.31%	11.76%
Arizona Health Care Cost Containment System	.25%	1.10%
Department of Transportation	4.48%	.43%
Aggregate discretely presented component units:		
Component Units	100%	100%
Universities—Affiliated Component Units	100%	100%

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Opinion Unit/Department	Assets	Revenues
Fund Statements		
General Fund:		
Arizona Health Care Cost Containment System	8.27%	12.71%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund:		
Department of Transportation	100%	100%
Lottery Fund:		
Lottery Department	100%	100%
Aggregate Remaining Fund Information:		
Arizona Health Care Cost Containment System	.09%	2.89%
Department of Transportation	1.01%	10.25%
Arizona State Retirement System	65.44%	38.66%
Public Safety Personnel Retirement System	13.23%	7.72%
Corrections Officer Retirement Plan	2.32%	1.63%
Elected Officials' Retirement Plan	.92%	.57%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units (except for the Water Infrastructure Finance Authority) and the fiduciary fund financial statements of the Arizona State Retirement System, Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8, the State's Arizona State University changed its method of calculating depreciation on research buildings to be based on the estimated useful life of each building component, which represents a change in the application of an accounting principle. Also described in Note 1, the State implemented the provisions of the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* for the year ended June 30, 2005, which represents a change in accounting principle.

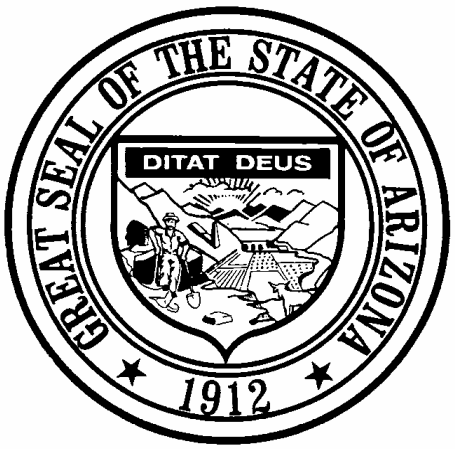
The Management's Discussion and Analysis on pages 23 through 35, the Budgetary Comparison Schedules on pages 127 through 147, the Infrastructure Assets information on pages 148 through 152, and the Schedule of Agent Retirement Plans' Funding Progress on page 153, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

March 31, 2006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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, 2005. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets of the State exceeded liabilities at the close of the fiscal year by $16.856 billion (reported as *net assets*). Of this amount, a $306.711 million deficit for *unrestricted net assets* exists at fiscal year end, $4.170 billion is restricted for specific purposes (*restricted net assets*), and $12.993 billion is invested in capital assets, net of related debt.
- The State's total net assets increased in fiscal year 2005 by $1.671 billion. Net assets of governmental activities increased by $1.658 billion, while net assets of the business-type activities increased by $13.443 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $4.202 billion, an increase of $1.082 billion from the beginning of the year. Approximately 37% of the combined fund balances, or $1.561 billion, is available to meet the State's current and future needs (*unreserved fund balances*).
- As of the close of the fiscal year, unreserved fund balance for the General Fund was $986.168 million, or 6%, of total General Fund expenditures.
- The enterprise funds reported net assets at year end of $2.522 billion, an increase of $28.279 million during the year.
- The Land Endowments Fund reported fund balance at year end of $1.718 billion, an increase of $355.422 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.

Long-term Debt:

- The State's total long-term primary government debt increased during the fiscal year to $5.692 billion, an increase of $483.034 million, or 9%. During the year, the State issued revenue bonds and certificates of participation of $574.700 million and $843.799 million, respectively. More detailed information regarding the government-wide financial statements, fund level financial statements and long-term debt activity can be found beginning on **page 25**.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-Wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Assets and the Statement of Financial Position (pages 40-42) presents all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 44-46) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide statements report three activities:

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

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, Industrial Commission rehabilitation services, and the State's three universities are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added university foundations and financing authorities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, Arizona Capital Facilities Finance Corporation, the U of A Foundation, and other non-major foundations and financing authorities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by GASB, and include a statement of financial position **(page 42)** and a statement of activities **(page 46)**. See **pages 65-67 and 111-124** for more information on discretely presented component units.

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

The fund financial statements begin on **page 47** 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 158** 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 48 and 50)** 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 47 and 49 of this report.

- *Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses.

Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery 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 statement business-type activities and the proprietary fund financial statements is presented at the end of the financial statements on **pages 54-57.**

Proprietary fund financial statements can be found on pages 52-61 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 62.** These funds, which include pension trust, investment trust and agency funds are reported using accrual accounting. 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 62-63 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 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 retirement plans' funding progress schedules.

Required supplementary information begins on page 127 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, and all fiduciary funds. 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 governmental funds are also included.

Other supplementary information begins on page 158 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. The fiscal year 2004 business-type activities net assets amount has been restated due to changing a method of calculating depreciation on research buildings to a componentized method based on the estimated useful life of the building components. See Note 4, capital assets, on **page 87** and Note 8, accounting changes and restatements, on **page 105** for additional restatement information.

State of Arizona-Primary Government
Net Assets as of June 30, 2005 and 2004
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004, as restated	2005	2004, as restated
Current assets	$ 3,503,360	$ 2,802,208	$ 1,516,254	$ 1,428,582	$ 5,019,614	$ 4,230,790
Capital assets	14,012,830	13,389,970	2,677,802	2,366,582	16,690,632	15,756,552
Other non-current assets	2,955,282	2,441,674	1,063,599	1,052,549	4,018,881	3,494,223
Total assets	20,471,472	18,633,852	5,257,655	4,847,713	25,729,127	23,481,565
Current liabilities	2,069,865	2,212,000	484,636	423,720	2,554,501	2,635,720
Non-current liabilities	4,049,808	3,728,379	2,268,310	1,932,727	6,318,118	5,661,106
Total liabilities	6,119,673	5,940,379	2,752,946	2,356,447	8,872,619	8,296,826
Net assets:						
Invested in capital assets, net of related debt	11,825,961	11,226,325	1,166,954	1,163,539	12,992,915	12,389,864
Restricted net assets	2,938,288	2,100,575	1,232,016	1,190,250	4,170,304	3,290,825
Unrestricted net assets	(412,450)	(633,427)	105,739	137,477	(306,711)	(495,950)
Total net assets	$ 14,351,799	$ 12,693,473	$ 2,504,709	$ 2,491,266	$ 16,856,508	$ 15,184,739

The largest portion of the State's net assets (77%) represents *capital assets, net of related debt* of $12.993 billion. 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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The State's net assets also include $4.170 billion (25%) of resources that are subject to external restrictions on how they may be used. The largest restrictions are by the State's Constitution for basic education funded by the earnings of the Land Endowments Fund and unemployment insurance premiums from employers for funding the Unemployment Compensation Fund. Another major restriction is unspent debt instrument proceeds, primarily for the acquisition and construction of federal, state, and local highways.

The remaining negative balance of the State's net assets of $306.711 million (2%) represents *unrestricted net assets*, including restatements of beginning net assets.

The State's net assets increased by $1.671 billion during the current fiscal year. This increase is primarily caused by governmental activities increases for sales taxes, income taxes, capital assets, and sale of trust land. Additionally, net assets were further increased by business-type activities increases for the Universities and the Unemployment Compensation Funds.

State of Arizona-Primary Government
Changes in Net Assets for Fiscal Years Ended June 30, 2005 and 2004
(expressed in thousands)

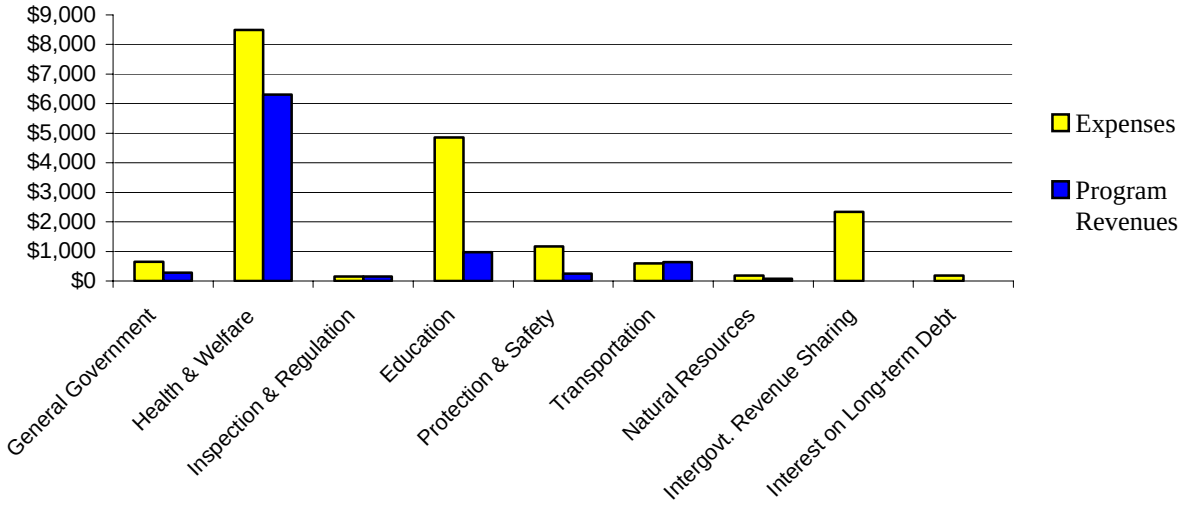
	Governmental Activities		Business-type Activities		Primary Government Total	
	2005	2004	2005	2004, as restated	2005	2004, as restated
Revenues:						
Program revenues:						
Charges for services	$ 617,659	$ 636,844	$ 1,701,249	$ 1,449,850	$ 2,318,908	$ 2,086,694
Operating grants and contributions	7,544,370	6,981,748	834,421	836,076	8,378,791	7,817,824
Capital grants and contributions	497,140	421,251	19,774	18,513	516,914	439,764
General revenues:						
Sales taxes	5,421,949	5,016,585	57,584	50,050	5,479,533	5,066,635
Income taxes	3,562,916	2,800,461	-	-	3,562,916	2,800,461
Tobacco taxes	237,430	223,804	-	-	237,430	223,804
Property taxes	46,148	50,455	-	-	46,148	50,455
Motor vehicle and fuel taxes	1,758,950	1,613,952	-	-	1,758,950	1,613,952
Other taxes	493,501	539,218	-	-	493,501	539,218
Unrestricted investment earnings	106,362	24,227	40,311	38,753	146,673	62,980
Unrestricted grants and contributions	11,624	8,502	5	-	11,629	8,502
Miscellaneous revenue	387,269	281,109	26,017	46,615	413,286	327,724
Gain on sale of trust land	288,483	319,517	-	-	288,483	319,517
Total revenues	20,973,801	18,917,673	2,679,361	2,439,857	23,653,162	21,357,530
Expenses:						
General government	646,452	726,525	-	-	646,452	726,525
Health and welfare	8,494,206	7,717,148	-	-	8,494,206	7,717,148
Inspection and regulation	149,238	138,281	-	-	149,238	138,281
Education	4,853,458	4,703,685	-	-	4,853,458	4,703,685
Protection and safety	1,171,340	1,059,047	-	-	1,171,340	1,059,047
Transportation	589,966	731,522	-	-	589,966	731,522
Natural resources	184,538	162,366	-	-	184,538	162,366
Intergovernmental revenue sharing	2,335,828	2,144,438	-	-	2,335,828	2,144,438
Interest on long-term debt	182,852	176,035	-	-	182,852	176,035
Universities	-	-	2,540,193	2,355,418	2,540,193	2,355,418
Unemployment compensation	-	-	292,127	397,657	292,127	397,657
Industrial Commission special fund	-	-	106,295	167,331	106,295	167,331
Lottery	-	-	317,226	303,996	317,226	303,996
Other business-type activities	-	-	120,629	109,944	120,629	109,944
Total expenses	18,607,878	17,559,047	3,376,470	3,334,346	21,984,348	20,893,393
Excess (deficiency) before contributions, special items and transfers	2,365,923	1,358,626	(697,109)	(894,489)	1,668,814	464,137
Contributions to permanent endowments	-	-	2,955	2,231	2,955	2,231
Special item – voluntary retirement program for faculty	-	-	-	(6,880)	-	(6,880)
Transfers	(707,597)	(678,726)	707,597	678,726	-	-
Change in net assets	1,658,326	679,900	13,443	(220,412)	1,671,769	459,488
Net assets - July 1, as restated	12,693,473	12,013,573	2,491,266	2,711,678	15,184,739	14,725,251
Net assets - June 30	$ 14,351,799	$ 12,693,473	$ 2,504,709	$ 2,491,266	$ 16,856,508	$ 15,184,739

Change in Net Assets

Governmental Activities – Net assets increased by $1.658 billion, or 13%. This increase is primarily attributed to the increases in earned general tax revenues. Reported sales tax and income tax revenue increased by $405.364 million, or 8%, and $762.455 million, or 27%, as compared to fiscal year 2004, respectively. Several key elements led to this increase. The State ranked in the top five nationally in terms of annual percentage job growth as reported by Arizona's Department of Economic Security, Research Administration. Aggregate personal income growth in Arizona, as reported by the Bureau of Economic Analysis, is vibrant, with growth in 2005 averaging about 9% on a year-over-year basis. Furthermore, population inflows have continued to outpace outflows, fueling the expanding economy. Additionally, the State's improved efforts in tax enforcement resulted in the collection of $455.000 million for fiscal year 2005. Another significant contributor to the net asset increase was record auction sales of approximately 2,000 acres in State trust land for $288.483 million. Intense and competitive bidding of 18 land sale auctions raised total sales prices approximately $74.176 million above the appraised value of the land. Net asset increases were reduced by increases in long-term debt. The School Facilities Board issued revenue bonds in the amount of $246.600 million and certificates of participation in the amount of $571.850 million. The debt instruments are being issued to construct or repair K through 12 schools throughout the State and refund previously issued debt. Although the debt instruments are obligations of the State, the constructed and improved schools are the capital assets of the school districts, which are separate and sovereign governmental entities. For each dollar of debt proceeds expended on construction and repair of schools, the State's governmental activities net assets are reduced by one dollar. A comparison of the cost of services by function, net of program revenues, for the State's governmental activities is shown below for fiscal years 2005 and 2004.

	2005 Governmental Activities (expressed in thousands)	2004 Governmental Activities (expressed in thousands)
Expenses, Net of Program Revenues:		
General government	$ (367,749)	$ (415,740)
Health and welfare	(2,190,654)	(1,871,192)
Inspection and regulation	(1,262)	11,977
Education	(3,881,306)	(3,820,842)
Protection and safety	(924,270)	(870,240)
Transportation	43,964	(152,047)
Natural resources	(108,752)	(80,647)
Intergovernmental revenue sharing	(2,335,828)	(2,144,438)
Interest on long-term debt	(182,852)	(176,035)
Total Governmental Activities Expenses, Net of Program Revenues	$ (9,948,709)	$ (9,519,204)

Expenses and Program Revenues
Governmental Activities for Fiscal Year 2005
(in millions of dollars)



Business-type Activities – The net assets increased by $13.443 million, or 1%. This increase is primarily caused by the net increase of the Unemployment Compensation Fund of $24.264 million; a net increase in the Universities Fund of $32.367 million; and a decrease in the Industrial Commission's Fund of $30.156 million. The increase in net assets from the Unemployment Compensation Fund was primarily caused by an increase in employer assessments, or higher contribution rates, and a decline in the unemployment rate. In addition, the increase in net assets for the Universities Fund was primarily attributed to an increase in the fair market value of endowments, student fees, new gifts, and state appropriations. Net asset increases were reduced by the Industrial Commission's net assets decrease that resulted from workers' compensation claims from insolvent insurance carriers during the year. The increase in insolvent insurers increased the Industrial Commission's long-term liabilities. As allowed by Title 23 of the Arizona Revised Statutes, the Industrial Commission has assessed the State Compensation Fund, privately owned insurance companies, and all self-insured plans that provide workers' compensation insurance a two and one-half percent premium assessment for calendar year 2005, the largest amount currently authorized in Arizona law. A comparison of the cost of services by business-type, net of program revenues, for the State's business-type activities is shown below for fiscal years 2004 and 2005.

	2005 Business-type Activities (expressed in thousands)	2004, as restated, Business-type Activities (expressed in thousands)
Expenses, Net of Program Revenues:		
Universities	$ (871,465)	$ (828,962)
Unemployment Compensation	25,969	(95,724)
Industrial Commission Special Fund	(49,248)	(162,189)
Lottery	80,335	62,586
Other	(6,617)	(5,618)
Total Business-type Activities Expenses, Net of Program Revenues	$ (821,026)	$ (1,029,907)

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, *unreserved 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, 2005, unreserved fund balance of the General Fund was $986.168 million, while total fund balance closed the year at $1.310 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents 6% of total expenditures and other financing uses, while total fund balance represents 8% of the same amount.

The fund balance of the State's General Fund increased by $563.764 million during the fiscal year. The primary source of the increase in fund balance is from the increase of sales tax and income tax revenues. Sales tax revenues increased $344.843 million from fiscal year 2004, an increase of 8%. Sales taxes paid by retail stores, construction contractors, restaurants and bars, and out-of-state companies increased approximately $155.000 million, $111.000 million, $29.000 million and $21.000 million, respectively, when compared to fiscal year 2004 sales tax receipts. Income tax revenues increased $709.789 million, an increase of 25%. Income taxes paid by individuals increased by approximately $530.000 million when compared to fiscal year 2004 individual income tax receipts. In addition, income taxes paid by businesses increased approximately $180.000 million during the same period.

Health and welfare expenditures and intergovernmental revenue increased by $640.612 million, or 9%, and $477.182 million, or 7%, as compared to fiscal year 2004, respectively. Overall program enrollment growth of 11% in the State's various healthcare programs, most significantly Title XIX Medicaid and the Title XXI State Children's Health Insurance Program, was the main contributing factor to the growth in expenditures in fiscal year 2005. Additionally, increased expenditures resulted from rising cost of health care programs. Inflationary trends for health care costs are incorporated in the rate development process for the managed care organization capitation rates. Due to substantial increases in utilization and costs for pharmacy (37%), physician (21%), and transportation and inpatient (14%), the capitation rates were increased by an average of 6% for the contract period of October 2004 to September 2005. The State received additional federal grants and county funding to cover a major portion of these increased costs.

Education expenditures increased $305.888 million, or 8%, compared to fiscal year 2004. The increase is primarily attributed to an increase in statewide enrollment of 41,000 from fiscal year 2004.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for repair and maintenance of existing roads, paying the debt service for roads that are built from the issuing of revenue bonds, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation. Total fund balance increased $77.484 million during fiscal year 2005. The fund balance increase was primarily caused by a $28.206 million increase in sales taxes, a $145.258 million increase in motor vehicle and fuel taxes, and a $79.531 million increase in intergovernmental revenues. Fund balance was reduced by the 2004 Senate Bill 1413 which required an additional $118.000 million to be transferred from fuel tax revenues to the State's General Fund. Further, there was also a $64.243 million increase in the distributions to Arizona counties and cities due to the increase in motor vehicle and fuel taxes. The fiscal year 2005 collections for sales taxes recorded the highest year-over-year growth since fiscal year 1996. The growth in sales taxes and motor vehicle and fuel taxes is due primarily to the increase in population, which tends to follow job growth.

Land Endowments Fund

The fund was established when the federal government granted 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 through 12 grades. The Land Endowments Fund total fund balance increased $355.422 million during fiscal year 2005. The net increase in the fair value of investments at fiscal year end was approximately $76.000 million. This increase was primarily due to the rise in stock values of the S&P 500 and S&P Mid Cap 400 Index Pools held by the State. Payments from the sale of trust land by the Land Department increased by approximately $125.126 million, from $149.001 million during fiscal year 2004 to $274.127 million during fiscal year 2005. This increase is primarily the result of land contract payoffs that occurred for sales in prior fiscal years.

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 statements analysis on **page 29**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budgetary Comparison Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 127**. Differences between the original budget and the final amended budget resulted in a $774.395 million increase in appropriations for the General Fund. The following comments summarize current year budgetary results:

- Some of the primary reasons for the General Fund appropriations $774.395 million increase are 1) $10.611 million of prior year obligations that are expended in the current year as allowed by §ARS 35-191; 2) $191.294 million for the Department of Education's deferral of Basic State Aid and Additional State Aid payments to school districts; 3) $199.554 million for the Arizona Health Care Cost Containment System's enrollment growth of 11% for the Acute Base and Proposition 204 capitation costs programs; 4) $88.056 million for the Department of Health Services' increased expenditure authorizations for Behavioral Health and Children Rehabilitative Services programs; and 5) $75.000 million for the School Facilities Board's Deficiencies Correction Fund adjustment. The original General Fund appropriation total was $12.268 billion. The final General Fund appropriation total was $13.043 billion.

- The difference between the final budget and actual expenditures was $368.821 million. Of this amount, $55.727 million will continue as legislative multiple fiscal year spending authority for fiscal year 2006 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining $313.094 million represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 146-147 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, 2005 totaled $16.691 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 6%, with a 5% increase in capital assets used for governmental activities and a 13% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $268.327 million.

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

- The Universities' additions to capital assets totaled approximately $490.038 million and included increased investment in research facilities.

- The Department of Transportation started or completed roads and bridges totaling $894.854 million during the fiscal year.

For government-wide financial statement presentation, all depreciable assets were depreciated from acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2005 are presented below (amounts in thousands):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004, as restated	2005	2004, as restated
Land	$ 1,980,978	$ 1,958,827	$ 143,195	$ 135,715	$ 2,124,173	$ 2,094,542
Buildings	1,515,343	1,488,193	2,709,694	2,488,685	4,225,037	3,976,878
Improvements other than buildings	142,563	140,029	3,600	2,493	146,163	142,522
Equipment	666,417	636,522	1,108,706	1,063,060	1,775,123	1,699,582
Collections (non-depreciable)	-	-	33,130	31,054	33,130	31,054
Infrastructure	8,870,232	8,597,975	289,215	246,791	9,159,447	8,844,766
Construction in progress	1,785,351	1,456,713	284,181	160,275	2,069,532	1,616,988
Less accumulated depreciation	(948,054)	(888,289)	(1,893,919)	(1,761,491)	(2,841,973)	(2,649,780)
Total	$ 14,012,830	$ 13,389,970	$ 2,677,802	$ 2,366,582	$ 16,690,632	$ 15,756,552

See Note 4, capital assets, beginning on **page 87** for additional capital asset data and Note 8, accounting changes and restatements, on **page 105** for information concerning Arizona State University changing its depreciation method to a componentized method.

As provided by GASB 34, the State has elected to record its infrastructure assets, that the Department of Transportation is responsible for maintaining, using the modified approach. Assets accounted for under the modified approach include approximately 6,816 center lane miles (18,424 travel lane miles) and 4,608 bridges (approximate total deck area of 42.0 million square feet).

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 serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.8 was achieved for fiscal year end 2005.

The State manages its bridges using the Arizona Bridge Information and Storage System (ABISS). 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 93% or better. In fiscal year 2005, a CRI of 94% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of $20 million were started during fiscal year 2005 (amounts in thousands):

Project Description	Contract Start	Contract Amount	Current Year Expenditures
Construction of State Route Loop 202 from Frye Road to Power Road in Maricopa County.	09/20/2004	$ 58,869	$ 21,747
Construction of State Route Loop 202 from Gilbert Road to Frye Road in Maricopa County.	11/10/2004	$ 50,458	$ 17,461
Construction on Interstate 60 at 59th Avenue and Glendale Avenue in Maricopa County.	11/22/2004	$ 25,996	$ 5,005
Construction at the interchange of State Route Loop 202 and Interstate 60 in Maricopa County.	04/18/2005	$ 71,375	$ 3,848

In addition to many smaller projects, the following major highway construction projects had expenditures in excess of $15 million in fiscal year 2005 (amounts in thousands):

Project Description	Project Expenditures
Construction of State Route Loop 202 from Power Road to Elliot Road in Maricopa County.	$ 34,236
Construction on State Route Loop 202 from Arizona Avenue to Gilbert Road in Maricopa County.	$ 32,571
Construction of State Route Loop 202 from Frye Road to Power Road in Maricopa County.	$ 28,601
Construction on State Route Loop 202 from Elliot Road to Baseline Road in Maricopa County.	$ 24,317
Construction of State Route Loop 202 from Gilbert Road to Frye Road in Maricopa County.	$ 23,689
Construction on State Route 85 to add a parallel road between Gila Bend and Interstate 10 to improve capacity and safety in Maricopa County.	$ 23,319
Construction on State Route Loop 202 from Dobson Road to Arizona Avenue in Maricopa County.	$ 20,601
Construction on State Route Loop 202 west of Higley Road to Power Road in Maricopa County.	$ 19,690
Construction at the interchange of State Route Loop 202 and Interstate 60 in Maricopa County.	$ 17,818
Construction on the Burro Creek Section of US 93 in Mohave County.	$ 16,898
Construction on State Route 51 from Interstate 10 to Shea Boulevard in Maricopa County.	$ 15,453

Capital assets financed by debt instruments do not generate funds to repay the debt instruments.

More detailed information regarding capital assets are on pages 87 and 88.

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 Department of Transportation issued revenue bonds for $188.260 million to (i) finance portions of the Transportation Board's Five Year Transportation Facilities Construction Program, (ii) pay costs of issuing the bonds, and (iii) pay interest on any bonds issued for highway purposes.

- The School Facilities Board issued $246.600 million of revenue bonds for school repairs at K through 12 public schools throughout the State, to refund previously issued debt, and pay the cost of issuing the bonds.

- The Universities issued revenue bonds for $139.840 million primarily to fund the acquisition, construction or renovation of capital facilities, and information technology and telecommunications upgrade projects. Further, proceeds were used to refund previously issued debt with a total outstanding principal balance of $100.440 million.

- The Department of Transportation issued $104.385 million of grant anticipation notes to (i) pay costs of the projects (as specified), (ii) pay costs of issuing the notes, and (iii) pay interest on the notes.

- The School Facilities Board issued $571.850 million of certificates of participation to acquire and construct leasehold interests in new schools. The schools will be subleased to various school districts. At no time during the construction and sublease of the schools will the leasehold improvements be reported as assets of the State government. Further, proceeds were used to refund previously issued debt with a total outstanding principal balance of $332.020 million, pay the cost of issuing the certificates of participation, and pay capitalized interest.

- Universities issued $271.800 million of certificates of participation primarily for construction and building renewal projects and early redemption of certificates of participation prior to maturity.

State of Arizona-Primary Government
Outstanding Long-Term Debt as of June 30, 2005
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	$ 2,170,845	$ 2,278,225	$ 768,000	$ 756,781	$ 2,938,845	$ 3,035,006
Grant Anticipation Notes	363,970	308,585	-	-	363,970	308,585
Certificates of Participation	1,054,677	845,804	860,759	641,315	1,915,436	1,487,119
Total	$ 3,589,492	$ 3,432,614	$ 1,628,759	$ 1,398,096	$ 5,218,251	$ 4,830,710

More detailed information regarding long-term debt begins on page 92.

ECONOMIC CONDITION AND OUTLOOK

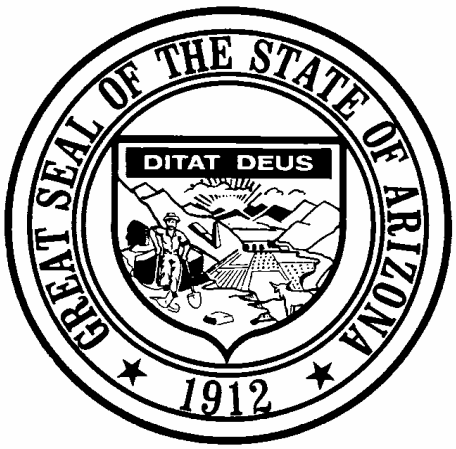
The Arizona Department of Economic Security Research Administration's forecast update calls for Arizona's economy to continue expanding through the forecast period of 2005-06. Arizona's non-farm jobs are forecast to grow by 5% in 2005 and 4% in 2006. Over the two-year period, non-farm job growth is forecast to total more than 202,000 jobs.

During the forecast period, some issues will continue to capture attention and restrain the growth of the State's economy. Potentially, slower expansion could be the result of higher-than-anticipated energy costs that have eroded consumer purchasing power and elevated business costs. Also, rising interest rates, a special concern, will make servicing high levels of consumer and federal government debt more expensive and crowd out other types of spending.

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.state.az.us/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 ASSETS
JUNE 30, 2005
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 3,950	$ 78,487	$ 82,437	$ 18,056
Cash with U.S. Treasury	-	770,931	770,931	-
Cash and pooled investments with State Treasurer	2,352,485	188,504	2,540,989	137,213
Restricted cash and pooled investments with State Treasurer	-	94,906	94,906	-
Cash held by trustee	-	-	-	16,126
Collateral investment pool	-	83,725	83,725	-
Short-term investments	-	87,977	87,977	60,374
Restricted investments held by trustee	-	-	-	2,426
Receivables, net of allowances:				
Taxes	468,210	69,240	537,450	-
Interest	20,278	3,299	23,577	5,477
Loans and notes	19,658	14,147	33,805	-
Other	163,490	112,893	276,383	62,581
Internal balances	89,680	(89,680)	-	-
Due from U.S. Government	356,231	67,126	423,357	-
Due from local governments	1,489	203	1,692	-
Due from others	343	-	343	-
Inventories, at cost	18,666	30,403	49,069	10,027
Other current assets	8,880	4,093	12,973	755
Total Current Assets	3,503,360	1,516,254	5,019,614	313,035
Noncurrent Assets:				
Restricted assets:				
Cash	1,514	187,577	189,091	-
Cash and pooled investments with State Treasurer	676,466	2,689	679,155	-
Cash held by trustee	77,152	54,998	132,150	-
Investments	2,586	28,062	30,648	-
Investments held by trustee	-	101,986	101,986	40,938
Receivables, net of allowances:				
Loans and notes	424,175	43,952	468,127	489,072
Other	-	7,071	7,071	-
Securities held in escheat	52,198	-	52,198	-
Investments	-	367,282	367,282	68,082
Endowment investments	1,721,191	253,086	1,974,277	-
Other noncurrent assets	-	16,896	16,896	50,633
Capital assets:				
Infrastructure, land and other non-depreciable	12,629,957	460,506	13,090,463	13,236
Depreciable buildings, property and equipment, net of accumulated depreciation	1,382,873	2,217,296	3,600,169	92,143
Total Noncurrent Assets	16,968,112	3,741,401	20,709,513	754,104
Total Assets	$ 20,471,472	$ 5,257,655	$ 25,729,127	$ 1,067,139

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

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2005
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 471,183	$ 86,509	$ 557,692	$ 27,239
Accrued liabilities	420,857	57,744	478,601	18,559
Obligations under securities loan agreements	-	83,725	83,725	-
Tax refunds payable	53	64	117	-
Due to U.S. Government	28,678	11	28,689	-
Due to local governments	437,032	4,634	441,666	-
Due to others	87,797	61,055	148,852	-
Unearned deferred revenue	93,384	90,452	183,836	-
Current portion of accrued insurance losses	52,233	31,796	84,029	4,673
Current portion of long-term debt	272,956	58,283	331,239	35,355
Current portion of other long-term liabilities	205,692	10,363	216,055	3,428
Total Current Liabilities	2,069,865	484,636	2,554,501	89,254
Noncurrent Liabilities:				
Unearned deferred revenue	6,297	39,670	45,967	2,022
Contracts payable	48,079	-	48,079	-
Accrued insurance losses	249,367	429,802	679,169	8,353
Funds held for others	-	39,927	39,927	-
Long-term debt	3,647,617	1,713,455	5,361,072	544,783
Other long-term liabilities	98,448	45,456	143,904	10,548
Total Noncurrent Liabilities	4,049,808	2,268,310	6,318,118	565,706
Total Liabilities	6,119,673	2,752,946	8,872,619	654,960
NET ASSETS				
Invested in capital assets, net of related debt	11,825,961	1,166,954	12,992,915	20,078
Restricted for:				
Federal grants	102,794	-	102,794	-
Capital projects	548,488	2,657	551,145	-
Unemployment compensation	-	820,383	820,383	-
Debt service	28,708	8,203	36,911	14,603
Permanent funds and University funds:				
Expendable	5,106	171,976	177,082	-
Nonexpendable	2,164,200	163,922	2,328,122	-
Loans and other financial assistance:				
Expendable	-	64,875	64,875	240,080
Other purposes	88,992	-	88,992	-
Unrestricted (deficit)	(412,450)	105,739	(306,711)	137,418
Total Net Assets	$ 14,351,799	$ 2,504,709	$ 16,856,508	$ 412,179

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, 2005
(Expressed in Thousands)

ASSETS		
Cash and cash equivalent investments	$	51,082
Receivables:		
Pledges receivable		115,816
Other receivables		12,498
Total receivables		128,314
Investments:		
Investments in securities		671,000
Investments held in trust for Universities		56,770
Other investments		132,807
Total investments		860,577
Net direct financing leases		48,260
Property and equipment, net of accumulated depreciation		164,742
Other assets		50,629
Total Assets		1,303,604
LIABILITIES		
Liability under Universities' endowment trust agreements		82,296
Bonds payable		325,168
Unearned revenue		51,956
Other liabilities		57,268
Total Liabilities		516,688
NET ASSETS		
Permanently restricted		468,308
Temporarily restricted		264,487
Unrestricted		54,121
Total Net Assets	$	786,916

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, 2005
(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	$ 646,452	$ 139,486	$ 139,217	$ -
Health and welfare	8,494,206	78,611	6,224,941	-
Inspection and regulation	149,238	133,073	14,903	-
Education	4,853,458	41,073	931,079	-
Protection and safety	1,171,340	98,111	148,959	-
Transportation	589,966	88,296	48,937	496,697
Natural resources	184,538	39,009	36,334	443
Intergovernmental revenue sharing	2,335,828	-	-	-
Interest on long-term debt	182,852	-	-	-
Total Governmental Activities	18,607,878	617,659	7,544,370	497,140
Business-type Activities:				
Universities	2,540,193	863,042	785,912	19,774
Unemployment compensation	292,127	270,610	47,486	-
Industrial Commission special fund	106,295	57,047	-	-
Lottery	317,226	397,561	-	-
Other	120,629	112,989	1,023	-
Total Business-type Activities	3,376,470	1,701,249	834,421	19,774
Total Primary Government	$ 21,984,348	$ 2,318,908	$ 8,378,791	$ 516,914
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 19,928	$ 14,763	$ 7,339	$ -
University Medical Center	354,885	372,813	-	-
Arizona Power Authority	27,869	26,472	-	-
Total Component Units	$ 402,682	$ 414,048	$ 7,339	$ -

General Revenues:
- Taxes:
  - Sales
  - Income
  - Tobacco
  - Property
  - Motor vehicle and fuel
  - Other
- Unrestricted investment earnings
- Unrestricted grants and contributions
- Miscellaneous

Contributions to permanent endowments
Gain on sale of trust land
Transfers
- Total General Revenues, Contributions, Gains and Transfers
  - Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (367,749)		$ (367,749)	
(2,190,654)		(2,190,654)	
(1,262)		(1,262)	
(3,881,306)		(3,881,306)	
(924,270)		(924,270)	
43,964		43,964	
(108,752)		(108,752)	
(2,335,828)		(2,335,828)	
(182,852)		(182,852)	
(9,948,709)		(9,948,709)	
	$ (871,465)	(871,465)	
	25,969	25,969	
	(49,248)	(49,248)	
	80,335	80,335	
	(6,617)	(6,617)	
	(821,026)	(821,026)	
(9,948,709)	(821,026)	(10,769,735)	
			$ 2,174
			17,928
			(1,397)
			18,705
5,421,949	57,584	5,479,533	-
3,562,916	-	3,562,916	-
237,430	-	237,430	-
46,148	-	46,148	-
1,758,950	-	1,758,950	-
493,501	-	493,501	-
106,362	40,311	146,673	14,160
11,624	5	11,629	-
387,269	26,017	413,286	26
-	2,955	2,955	-
288,483	-	288,483	-
(707,597)	707,597	-	-
11,607,035	834,469	12,441,504	14,186
1,658,326	13,443	1,671,769	32,891
12,693,473	2,491,266	15,184,739	379,288
$ 14,351,799	$ 2,504,709	$ 16,856,508	$ 412,179

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2005
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	$ 32,751	$ 76,455	$ 35,053	$ 144,259
Rental revenue	21,378	-	-	21,378
Sales and services	7,404	-	-	7,404
Net investment income	8,098	10,043	23,948	42,089
Reclassification of donor intent	-	9,829	(9,829)	-
Net assets released from restrictions	78,666	(73,963)	(4,703)	-
Capital lease revenue	13,225	-	-	13,225
Other revenues	28,700	11,406	208	40,314
Total Revenues	190,222	33,770	44,677	268,669
EXPENSES				
Program services:				
Payments to Universities	56,630	-	-	56,630
Leasing related expenses	5,959	-	-	5,959
Payments on behalf of Universities	19,301	-	-	19,301
Other program services	18,766	-	-	18,766
Personal services, operations, and administrative expenses	23,930	-	-	23,930
Fundraising expenses	10,692	-	-	10,692
Interest	6,045	-	-	6,045
Assets expensed under capital lease agreement	12,242	-	-	12,242
Other expenses	12,005	-	-	12,005
Total Expenses	165,570	-	-	165,570
Increase in Net Assets Before Extraordinary Items	24,652	33,770	44,677	103,099
Extraordinary items (primarily early extinguishment of debt)	(2,899)	-	-	(2,899)
Increase in Net Assets After Extraordinary Items	21,753	33,770	44,677	100,200
Net Assets - Beginning, as restated	32,430	231,080	423,206	686,716
Transfers	(62)	(363)	425	-
Net Assets - Ending	$ 54,121	$ 264,487	$ 468,308	$ 786,916

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

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 1,708	$ -	$ 28	$ 2,214	$ 3,950
Cash and pooled investments with State Treasurer	1,335,586	190,015	39,174	678,309	2,243,084
Receivables, net of allowances:					
Taxes	390,138	60,057	-	18,015	468,210
Interest	13,083	1,049	4,359	1,775	20,266
Loans and notes	-	-	443,833	-	443,833
Other	71,419	27,843	4,820	22,215	126,297
Due from U.S. Government	140,487	40,074	-	-	180,561
Due from local governments	1,448	41	-	-	1,489
Due from others	-	-	-	343	343
Due from other Funds	265,187	20,000	1,458	62,871	349,516
Inventories, at cost	8,070	5,231	-	2,547	15,848
Restricted assets:					
Cash	1,514	-	-	-	1,514
Cash and pooled investments with State Treasurer	55,480	473,761	-	147,225	676,466
Cash held by trustee	73,149	-	-	4,003	77,152
Investments	2,586	-	-	-	2,586
Securities held in escheat	52,198	-	-	-	52,198
Endowment investments	-	-	1,721,191	-	1,721,191
Other	356	-	-	1	357
Total Assets	$ 2,412,409	$ 818,071	$ 2,214,863	$ 939,518	$ 6,384,861
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 243,244	$ 94,699	$ 1,156	$ 71,706	$ 410,805
Accrued liabilities	167,854	9,463	-	14,243	191,560
Tax refunds payable	53	-	-	-	53
Due to U.S. Government	8,685	-	-	-	8,685
Due to local governments	266,206	127,738	-	43,088	437,032
Due to others	87,293	-	1	503	87,797
Due to other Funds	45,857	181,981	18,739	32,776	279,353
Unavailable deferred revenue	209,423	5,586	451,711	1,547	668,267
Unearned deferred revenue	73,392	-	25,661	628	99,681
Total Liabilities	1,102,007	419,467	497,268	164,491	2,183,233
Fund Balances:					
Reserved for:					
Budget stabilization fund	160,873	-	-	-	160,873
Highway construction	-	286,451	-	132,621	419,072
Other construction	-	-	-	7,307	7,307
School facilities improvements	107,260	-	-	5,386	112,646
Permanent funds	-	-	1,716,404	-	1,716,404
Continuing appropriations	55,727	82,443	1,191	37,118	176,479
Debt service	-	-	-	21,992	21,992
Other fund balance reservations	374	25,231	-	144	25,749
Unreserved	986,168	4,479	-	-	990,647
Unreserved reported in:					
Non-major special revenue funds	-	-	-	570,459	570,459
Total Fund Balances	1,310,402	398,604	1,717,595	775,027	4,201,628
Total Liabilities and Fund Balances	$ 2,412,409	$ 818,071	$ 2,214,863	$ 939,518	$ 6,384,861

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

STATE OF ARIZONA

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

JUNE 30, 2005

(Expressed in Thousands)

Total fund balances - governmental funds		$	4,201,628
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			13,949,467
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.			668,267
Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the funds.			26,019
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			(188,822)
The allocation of internal service fund net loss results in an amount due from business-type activities, which is not reported in the funds.			17,450
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.			6,375
Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the funds. These amounts consist of:			
Revenue bonds	(2,170,845)		
Premium on revenue bonds	(131,385)		
Grant anticipation notes	(363,970)		
Certificates of participation	(1,054,677)		
Premium on certificates of participation	(66,094)		
Capital leases	(120,766)		
Installment purchase contracts	(6,926)		(3,914,663)
Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the funds.			(250,741)
Accrued long-term contract payable to Accenture is not due and payable from current financial resources and, therefore, is not reported in the funds.			(48,079)
Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds. Those liabilities consist of:			
Compensated absences	(141,733)		
Claims and judgments	(150,905)		(292,638)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. Those assets consist of:			
AHCCCS programmatic cost reimbursements	174,245		
Other long-term assets	3,291		177,536
Net assets of governmental activities		$	14,351,799

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, 2005
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 4,546,492	$ 316,806	$ -	$ 547,085	$ 5,410,383
Income	3,528,522	-	-	43	3,528,565
Tobacco	60,859	-	-	176,571	237,430
Property	29,055	13,180	-	3,913	46,148
Motor vehicle and fuel	629	1,758,321	-	-	1,758,950
Other	395,335	-	-	98,166	493,501
Intergovernmental	7,132,985	544,909	6	36,112	7,714,012
Licenses, fees and permits	91,278	81,814	-	162,668	335,760
Earnings on investments	59,454	15,182	84,221	31,642	190,499
Sales and charges for services	85,356	919	20,489	47,487	154,251
Fines, forfeitures and penalties	16,285	-	-	104,838	121,123
Gaming	4,760	-	-	62,898	67,658
Tobacco settlement	93,933	-	-	-	93,933
Other	288,327	28,797	23,436	89,537	430,097
Total Revenues	16,333,270	2,759,928	128,152	1,360,960	20,582,310
EXPENDITURES					
Current:					
General government	662,139	-	274	95,736	758,149
Health and welfare	8,088,851	-	3,333	327,729	8,419,913
Inspection and regulation	47,809	-	-	98,714	146,523
Education	4,333,786	-	46,455	471,858	4,852,099
Protection and safety	1,025,226	48	2,141	105,058	1,132,473
Transportation	72	533,971	-	30,531	564,574
Natural resources	54,438	-	-	121,155	175,593
Intergovernmental revenue sharing	1,248,817	1,087,011	-	-	2,335,828
Debt service:					
Principal	23,053	312	-	358,147	381,512
Interest and other fiscal charges	45,114	2,522	-	153,095	200,731
Capital outlay	40,299	387,423	990	281,976	710,688
Total Expenditures	15,569,604	2,011,287	53,193	2,043,999	19,678,083
Excess (Deficiency) of Revenues Over Expenditures	763,666	748,641	74,959	(683,039)	904,227
OTHER FINANCING SOURCES (USES)					
Transfers in	374,992	8,236	6,670	621,558	1,011,456
Transfers out	(839,037)	(679,705)	(334)	(195,486)	(1,714,562)
Proceeds from sale of trust land	-	-	274,127	-	274,127
Capital lease and installment purchase contracts	5,038	312	-	-	5,350
Refunding bonds issued	-	-	-	224,283	224,283
Payment to refunded bond escrow agent	-	-	-	(247,417)	(247,417)
Bonds issued	-	-	-	210,577	210,577
Premium on bonds issued	-	-	-	38,651	38,651
Grant anticipation notes issued	-	-	-	104,385	104,385
Premium on grant anticipation notes issued	-	-	-	11,551	11,551
Refunding certificates of participation issued	334,225	-	-	-	334,225
Payment to refunded certificates of participation escrow agent	(363,052)	-	-	-	(363,052)
Certificates of participation issued	237,625	-	-	-	237,625
Premium on certificates of participation issued	50,307	-	-	-	50,307
Total Other Financing Sources (Uses)	(199,902)	(671,157)	280,463	768,102	177,506
Net Change in Fund Balances	563,764	77,484	355,422	85,063	1,081,733
Fund Balances - Beginning	746,638	321,120	1,362,173	689,964	3,119,895
Fund Balances - Ending	$ 1,310,402	$ 398,604	$ 1,717,595	$ 775,027	$ 4,201,628

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,081,733
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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	710,688	
Depreciation expense	(86,888)	623,800
The net loss of internal service funds that is included with governmental activities in the Statement of Activities.		(33,178)
Some revenues reported in the Statement of Activities are not currently available at year-end and are not reported as revenue in the governmental funds.		
Operating grants	70,788	
Sales taxes	11,566	
Income taxes	34,351	
Other revenue	4,646	121,351
Certain revenue refunds due to the Federal Government at year-end are not payable from current financial resources and, therefore, are not reported as revenue reductions in the governmental funds.		(19,616)
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.		14,356
Some 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.		
Accrued contract payable	(8,529)	
AHCCCS accrued programmatic costs	(77,821)	
Compensated absences	(6,303)	
Other noncurrent expenses	(10,530)	(103,183)

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

(Expressed in Thousands)

Certain expenditures that are reported in the funds in the current year, but were incurred in prior fiscal years, are not reported in the Statement of Activities.		
Ladewig vs. State of Arizona lawsuit	133,125	
Schofield vs. State of Arizona lawsuit	12,700	145,825
Certain refunds due from vendors are not currently available at year-end and are not reported as expenditure reductions in the governmental funds.		26,019
The estimated liability for the Ladewig vs. State of Arizona lawsuit, which was accrued at the government-wide level in fiscal year 2004, has been revised, in the State's favor, in fiscal year 2005. This accrual was not financed from current financial resources in fiscal year 2004 and, therefore, was not reported in the fund statements in fiscal year 2004.		7,716
Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
New bonds issued	(210,577)	
Refunding bonds issued	(224,283)	
Premium on bonds/grant anticipation notes issued	(50,202)	
Bond premium/discount amortization	11,135	
New certificates of participation issued	(237,625)	
Premium on COPs issued	(50,307)	
COP premium amortization	5,228	
Refunding certificates of participation issued	(334,225)	
Grant anticipation notes issued	(104,385)	(1,195,241)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt service principal	381,512	
Payment to refunded bond escrow agent	247,417	
Payment to refunded certificates of participation escrow agent	363,052	
Bond issuance costs	2,113	994,094
Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds, however, these amounts are reported as liabilities in the Statement of Net Assets.		(5,350)
Change in net assets of governmental activities		$ 1,658,326

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

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash	$ 71,204	$ -	$ 6,850	$ -	$ 433
Cash with U.S. Treasury	-	770,931	-	-	-
Cash and pooled investments with State Treasurer	115,305	-	2,089	50,135	20,975
Restricted cash and pooled investments with State Treasurer	-	-	-	-	94,906
Collateral investment pool	36,786	-	46,939	-	-
Short-term investments	87,936	-	-	-	41
Receivables, net of allowances:					
Taxes	-	63,911	5,329	-	-
Interest	830	-	2,172	-	297
Loans and notes	4,128	-	-	-	10,019
Other	88,076	9,615	2,487	6,388	6,327
Due from U.S. Government	67,022	-	-	-	104
Due from local governments	-	-	-	-	203
Due from other Funds	-	-	-	-	114,547
Inventories, at cost	19,814	-	-	2,327	8,262
Other current assets	3,521	-	-	-	572
Total Current Assets	494,622	844,457	65,866	58,850	256,686
Noncurrent Assets:					
Restricted assets:					
Cash	187,577	-	-	-	-
Cash and pooled investments with State Treasurer	-	-	-	-	2,689
Cash held by trustee	54,998	-	-	-	-
Investments	28,062	-	-	-	-
Investments held by trustee	98,837	-	3,149	-	-
Receivables, net of allowances:					
Loans and notes	29,055	-	-	-	14,897
Other	7,071	-	-	-	-
Investments	137,612	-	229,670	-	-
Endowment investments	253,086	-	-	-	-
Other long-term assets	10,093	-	-	6,730	73
Capital assets:					
Infrastructure, land and other non-depreciable	454,572	-	2,996	938	2,000
Depreciable buildings, property and equipment, net of accumulated depreciation	2,177,629	-	19,502	2,502	17,663
Total Noncurrent Assets	3,438,592	-	255,317	10,170	37,322
Total Assets	3,933,214	844,457	321,183	69,020	294,008

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 78,487	$ -
770,931	-
188,504	109,400
94,906	-
83,725	-
87,977	-
69,240	-
3,299	11
14,147	-
112,893	11,177
67,126	-
203	-
114,547	2,758
30,403	2,818
4,093	2,148
1,720,481	128,312
187,577	-
2,689	-
54,998	-
28,062	-
101,986	-
43,952	-
7,071	-
367,282	-
253,086	-
16,896	-
460,506	-
2,217,296	63,363
3,741,401	63,363
5,461,882	191,675

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	79,134	-	2,248	2,784	2,343
Accrued liabilities	37,438	15,352	-	-	4,954
Obligations under securities loan agreements	36,786	-	46,939	-	-
Tax refunds payable	-	-	64	-	-
Due to U.S. Government	-	11	-	-	-
Due to local governments	-	-	-	4,634	-
Due to others	22,428	8,464	-	30,068	95
Due to other Funds	-	247	-	20,061	166,469
Unearned deferred revenue	80,163	-	-	-	10,289
Current portion of accrued insurance losses	-	-	31,796	-	-
Current portion of long-term debt	55,153	-	3,100	-	30
Current portion of other long-term liabilities	9,068	-	-	311	984
Total Current Liabilities	320,170	24,074	84,147	57,858	185,164
Noncurrent Liabilities:					
Unearned deferred revenue	39,670	-	-	-	-
Accrued insurance losses	-	-	429,802	-	-
Funds held for others	39,927	-	-	-	-
Long-term debt	1,713,397	-	-	-	58
Other long-term liabilities	45,371	-	-	-	85
Total Noncurrent Liabilities	1,838,365	-	429,802	-	143
Total Liabilities	2,158,535	24,074	513,949	57,858	185,307
NET ASSETS					
Invested in capital assets, net of related debt	1,124,454	-	19,398	3,440	19,662
Restricted for:					
Capital projects	2,657	-	-	-	-
Unemployment compensation	-	820,383	-	-	-
Debt service	5,054	-	3,149	-	-
University funds:					
Expendable	171,976	-	-	-	-
Nonexpendable	163,922	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	64,875
Unrestricted (deficit)	306,616	-	(215,313)	7,722	24,164
Total Net Assets	$ 1,774,679	$ 820,383	$ (192,766)	$ 11,162	$ 108,701

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

Net assets of business-type activities

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
86,509	60,377
57,744	417
83,725	-
64	-
11	-
4,634	-
61,055	-
186,777	691
90,452	-
31,796	52,233
58,283	1,234
10,363	7,800
671,413	122,752
39,670	-
429,802	249,367
39,927	-
1,713,455	4,676
45,456	3,702
2,268,310	257,745
2,939,723	380,497
1,166,954	57,454
2,657	-
820,383	-
8,203	-
171,976	-
163,922	-
64,875	-
123,189	(246,276)
$ 2,522,159	$ (188,822)
(17,450)	
$ 2,504,709	

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Pledged student tuition and fees, net of scholarship allowances of $161,177	$ 557,987	$ -	$ -	$ -	$ -
Pledged auxiliary enterprises, net of scholarship allowances of $6,491	254,721	-	-	-	-
Pledged educational department	50,334	-	-	-	-
Lottery	-	-	-	397,561	-
Other	-	-	-	-	109,328
Unemployment assessments	-	268,895	-	-	-
Workers' compensation assessments	-	-	15,493	-	-
Intergovernmental	589,220	8,210	-	-	1,023
Nongovernmental grants and contracts	94,275	-	-	-	-
Licenses, fees and permits	-	-	-	-	651
Earnings on investments	-	-	-	-	3,010
Fines, forfeitures and penalties	-	1,715	-	-	-
Settlement Income	-	-	41,554	-	-
Other (revenues for Universities are pledged)	18,208	25	-	46	1,466
Total Operating Revenues	1,564,745	278,845	57,047	397,607	115,478
OPERATING EXPENSES					
Cost of sales and benefits	610,334	292,127	101,395	262,819	75,259
Interest on notes payable	-	-	-	-	4,040
Scholarships and fellowships	110,850	-	-	-	-
Personal services	1,569,988	-	-	5,410	25,953
Contractual services	-	-	-	10,813	6,984
Depreciation and amortization	164,726	-	1,140	190	2,658
Insurance	-	-	-	67	622
Other	-	-	-	2,192	5,112
Total Operating Expenses	2,455,898	292,127	102,535	281,491	120,628
Operating Income (Loss)	(891,153)	(13,282)	(45,488)	116,116	(5,150)
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	57,584	-	-	-	-
Gain (loss) on sale of capital assets	(690)	-	-	-	(4)
Investment income (revenues for Universities are pledged)	20,123	39,276	17,045	-	3,143
Endowment earnings on investments	25,165	-	-	-	-
Other non-operating revenue	3,615	-	2,047	897	407
Distributions to local governments	-	-	-	(35,735)	-
Interest expense	(56,883)	-	(102)	-	(1)
Other non-operating expense	(12,576)	-	(3,658)	-	-
Total Non-Operating Revenues (Expenses)	36,338	39,276	15,332	(34,838)	3,545
Income (Loss) Before Contributions and Transfers	(854,815)	25,994	(30,156)	81,278	(1,605)
Gifts and donations	77,252	-	-	-	-
Capital grants and contributions	19,774	-	-	-	5
Contributions to permanent endowments	2,955	-	-	-	-
Transfers in	787,201	-	-	-	4,196
Transfers out	-	(1,730)	-	(80,658)	(1,412)
Change in Net Assets	32,367	24,264	(30,156)	620	1,184
Total Net Assets - Beginning, as restated	1,742,312	796,119	(162,610)	10,542	107,517
Total Net Assets - Ending	$ 1,774,679	$ 820,383	$ (192,766)	$ 11,162	$ 108,701

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

Change in net assets of business-type activities

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 557,987	$ -
254,721	-
50,334	-
397,561	-
109,328	684,597
268,895	-
15,493	-
598,453	-
94,275	-
651	-
3,010	-
1,715	-
41,554	-
19,745	2,886
2,413,722	687,483
1,341,934	535,850
4,040	-
110,850	-
1,601,351	26,785
17,797	29,587
168,714	12,725
689	122,506
7,304	5,179
3,252,679	732,632
(838,957)	(45,149)
57,584	-
(694)	153
79,587	84
25,165	-
6,966	33
(35,735)	-
(56,986)	(47)
(16,234)	-
59,653	223
(779,304)	(44,926)
77,252	-
19,779	1,403
2,955	-
791,397	59
(83,800)	(4,550)
28,279	(48,014)
2,493,880	(140,808)
$ 2,522,159	$ (188,822)
$ 28,279	
(14,836)	
$ 13,443	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ -	$ 217,649	$ 112,560
Receipts from assessments	-	253,259	13,875	-	-
Receipts from student loans collected	10,972	-	-	-	-
Receipts from sales and services of auxiliary enterprises	251,782	-	-	-	-
Receipts from sales and services of educational departments	57,858	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from student tuition and fees	560,899	-	-	-	-
Receipts from federal and local governments	666,046	8,210	-	-	1,042
Receipts from settlement income	-	-	41,832	-	-
Receipts from other Funds	-	-	-	-	54,491
Payments to suppliers, prize winners, claimants, insurance companies or beneficiaries	(612,470)	(288,948)	(25,088)	(112,536)	(81,844)
Payments to employees	(1,558,170)	-	-	(5,460)	(25,535)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(123,775)	-	-	-	-
Payments for student loans issued	(11,261)	-	-	-	-
Payments to other Funds	-	-	-	-	(55,148)
Other receipts (payments)	9,450	1,740	-	17,136	(846)
Net Cash Provided (Used) by Operating Activities	(748,669)	(25,739)	30,619	116,789	4,720
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Custodial funds received	144,907	-	-	-	-
Office rental receipts	-	-	2,047	-	-
Share of State sales tax receipts	55,074	-	-	-	-
Grants and contributions received	440,159	-	-	-	-
Transfers from other Funds	781,315	-	-	-	960
Interest paid	-	-	-	-	-
Custodial funds disbursed	(163,223)	-	-	-	-
Grants and contributions disbursed	(360,927)	-	-	-	-
Distributions to local governments	-	-	-	(35,735)	-
Transfers to other Funds	-	(1,661)	-	(70,111)	(1,412)
Other receipts (payments)	-	-	(1,590)	-	549
Net Cash Provided (Used) by Non-capital Financing Activities	897,305	(1,661)	457	(105,846)	97
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	820	-	-	-	-
Proceeds from capital debt, installment purchase contracts and capital leases	274,873	-	-	-	-
Capital grants and contributions received	9,705	-	-	-	-
Acquisition and construction of capital assets	(429,180)	-	(65)	(154)	(2,378)
Interest paid on capital debt, installment purchase contracts and capital leases	(53,443)	-	(102)	-	-
Principal paid on capital debt, installment purchase contracts and capital leases	(48,182)	-	(1,500)	-	-
Other (payments)	-	-	(34)	-	(17)
Net Cash (Used) by Capital and Related Financing Activities	(245,407)	-	(1,701)	(154)	(2,395)

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
$ 330,209	$ -
267,134	-
10,972	-
251,782	-
57,858	-
-	683,397
560,899	-
675,298	-
41,832	-
54,491	-
(1,120,886)	(610,343)
(1,589,165)	(27,347)
-	(9,718)
(123,775)	-
(11,261)	-
(55,148)	-
27,480	2,876
(622,280)	38,865
144,907	-
2,047	-
55,074	-
440,159	-
782,275	59
-	(47)
(163,223)	-
(360,927)	-
(35,735)	-
(73,184)	(4,550)
(1,041)	33
790,352	(4,505)
820	600
274,873	-
9,705	-
(431,777)	(11,028)
(53,545)	-
(49,682)	-
(51)	-
(249,657)	(10,428)

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	371,027	-	134,315	-	20
Interest and dividends from investments	23,769	39,276	10,287	345	3,005
Change in cash collateral received from securities lending transactions	-	-	12,944	-	-
Purchase of investments	(241,544)	-	(169,180)	-	(1)
Other (payments)	-	-	(2,029)	-	-
Net Cash Provided (Used) by Investing Activities	153,252	39,276	(13,663)	345	3,024
Net Increase in Cash and Cash Equivalents	56,481	11,876	15,712	11,134	5,446
Cash and Cash Equivalents - Beginning, as restated	372,603	759,055	40,166	39,001	113,557
Cash and Cash Equivalents - Ending	$ 429,084	$ 770,931	$ 55,878	$ 50,135	$ 119,003
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (891,153)	$ (13,282)	$ (45,488)	$ 116,116	$ (5,150)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	164,726	-	1,140	190	2,658
Loss on sale of capital assets	-	-	-	5	4
Net changes in assets and liabilities:					
(Increase) in receivables, net of allowances	(21,213)	(15,921)	(1,404)	(612)	(1,093)
Decrease in due from U.S. Government	-	-	-	-	19
Decrease in due from local governments	-	-	-	-	183
Decrease in due from others	-	-	-	-	-
(Increase) decrease in due from other Funds	-	-	-	-	(2,236)
(Increase) decrease in inventories, at cost	(3,898)	-	-	(772)	401
(Increase) decrease in other assets	(403)	-	-	478	434
Increase (decrease) in accounts payable	(7,415)	-	(291)	694	(37)
Increase (decrease) in accrued liabilities	9,897	3,481	-	690	3,372
(Decrease) in due to U.S. Government	-	(17)	-	-	-
Increase (decrease) in due to others	568	-	-	-	(168)
Increase (decrease) in due to other Funds	-	-	-	-	4,037
Increase in deferred revenue	222	-	-	-	2,138
Increase in accrued insurance losses	-	-	76,662	-	-
Increase in other liabilities	-	-	-	-	158
Net Cash Provided (Used) by Operating Activities	$ (748,669)	$ (25,739)	$ 30,619	$ 116,789	$ 4,720
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Gifts and conveyances of capital assets	$ 9,317	$ -	$ -	$ -	$ -
Assets acquired under capital leases	43,554	-	-	-	-
Change in fair value of investments	3,669	-	6,704	(58)	(424)
Amortization of bond discount and issuance costs	(1,560)	-	-	-	-
Amortization of deferred amount on refunding and bond premium	1,105	-	-	-	-
(Loss) on disposal of capital assets, net	(7,659)	-	-	-	-
Amortization of deferred rent	4,900	-	-	-	-
Refinancing of long-term debt	142,760	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	$ 196,086	$ -	$ 6,704	$ (58)	$ (424)

The beginning cash and cash equivalents balance at July 1, 2004 was restated for the Universities due to the reclassification of short term investments to cash and cash equivalents.

The beginning cash and cash equivalents balance at July 1, 2004 for the other enterprise funds differs from the ending cash and cash equivalents balance on the cash flow for the year ended June 30, 2004 due to the correction of an error.

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

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
505,362	-
76,682	84
12,944	-
(410,725)	-
(2,029)	-
182,234	84
100,649	24,016
1,324,382	85,384
$ 1,425,031	$ 109,400

$ (838,957)	$ (45,149)
168,714	12,725
9	-
(40,243)	(1,284)
19	-
183	-
-	2
(2,236)	71
(4,269)	(276)
509	(216)
(7,049)	15,478
17,440	(410)
(17)	-
400	-
4,037	(998)
2,360	-
76,662	58,472
158	450
$ (622,280)	$ 38,865

$ 9,317	$ -
43,554	6,122
9,891	-
(1,560)	-
1,105	-
(7,659)	-
4,900	-
142,760	-
$ 202,308	$ 6,122

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	AGENCY FUNDS	TOTAL
ASSETS				
Cash	$ 22,632	$ -	$ 43,439	$ 66,071
Cash and pooled investments with State Treasurer	-	-	316,518	316,518
Short-term investments	-	-	2,353	2,353
Receivables, net of allowances:				
Accrued interest and dividends	75,687	4,937	303	80,927
Securities sold	510,583	-	-	510,583
Forward contract receivable	1,573,699	-	-	1,573,699
Contributions	31,491	-	-	31,491
Court fees	343	-	-	343
Miscellaneous receivables	6,561	-	207	6,768
Total receivables	2,198,364	4,937	510	2,203,811
Due from others	-	-	90,945	90,945
Investments, at fair value:				
Temporary investments	2,040,185	-	-	2,040,185
Temporary investments from securities lending	2,279,978	-	-	2,279,978
U.S. Government securities	2,866,151	1,433,834	-	4,299,985
Corporate bonds	3,446,234	899,055	-	4,345,289
Corporate notes	335,106	-	-	335,106
Corporate stocks	19,713,984	-	-	19,713,984
Real estate mortgages and contracts	26,774	-	-	26,774
Collateral investment pool	1,201,153	-	-	1,201,153
Repurchase agreements	-	827,725	-	827,725
Other investments	240,251	-	-	240,251
Money market mutual funds	-	1,123	-	1,123
Total investments	32,149,816	3,161,737	-	35,311,553
Custodial securities in safekeeping	-	-	2,543,553	2,543,553
Other assets	-	-	3,609	3,609
Property and equipment, net of accumulated depreciation	4,497	-	-	4,497
Total Assets	34,375,309	3,166,674	3,000,927	40,542,910
LIABILITIES				
Accounts payable and other current liabilities	1,593,907	-	159,794	1,753,701
Payable for securities purchased	984,476	-	-	984,476
Accrued liabilities	-	-	5,512	5,512
Obligation under securities loan agreements	3,481,131	-	-	3,481,131
Due to local governments	-	1,749	6,118	7,867
Due to others	-	-	2,829,503	2,829,503
Total Liabilities	6,059,514	1,749	3,000,927	9,062,190
NET ASSETS				
Held in trust for:				
Pension benefits	28,315,795	-	-	28,315,795
Pool participants	-	3,164,925	-	3,164,925
Total Net Assets	$ 28,315,795	$ 3,164,925	$ -	$ 31,480,720

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

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	TOTAL
ADDITIONS:			
Member contributions	$ 548,798	$ -	$ 548,798
Employer contributions	566,737	-	566,737
Member purchase of service credit	140,159	-	140,159
Court fees	3,793	-	3,793
Investment income:			
Net increase in fair value of investments	1,694,502	1,290	1,695,792
Interest income	332,517	64,053	396,570
Dividends	270,200	-	270,200
Real estate	6,113	-	6,113
Other investment income	4,731	-	4,731
Securities lending income	48,084	-	48,084
Total investment income	2,356,147	65,343	2,421,490
Less investment expenses:			
Investment activity expenses	34,444	2,280	36,724
Security lending expenses	41,096	-	41,096
Net investment income	2,280,607	63,063	2,343,670
Capital share and individual account transactions:			
Shares sold	-	5,016,265	5,016,265
Reinvested interest income	-	56,035	56,035
Shares redeemed	-	(4,754,674)	(4,754,674)
Net capital share and individual account transactions	-	317,626	317,626
Other additions	16,844	-	16,844
Total Additions	3,556,938	380,689	3,937,627
DEDUCTIONS:			
Retirement and disability benefits	1,872,625	-	1,872,625
Death benefits	18,402	-	18,402
Refunds to withdrawing members, including interest	68,548	-	68,548
Administrative expense	27,929	-	27,929
Dividends to investors	-	63,063	63,063
Other deductions	9,640	-	9,640
Total Deductions	1,997,144	63,063	2,060,207
Change in net assets held in trust for:			
Pension benefits	1,559,794	-	1,559,794
Pool participants	-	317,626	317,626
Net Assets - Beginning	26,756,001	2,847,299	29,603,300
Net Assets - Ending	$ 28,315,795	$ 3,164,925	$ 31,480,720

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

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to U.S. GAAP applicable to governmental units adopted by the 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 – *Summary of Significant Accounting Policies – Component Units.*

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 GASB.

The 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.

In addition, GASB 39 requires that legally separate, tax-exempt entities that meet *all* of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The State reports the Arizona State Retirement System (ASRS) as a blended component unit. The ASRS is a cost-sharing, multiple-employer, defined benefit pension plan that benefits employees of the State, its political subdivisions and public schools. 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 reports the following discretely presented component units:

University Medical Center (UMC) – The UMC is the primary teaching hospital for the College of Medicine, College of Nursing, the College of Pharmacy, the College of Public Health, and the School of Health Related Professions of the University of Arizona (U of A). The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a private, not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the U of A and the State remained. The ABOR confirms all members of the UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the UMC's administrative offices at 655 East River Road, Tucson, Arizona 85704, (520) 694-2700.

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices at 1810 West Adams Street, Phoenix, Arizona 85007-2697, (602) 542-4263.

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 10 Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1100 West Washington, Suite 290, Phoenix, Arizona 85007, (602) 364-1310.

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 Statement No. 39, with the exception of the Collegiate Golf Foundation and Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The CRC is included because the U of A appoints a majority of the board of directors and approves the budget; the U of A can thus impose its will on the CRC.

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

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

Arizona Capital Facilities Finance Corporation (ACFFC) and Mesa Student Housing, LLC. - These two foundations are providing facilities for either the use by students of ASU or ASU itself.

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

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

ASU Alumni Association, Sun Angel Foundation, and Sun Angel Endowment - These three foundations receive funds primarily through donations and dues, and contribute funds to ASU for support of various programs.

ASU Research Park, Inc. - ASU Research Park, Inc., is developing a research park to promote and support research activities in coordination with ASU.

Collegiate Golf Foundation - This foundation operates an ASU-owned golf course.

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.

Law College Association of the U of A (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.

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 32% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices and programs.

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

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

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

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

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

Law College Association of the U of A - P.O. Box 210176, Tucson, Arizona 85721-0176

CRC - University of Arizona Science and Technology Park, 9040 South Rita Road, Suite 1400, Tucson, Arizona 85747

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

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, Arizona 85722-3310.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB Statement No. 39. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – Arizona Revised Statutes (ARS) §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of reducing health care costs and improving health care for Arizona residents by providing less expensive financing for health care institutions. Proceeds from bond issues are loaned to various qualifying nonprofit health care institutions. The health care institutions 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.

Arizona International Development Authority (the Authority) – ARS §41-1553.01 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 Tourism and Sports Authority (the Authority) – ARS §5-802 established the Authority to construct, finance, maintain, improve, operate, market and promote the use of a multipurpose facility and do all things necessary 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, and may be re-appointed for one full subsequent term, and can be removed only for cause.

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

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

Joint Ventures

As described in Note 10, the U of A participates in a joint venture. In accordance with U.S. generally accepted accounting principles, the financial activities of this joint venture are not included in the State's financial statements.

B. BASIS OF PRESENTATION

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

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

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

> **Invested in capital assets, net of related debt** consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.
>
> **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or voter initiative.
>
> **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

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

The State reports the following major enterprise funds:

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

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

The Industrial Commission Special Fund – accounts for deposits not to exceed 2.50% of all premiums received by the State Compensation Fund and private insurance carriers during the preceding calendar year. These monies are used to provide additional awards as necessary to enable injured employees to accept the benefits of any law for promotion of vocational rehabilitation of persons disabled in industry. In addition, benefits may be paid for workers' compensation claims filed by employees of non-insured employers. The Industrial Commission (Commission) then pursues against the non-insured employer for reimbursement of all benefits paid, including assessed penalties.

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

Additionally, the State reports the following fund types:

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

Pension Trust Funds - account for the activities of the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP), and the Corrections Officer Retirement Plan (CORP), for which the State acts as a trustee. These retirement plans accumulate resources to pay pension 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, where the State acts as an agent for distribution to other governments and organizations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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. 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.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The State's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

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

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Assets "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "Cash held by trustee" and "Collateral investment pool" (for the Industrial Commission Special Fund). 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)* – cash includes undeposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

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

- *Cash and pooled investments with State Treasurer* – the State Treasurer maintains a centralized management of most State cash resources. 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 certificates of participation (COPs) proceeds that primarily are invested in government money market mutual funds to be used for capital projects.

- *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 Bank of New York (BONY) prices, as determined by independent, industry leading data vendors whose values are either exchange provided or matrix based on similar securities.

Equities are priced utilizing the primary market close price. In the absence of a closed price, the mid, bid or ask price will be utilized. All bonds are priced using an evaluated price, the closing exchange price or the most recent exchange or quoted bid. The official price is normally the last traded price. Short-term instruments such as certificates of deposit and commercial paper are based on an internal model which uses primarily a vendor price. Equity prices are compared to Bloomberg's Index Alert. Any differences in prices are researched and generally Bloomberg's end of day price is used over BONY's price. All investments with a remaining maturity of 90 days or less, that have no price available, are priced using amortized cost (amortizing premium/accreting discount on a straight-line to maturity method).

The ASRS investments are reported at fair value determined by the custodial agents, except for real estate and commercial mortgages. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. The fair value of real estate investments is based on independent appraisals or estimated value. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. No allowance for loan loss has been provided as all loans are considered by ASRS to be fully collectible. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

The PSPRS, the EORP, and the CORP investments are reported at fair value with the exception of directed real estate and venture capital investments that are reported at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. 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 a fixed-income broker/dealer. Investments that do not have an established market are reported at estimated fair value.

E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for the 2004 and prior calendar years including assessments for underpayments, penalties and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2005. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2005, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the Proprietary Funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the Governmental Funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. PROPERTY TAX CALENDAR

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

H. CAPITAL ASSETS

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

Most capital assets are depreciated over their useful life. However, the State utilizes an alternative accounting treatment for most infrastructure assets in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded.

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 (yrs)	Capitalization Threshold	Estimated Useful Life (yrs)
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	$5,000-$100,000	20-50
Equipment	$5,000	3-15	$0-$5,000	3-25
Infrastructure	All capitalized	Not depreciated	$0-$100,000	20-100

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements. A portion of the land that the State is trustee for has been sold and the buyers of the land have defaulted on the loans. The value of this land has been recorded at the sales price and properly included in the financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. 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.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 6, respectively.

I. INVESTMENT INCOME

Investment income is composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

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

K. DEFERRED REVENUE

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

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by 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 University employees, an employee forfeits accumulated annual leave in excess of 240 hours at the end of a calendar year, unless the Director of the Department of Administration authorizes an exception. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

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. Because sick leave benefits do not vest with employees, a liability for sick leave is not accrued in the financial statements. However, State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more, with a maximum of 1,500 hours, upon retirement directly from State service (See Note 11.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. Bonds and COPs are reported net of the applicable premium or discount. Except for the ADOT and the NAU, bond issuance costs and deferred gains or losses on debt refundings are immaterial and are charged to expense in the period incurred.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, and premiums and discounts on revenue bonds and COPs as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 6.

N. NEW ACCOUNTING PRONOUNCEMENT

During the fiscal year ended June 30, 2005, the State implemented the GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which establishes disclosure requirements for deposit and investment risks. The implementation of GASB Statement No. 40 requires only additional disclosures, and had no effect on reported amounts for deposits, investments, net assets or changes in net assets.

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 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.

The ARS §35-312, §35-313 and §35-314 authorize the State Treasurer to invest operating, trust and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government divisions, negotiable certificates of deposit, bonds, debentures and notes issued by U.S. corporations, commercial paper

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

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool-Government, and the Central Arizona Water Conservation District]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. This rule imposes the responsibility of making investments with the judgment and care that persons of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital.

The ASRS invests in U.S. government and government agency obligations, real estate, commercial mortgages, corporate bonds and equity obligations. Per ARS §38-719, no more than 80% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5% of the voting stock of any one corporation may be owned. No more than 20% of the ASRS' assets may be invested in foreign equity securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. No more than 10% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank. No more than 1% of ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona State Department of Commerce. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848, the PSPRS, the EORP, and the CORP may not invest more than 70% in corporate stocks, based on cost value of such stocks irrespective of capital appreciation, and shall be restricted to stocks that, except for bank and insurance stocks, 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, or 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 10% may be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation. Not more than 5% of the voting stock of any one corporation shall be owned.

The Board of Regents governs the investment policies of the Universities. The Universities may invest operating funds and capital projects funds in collateralized certificates of deposits and repurchase agreements with commercial banks, U.S. Treasury securities and other Federal agency securities, or in the Local Government Investment Pool administered by the State Treasurer. For endowment investments, donor restrictions for these investments will be applied, if any. In addition, the Board of Regents has authorized the Universities to establish investment committees to make investment policies and investment decisions. The Board of Regent's policies guide the investment committees' decisions and constitute each University's investment policy.

Per ARS §23-1065, the Commission's investment committee is responsible for defining, developing and implementing investment objectives, policies and restrictions and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under ARS §38-719.

B. CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer, the Retirement Systems and the Universities'

deposits with financial institutions are required by State statutes to be entirely covered by Federal Depository Insurance or, alternatively, collateralized for amounts in excess of the amount insured. The Commission's deposits are not required to be insured or collateralized. Surety collateral for the Universities and the ASRS must be equal to at least 100% of the bank balance required to be collateralized (102% for the State Treasurer, the PSPRS, the EORP, and the CORP). 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 U.S. Government obligations, State obligations, and obligations of counties and municipalities within the State. As of June 30, 2005, $6.360 million was uncollateralized and uninsured and $3.374 million was collateralized with securities held by the pledging financial institution or its trust department/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, 2005, the State had $52.461 million in securities that were uninsured, not registered in the State's name and held by a counterparty or a 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 duration methods.

The State Treasurer manages interest rate risk by incorporating ARS §35-323, which states that the State Treasurer will invest public monies in securities with a maximum maturity of 5 years and operating fund monies shall not be invested for a duration of longer than 3 years, into their investment policy and setting forth various thresholds or parameters 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 manages interest rate risk by a policy for operating funds that limits the maximum maturity of any fixed rate issue to 3 years. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than 3 years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission manages interest rate risk by setting different goals of yield periods or duration of maturities for each individual investment segment within the Commission. Beyond this requirement, the Commission does not have a formal policy specifically addressing interest rate risk.

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

Investment Type	Fair Value	Weighted Average Maturity (in years)
Bond Mutual Funds	$ 12,613	4.40
Certificate of Deposit	5,058	2.09
Commercial Paper	1,730,808	0.03
Corporate Asset Backed Securities	11,316	6.19
Corporate Collateralized Mortgage Obligations	84,556	22.47
Corporate Notes & Bonds	1,051,920	2.51
Government Bonds	20,221	7.28
Government Mortgage Backed Securities	13,388	18.99
Index Linked Government Bonds	6,008	7.81
Money Market Mutual Funds	39,441	0.09
Repurchase Agreements	1,197,049	0.00
U.S. Agency Securities	2,441,905	1.03
U.S. Agency Mortgage Backed Securities	578,956	21.15
U.S. Treasury Securities	1,241,116	1.02
Other	13,387	2.40
Total Debt Securities	$ 8,447,742	2.51

The ASRS does not have a formal policy in regards to interest rate risk, but does manage interest rate risk using effective duration. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. The 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 (expressed in thousands):

Investment Type	Fair Value	Effective Duration
Domestic Fixed Income Securities		
Asset Backed Securities	$ 240,254	1.47
Bond Funds	322,906	5.59
CMO's of Government Sponsored Entities	74,599	2.40
Commercial Mortgage Backed Securities	211,200	4.13
Commercial Paper	122,644	0.06
Corporate Bonds	838,230	5.83
Dollar Denominated Debt of Foreign Companies	57,330	7.08
Dollar Denominated Debt of Foreign Countries	71,347	6.80
Fixed Income Strips	8,142	8.86
GNMA Pools	138,092	2.43
Government Sponsored Entity Debt	462,654	3.83
Indexed Linked Government Bond Funds	774,263	4.44
Indexed Linked Treasury Bonds	37,381	8.20
Municipal Bonds	2,370	14.79
Non-government Backed CMO's	117,806	2.02
Pools of Government Sponsored Entities	1,283,948	2.29
Short Term Investments	1,787,462	0.08
U.S. Treasury Debt	635,320	4.16
Total Domestic Debt Securities	7,185,948	2.90
Foreign Debt Securities		
Corporate Bonds	8,742	0.13
Government Bonds	14,626	11.34
Provincial Bonds	2,687	7.32
Margin Accounts	10,086	0.08
Total Foreign Debt Securities	36,141	5.19
Total Debt Securities	$ 7,222,089	

The PSPRS, the EORP, the CORP, and the NAU do not have a formal policy in regards to interest rate risk. The U of A's investment policy limits its operating funds to having a portfolio comprised of a significant proportion of authorized securities with maturities of one year or less, and requires that a maximum maturity of any fixed rate issue may not exceed 3 years and the final maturity of any floating rate issue may not exceed 5 years. The U of A capital projects and endowment funds have no such limitations. 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 (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**
Corporate Bonds	$ 774,146	$ 60,340	$ 143,198	$ 113,918	$ 96,896	$ 64,991	$ 294,803
Corporate Bond Funds	1,873	-	1,155	718	-	-	-
Collateralized Bond Obligations (CBO's)	56,761	-	802	5,000	16,815	-	34,144
Collateralized Debt Obligations (CDO's)	40,340	-	-	15,000	-	-	25,340
Commercial Paper	335,106	335,106	-	-	-	-	-
Indexed Treasury Bond Fund	3,554	-	-	-	3,554	-	-
International Fixed Income Fund	8,163	-	8,163	-	-	-	-
Money Market Mutual Funds	143,077	143,077	-	-	-	-	-
Securities Lending Pool	24,449	24,449	-	-	-	-	-
U.S. Agency Securities	520,523	168,727	62,001	53,745	99,014	76,956	60,080
U.S. Treasury Securities	74,319	73,753	-	566	-	-	-
Other Investments	12,321	761	10,343	985	232	-	-
Total Debt Securities	$ 1,994,632	$ 806,213	$ 225,662	$ 189,932	$ 216,511	$ 141,947	$ 414,367

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes (expressed in thousands):

Interest Rate Terms	Corporate Bonds	CDO's	CBO's	U.S. Agency Securities	Total
U.S. LIBOR plus/minus fixed point variable monthly to semi-annually	$ 716,222	$ -	$ -	$ 198,747	$ 914,969
Mortgage Backed Securities-when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminish fair value.	-	-	-	595,342	595,342
Callable Step-Up Notes - where on certain specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than this increase in the coupon interest rate.	-	-	-	119,888	119,888
Annual U.S. LIBOR flat variable quarterly	19,813	-	-	-	19,813
Quarterly U.S. LIBOR + 80 bps variable quarterly	15,021	-	-	-	15,021
Six month U.S. LIBOR + 50 bps variable semi-annually	802	-	-	-	802
Monthly U.S. CPI YO + 118 variable monthly	14,755	-	-	-	14,755
Monthly U.S. CPI YO + 200 variable monthly	4,066	-	-	-	4,066
Quarterly U.S. LIBOR + 375 bps variable quarterly	4,000	-	-	-	4,000
Quarterly U.S. LIBOR + 230 bps variable quarterly	-	4,118	-	-	4,118
Quarterly U.S. LIBOR + 125 bps variable quarterly	12,752	-	-	-	12,752
Monthly U.S. CPI YO + 140 variable monthly	8,544	-	-	-	8,544
Monthly U.S. CPI YO + 150 variable monthly	24,690	-	-	-	24,690
Monthly U.S. CPI YO + 100 variable monthly	4,928	-	-	-	4,928
Quarterly U.S. LIBOR + 175 bps variable quarterly	-	-	10,000	-	10,000
Quarterly U.S. LIBOR + 27 bps variable quarterly	40,032	-	-	-	40,032
Six month U.S. LIBOR + 125 bps variable semi-annually	15,000	-	-	-	15,000
Other securities with sensitivity to rate changes	-	-	-	183,616	183,616
Total	$ 880,625	$ 4,118	$ 10,000	$ 1,097,593	$ 1,992,336

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 State statutes and the State Treasurer's investment policy require that commercial paper must be rated P1 by Moody's Investor Service (Moody's) or A1 or better by Standard and Poor's Ratings Service (S & P). Corporate bonds, debentures, and notes must carry a minimum Baa or better rating of Moody's or a BBB or better rating of S & P. 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 it agencies or repurchase agreements. The underlying securities for repurchase agreements must be explicitly guaranteed by the U.S. Government.

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

The PSPRS, the EORP, and the CORP's investment policy is specific as to permissible credit quality ranges, exposure levels within individuals' 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 investments must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. Commercial paper must have a minimum quality rating of P1 by Moody's and A1 by S & P at the time of purchase. The portion of the bond portfolio in investments 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.

The Universities each have a different policy regarding credit risk. The ASU's policy requires that certificates of deposit have a minimum credit rating of A1/P1, commercial paper have a minimum credit rating of A1+/P1 and money market funds have a credit

rating of AAAm or better, all rated by S & P. The U of A's policy requires that for endowment funds, corporate bonds and notes should be rated Baa or higher by Moody's at the time of purchase. The NAU does not have a formal policy with respect to credit risk.

The Commission's investment policy requires that fixed income investments be rated Ba or better by Moody's or BB or better by S & P at the time of purchase. Fixed income managers hired to manage funds in a specialized manner (high yield) are exempted from this requirement. Purchases of high yield fixed income investments will consist of a diversified portfolio of holdings which will maintain in the aggregate a minimum credit rating of Ba3 by Moody's and BB by S & P.

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, 2005. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	A1	Not Rated
Asset Backed Securities	$ 240,254	$ 227,061	$ 5,476	$ 5,244	$ 1,462	$ -	$ 1,011	$ -	$ -
Bond Funds	337,392	-	-	-	-	-	-	-	337,392
Certificate of Deposit	5,058	-	5,058	-					
Collateralized Bond Obligations	56,761	8,254	-	48,507	-	-	-	-	-
Collateralized Debt Obligations	40,340	-	-	36,221	4,119	-	-	-	-
CMO's of Government Sponsored Entities	74,599	74,599	-	-	-	-	-	-	-
Commercial Mortgage Backed Securities	211,200	209,733	1,177	290	-	-	-	-	-
Commercial Paper	2,188,558	-	-	-	-	-	-	2,188,558	-
Corporate Bonds	2,740,842	413,260	333,714	1,264,435	601,443	88,752	37,213	-	2,025
Directed Real Estate	240,251	-	-	-	-	-	-	-	240,251
Dollar Denominated Debt of Foreign Companies	57,330	-	3,299	37,556	12,373	2,162	1,940	-	-
Dollar Denominated Debt of Foreign Countries	71,347	35,124	15,037	2,744	17,352	-	1,090	-	-
Fixed Income Strips incl US Strips	8,142	8,142	-	-	-	-	-	-	-
GNMA Pools	138,092	138,092	-	-	-	-	-	-	-
Government Bonds	27,200	27,200	-	-	-	-	-	-	-
Government Mortgage Backed Securities	13,388	13,388	-	-	-	-	-	-	-
Government Sponsored Entity Debt	462,654	444,976	17,678	-	-	-	-	-	-
Indexed Linked Government Bond Funds	774,263	-	-	-	-	-	-	-	774,263
Indexed Linked Treasury Bonds	40,935	40,935	-	-	-	-	-	-	-
Money Market Mutual Funds	182,508	127,707	-	-	-	-	-	-	54,801
Mortgages	16,711	16,711	-	-	-	-	-	-	-
Municipal Bonds	2,370	881	1,489	-	-	-	-	-	-
Non-government Backed CMO's	117,806	117,593	165	48	-	-	-	-	-
Pools of Government Sponsored Entities	1,283,948	1,283,948	-	-	-	-	-	-	-
Securities Lending Pool	24,449	-	-	-	-	-	-	-	24,449
Short Term Money Markets	1,787,462	-	-	-	-	-	-	-	1,787,462
U.S. Agency Securities	3,228,163	2,041,635	9,212	-	-	-	-	1,177,311	5
Other Investments	17,888	-	12	-	-	-	-	-	17,876
International Fixed Income Fund	8,163	-	-	-	-	-	-	-	8,163
Foreign Corporate Bonds	8,742	-	-	-	-	-	-	-	8,742
Foreign Government Bonds	14,626	9,793	-	-	4,833	-	-	-	-
Foreign Provincial Bonds	2,687	-	2,687	-	-	-	-	-	-
Foreign Margin Accounts	10,086	-	-	-	-	-	-	-	10,086
Total	$14,434,215	$5,239,032	$395,004	$1,395,045	$641,582	$90,914	$41,254	$3,365,869	$3,265,515

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 U of A's, and the Commission's investment policies state that no more than 5% of their investments may be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government or mortgage backed securities and agency debentures issued by federal agencies. The PSPRS, the EORP, and the CORP's investment policy states that no more than 5% of their investments may be invested in

securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government. The ASU and the NAU have no formal policy in regards to the concentration of credit risk. At June 30, 2005, the following investments exceeded 5% of the Governmental Activities' total investments (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$ 782,273	16.01%
Federal Home Loan Bank	596,398	12.20%
Federal National Mortgage Association	589,702	12.07%

At June 30, 2005, the following investments exceeded 5% of the Business-type Activities' total investments (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Bank	$ 176,009	7.65%
Federal National Mortgage Association	194,484	8.46%

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 policy regarding foreign currency risk. The ASRS is the primary State agency that has foreign currency risk. Per ARS §38-719, no more than 20% of the ASRS assets may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS Board has not adopted a formal policy that is more restrictive. The following table summarizes the State's foreign currency risk as of June 30, 2005 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value

Currency	Short Term	Fixed Income	Equities	Total
Australian Dollar	$ 1,418	$ -	$ -	$ 1,418
British Pound Sterling	176	-	164,307	164,483
Canadian Dollar	880	-	8,809	9,689
Danish Krone	-	-	1,569	1,569
Euro Currency	2,339	7,685	468,552	478,576
Hong Kong Dollar	247	-	-	247
Japanese Yen	1,599	8,742	252,583	262,924
New Mexican Peso	288	4,833	-	5,121
New Taiwan Dollar	-	-	6,008	6,008
New Zealand Dollar	2,233	4,795	13,302	20,330
Singapore Dollar	2	-	24,561	24,563
Swiss Franc	904	-	97,804	98,708
Other	5,428	9,107	35,243	49,778
Total	$ 15,514	$ 35,162	$ 1,072,738	$ 1,123,414

G. UNEMPLOYMENT COMPENSATION

The ARS §23-703 requires that unemployment compensation contributions from Arizona employers be deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States that is established and maintained pursuant to Section 1104 of the Social Security Act. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major Proprietary Fund, has been established for this purpose.

H. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, 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, 2005. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105% of the market value of securities loaned plus accrued interest. The market value at June 30, 2005 for loaned securities collateralized by cash and non-cash collateral was $45.909 million and $5.991 million, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at $46.939 million and $6.135 million, respectively at June 30, 2005. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Deposit and investment risk disclosures are only reported for collateral received on securities lent.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 139 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 28 days as of June 30, 2005. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either lender or borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2005, the Commission had $46.939 million outstanding as payable for securities lending.

2. Arizona State Retirement System

The ASRS is permitted by ARS §38-715(D) (3), to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. It is the policy of the ASRS to receive as collateral at least 102% of the market value of the loaned securities and maintain collateral at no less than 100% for the duration of the loan. At year-end, the ASRS has no credit risk exposure to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Any cash collateral received is invested in short-term investments. 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 received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2005, the ASRS had $2.3 billion outstanding as payable for securities on loan.

Due to the flow of securities to and from transfer agents and the security loan program, securities occasionally cannot be delivered for a sale or received for a purchase, resulting in a failed transaction. Securities with trade dates in June and settlement dates in July result in outstanding transactions. Since these securities have contractually changed ownership, receivables and payables result from these transactions. Such transactions resulted in a receivable for securities sold of $510.600 million and a payable for securities purchased of $984.500 million at June 30, 2005.

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

The PSPRS, the EORP and the CORP are permitted by ARS Title 38, Chapter 5, Articles 3, 4, and 6 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, 2005, the fair values of securities on loan were (expressed in millions):

PSPRS	$ 902.230
EORP	71.013
CORP	177.943

The PSPRS, the EORP, and the CORP receive a negotiated fee for their loan activities and are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP participate in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. All matched loans shall have matched collateral investments. At June 30, 2005, the weighted average maturity was twenty days for all investments purchased with cash collateral from unmatched loans. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to borrowers exceed the amounts borrowers owe to them. Under this program, the PSPRS, the EORP, and the CORP have not experienced any defaults or losses on these loans.

4. University of Arizona

During the fiscal year, the U of A engaged in securities lending transactions within its endowment funds, as authorized by the Board of Regents. The U of A entered into an agreement with Wells Fargo, the U of A's custodian, to carry out these transactions. The custodian enters into agreements with brokers to loan securities and have the same securities returned at a later date. It is the policy of the U of A to receive as collateral at least 102% of the market value of the loaned securities and accrued interest, and maintain collateral at no less than 100% for the duration of the loan. At year-end, the U of A had no credit risk to borrowers because the U of A was holding more collateral than the amount of loaned securities outstanding.

The U of A records the collateral received as an asset, which is offset by an obligation recorded under securities lending. During the fiscal year ended June 30, 2005, there were no violations of legal or contractual provisions, and there were no borrower or lending agent default losses. Wells Fargo does indemnify the U of A against losses due to borrower defaults. Collateral can be received in the form of U.S. Government securities, letters of credit, or cash. As of June 30, 2005, the custodian has received only cash collateral. This collateral may be invested in U.S. Treasury and sponsored agency obligations, repurchase agreements, bankers' acceptances, commercial paper, mortgage backed securities, municipal securities, and corporate bonds or in a cash collateral investment pool, which invests in similar securities. At June 30, 2005, cash collateral received from borrowers was invested in the cash collateral investment pool and corporate bonds, which had a weighted average maturity of 1 day and 591 days, respectively, and represented 67% and 33% of cash collateral investments, respectively. The relationship between the maturities of the cash collateral investment pool and the U of A's securities loans is affected by the maturities of the securities loans made by other entities that use the custodial bank's pool, which the U of A cannot determine. However, the U of A or the borrower can terminate securities loans on demand. Other cash collateral investments are made such that their maturities will match those of the related securities loans. Such matching existed at year-end. At June 30, 2005, cash collateral investments totaled $36.786 million with a corresponding market value of securities on loan of $35.983 million. Securities lent for cash collateral included corporate stocks, corporate bonds, agency notes, agency bonds, government notes, and government bonds. The U of A cannot sell or pledge securities received as collateral unless the borrower defaults. The U of A earns a negotiated fee for participating in securities lending activities.

I. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- It has (1) one or more underlyings and (2) 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.

- 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.

- 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 principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Currency forward contracts	Hedge currency risk of investments denominated in foreign currencies.
Futures contracts	Reduce transaction costs; obtain market exposure; enhance returns.

Derivatives are reported at fair value. The fair value of currency forward contracts is determined by interpolating the spot rate and the forward rates based upon number of days to maturity. The interpolated rate is used to determine the unrealized gain/loss at the valuation date. The fair value of futures contracts is determined by calculating the difference between the closing Bloomberg market price on valuation date and the original futures trade price. Futures are settled daily.

Generally, derivatives are subject to both market risk and credit risk. The derivatives utilized by ASRS internal investment managers typically have no greater market risk than their physical counterparts, and in many cases are offset by exposure elsewhere in the portfolio.

The ASRS believes that it is unlikely that any of the derivatives used by its internal investment managers could have a material adverse effect on the financial conditions of the System.

J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides 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 Financial Report can be obtained from their office location at:

State Treasurer's Office
1700 W. Washington
Phoenix, Arizona 85007-2812

The Treasurer's financial statements are audited by the Office of the Auditor General.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2005 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Industrial Commission Special Fund	Non-Major Governmental Funds	Government-Wide Total
Sales	$ 372,205	$ -	$ -	$ -	$ 2,797	$ 375,002
Income – individual and corporate	115,461	-	-	-	-	115,461
Motor vehicle and fuel	-	60,057	-	-	-	60,057
Luxury	8,626	-	-	-	15,218	23,844
Unemployment	-	-	63,911	-	-	63,911
Other	-	-	-	5,329	-	5,329
Gross taxes receivable	496,292	60,057	63,911	5,329	18,015	643,604
Allowance for uncollectible taxes	(106,154)	-	-	-	-	(106,154)
Net taxes receivable	$ 390,138	$ 60,057	$ 63,911	$ 5,329	$ 18,015	$ 537,450

B. DEFERRED REVENUE

At June 30, 2005, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

Current Deferred Revenue for Governmental Funds:	**Unavailable**	**Unearned**	**Total Deferred Revenue**
General Fund:			
Delinquent sales tax	$ 84,892	$ -	$ 84,892
Delinquent income tax	58,861	-	58,861
Tobacco settlement	44,805	-	44,805
Child support administrative reimbursements	4,547	-	4,547
Advance insurance premiums	-	41,304	41,304
Advance land lease payments	-	291	291
Public assistance overpayments	1,345	-	1,345
Vaccine & commodity food supplement	-	7,049	7,049
Advanced county Medicaid payments	-	18,451	18,451
Federal grants	14,715	-	14,715
Tribal reimbursements	258	-	258
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Notes receivable for real estate mortgage loans	5,586	-	5,586
Land Endowments Fund:			
Land sales receivable	448,180	-	448,180
Land leases receivable	3,531	-	3,531
Advance land lease payments	-	25,661	25,661
Non-Major Funds:			
Public assistance overpayments	1,547	-	1,547
Advance payments for Hawaii/Arizona PMMIS Alliance	-	608	608
Other	-	20	20
Total Current Deferred Revenue for Governmental Funds	668,267	93,384	761,651
Noncurrent Deferred Revenue for Governmental Funds:			
General Fund:			
Advance land lease payments	-	6,297	6,297
Total Noncurrent Deferred Revenue for Governmental Funds	-	6,297	6,297
Total Current and Noncurrent Deferred Revenue for Governmental Funds	$ 668,267	$ 99,681	$ 767,948

	Unearned
Current Deferred Revenue for Proprietary Funds:	
Universities:	
Unexpended cash advances received	$ 31,360
Auxiliary sales and services	5,367
IBM lease related to acquisition of research park	4,900
Student tuition and fees	35,474
Other deferred revenue	2,198
Deposits	864
Non-Major Funds:	
Policyholders' advance premiums	6,721
Magazine subscriptions	3,568
Total Current Deferred Revenue for Proprietary Funds	$ 90,452
Noncurrent Deferred Revenue for Proprietary Funds:	
Universities:	
IBM lease related to acquisition of research park	$ 39,670
Total Noncurrent Deferred Revenue for Proprietary Funds	$ 39,670

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2005 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 1,958,827	$ 43,510	$ (21,043)	$ (316)	$ 1,980,978
Construction in progress	1,456,713	619,163	(256,187)	(34,338)	1,785,351
Infrastructure	8,591,371	272,272	(15)	-	8,863,628
Total Non-depreciable Capital Assets	12,006,911	934,945	(277,245)	(34,654)	12,629,957
Depreciable capital assets:					
Buildings	1,488,193	5,133	(4,577)	26,594	1,515,343
Improvements other than buildings	140,029	1,991	-	543	142,563
Equipment	636,522	65,384	(36,694)	1,205	666,417
Infrastructure	6,604	-	-	-	6,604
Total Depreciable Capital Assets	2,271,348	72,508	(41,271)	28,342	2,330,927
Less accumulated depreciation for:					
Buildings	(386,281)	(37,630)	3,234	104	(420,573)
Improvements other than buildings	(55,621)	(3,940)	-	5	(59,556)
Equipment	(442,324)	(57,944)	34,738	1,767	(463,763)
Infrastructure	(4,063)	(99)	-	-	(4,162)
Total Accumulated Depreciation	(888,289)	(99,613)	37,972	1,876	(948,054)
Total Depreciable Capital Assets, Net	1,383,059	(27,105)	(3,299)	30,218	1,382,873
Total Governmental Activities Capital Assets, Net	$ 13,389,970	$ 907,840	$ (280,544)	$ (4,436)	$ 14,012,830

	Beginning Balance (as restated)	**Additions**	**Retirements**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type Activities:					
Non-depreciable capital assets:					
Land	$ 135,715	$ 7,600	$ (120)	$ -	$ 143,195
Construction in progress	160,275	230,009	(511)	(105,592)	284,181
Collections	31,054	2,244	-	(168)	33,130
Total Non-depreciable Capital Assets	327,044	239,853	(631)	(105,760)	460,506
Depreciable capital assets:					
Buildings	2,488,685	162,747	(13,690)	71,952	2,709,694
Improvements other than buildings	2,493	1,106	-	1	3,600
Equipment	1,063,060	80,366	(34,890)	170	1,108,706
Infrastructure	246,791	8,784	-	33,640	289,215
Total Depreciable Capital Assets	3,801,029	253,003	(48,580)	105,763	4,111,215
Less accumulated depreciation for:					
Buildings	(951,012)	(89,617)	5,284	(160)	(1,035,505)
Improvements other than buildings	(20,993)	(142)	-	19,043	(2,092)
Equipment	(730,848)	(69,701)	31,007	155	(769,387)
Infrastructure	(58,638)	(9,254)	-	(19,043)	(86,935)
Total Accumulated Depreciation	(1,761,491)	(168,714)	36,291	(5)	(1,893,919)
Total Depreciable Capital Assets, Net	2,039,538	84,289	(12,289)	105,758	2,217,296
Total Business-type Activities Capital Assets, Net	$ 2,366,582	$ 324,142	$ (12,920)	$ (2)	$ 2,677,802

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

General government	$	22,508
Health and welfare		17,999
Inspection and regulation		1,633
Education		697
Protection and safety		35,270
Transportation		14,415
Natural resources		7,091
Total governmental activities	$	99,613

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

Lottery	$	190
Industrial Commission		1,140
Universities		164,726
Other		2,658
Total business-type activities	$	168,714

NOTE 5. RETIREMENT PLANS

The State contributes to the four plans described below. The four plans are considered part of the State's financial reporting entity and are included in the State's financial statements as Pension Trust Funds.

A. PLAN DESCRIPTIONS

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

The **ASRS** is a cost-sharing, multiple-employer defined benefit pension plan that benefits employees of the State, its political subdivisions, and public schools. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent, multiple-employer defined benefit pension plan that benefits fire fighters and police officers employed by the State or certain local governments. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 200 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4.

The **EORP** is a cost-sharing, multiple-employer defined benefit pension plan that benefits all elected State and county officials and judges and certain elected city officials. The EORP is governed by the Fund Manager of the PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 3.

The **CORP** is an agent, multiple-employer defined benefit pension plan that benefits town, city and county detention officers and certain employees of the Arizona Department of Corrections and the Arizona Department of Juvenile Corrections. The CORP is governed by the Fund Manager of the PSPRS and 18 local boards according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

Arizona State Retirement System
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan or the Corrections Officer Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016
(602) 255-5575

The number of participating government employers as of June 30, 2005 is shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	72	130	18	-
Counties and county agencies	14	24	15	12
State	1	1	1	1
Special districts	81	45	-	-
School districts	233	-	-	-
Charter schools	184	-	-	-
Community college districts	10	-	-	-
Dispatchers	-	-	-	5

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As part of the Pension Trust Funds, the financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

For the ASRS, investments are reported at fair value and at cost. Security transactions and any resulting gains or losses are accounted for on a trade-date basis. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, management, 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. The fair value of real estate investments is based on independent appraisals or estimated value. Net investment income includes net increase in fair value of investments, interest income, dividend income, and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair value with the exception of directed real estate and venture capital investments that are reported at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. 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 one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

C. INVESTMENT RESTRICTIONS

State statutes restrict the retirement plans from investing more than five percent of each plan's total assets in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or fully guaranteed by the U.S. Government, except for the ASRS, which may also invest in mortgage backed securities and agency debentures issued by federal agencies. As of June 30, 2005, the four retirement plans are in compliance with the State statutes.

D. FUNDING POLICY

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

Cost-sharing plans – For the year ended June 30, 2005, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 5.70% (5.20% retirement and 0.50% long-term disability) of the members' annual payroll. The State's contributions to ASRS for the years ended June 30, 2005, 2004, and 2003 were $93.148, $87.657, and $37.777 million, respectively, for the primary government.

In addition, active EORP members were required by statute to contribute 7.00% 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 7.00% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2005, 2004, and 2003 were $1.010 million, $987 thousand, and $81 thousand, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 10.74 to 37.39%. Active CORP members were required by statute to contribute 8.50% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 6.88 to 7.17 %.

E. ANNUAL PENSION COST

The State's annual pension cost and related actuarial data for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2005, is as follows (expressed in thousands):

	PSPRS	CORP
Contribution rates:		
State	10.74 - 37.39%	6.88 - 7.17%
Plan members	7.65%	8.50%
Annual pension cost	$6,442	$12,754
Contributions made	$6,442	$12,754
Actuarial valuation date	6/30/03	6/30/03
Actuarial cost method	entry age	entry age
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	6.00 - 9.00%	5.00 - 9.00%
includes inflation at	5.00%	5.00%
Cost-of-living adjustments	none	none
Amortization method	level percent open	level percent open
Remaining amortization	20 years	20 years
Asset valuation method	smoothed market value	smoothed market value

F. TREND INFORMATION

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

Contributions Required and Contributions Made

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	6/30/05	$6,442	100%	$ 0
	6/30/04	6,299	100%	0
	6/30/03	3,951	100%	0
CORP	6/30/05	12,754	100%	0
	6/30/04	11,900	100%	0
	6/30/03	5,789	100%	0

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professional, and administrative officers at the three universities (the ASU, the NAU, and the U of A) may select one of six retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), Aetna Life Insurance and Annuity Company (Aetna), The Vanguard Group (Vanguard), or the ASRS. The ASRS is a defined benefit plan (described above) and the other five plans are defined contribution plans. The five 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. Eligible classified staff belong to the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2005, 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 an 8.10% contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2005, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 25,676	$ 25,676	$ 51,352
VALIC	2,954	2,954	5,908
Fidelity	5,579	5,579	11,158
Aetna	591	591	1,182
Vanguard	2,442	2,442	4,884
ASRS	114	99	213

H. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described, the ASRS offers the Retiree Group Insurance Program and the Health Insurance Premium Benefit Program to eligible retired and disabled members. A retired member is defined as a member actively receiving an annuity benefit and a disabled member is defined as a member receiving a Long-Term Disability (LTD) benefit through the LTD program administered by the ASRS or through their former member employer's group LTD plan.

Pursuant to ARS §38-782, the Retiree Group Insurance Program makes available group health insurance coverage to eligible retired and disabled members and their dependents. Retired and disabled members of the ASRS, University Optional Retirement Plans, the PSPRS, the EORP, and the CORP may participate if they are no longer eligible for health insurance benefits through their former employer. More than 44,000 coverage agreements currently exist for retired and disabled members and their dependents.

Pursuant to ARS §38-783, retired and disabled members with at least five years of credited service are eligible to participate in the Health Insurance Premium Benefit (subsidy) Program. This assistance is provided to those members who elect group coverage through either the Retiree Group Insurance Program or their former member employer.

The ASRS offers a monthly subsidy to decrease the cost of group healthcare insurance offered to all retired and disabled persons of the ASRS, PSPRS, CORP, and EORP that is provided by the primary government of the State. The amount of the subsidy provided retired or disabled participants is dependent upon the number of years of credited service; whether the participant is eligible for Medicare coverage; if the participant elects group insurance coverage for spouse or dependents; and if the participant lives in an isolated or rural location of the State. The amount of the monthly subsidy paid on a member's and their dependents' behalf toward the cost of group health insurance by the ASRS ranges from $50 to $600. The ASRS reimbursed approximately $89.600 million and $83.600 million towards the cost of group health insurance coverage for the years ended June 30, 2005 and June 30, 2004, respectively. Employment functions of the retired and disabled members eligible for the subsidy are teachers, State employees, and political subdivision employees.

The subsidy was enacted by the State Legislature as part of the enabling and operating laws of the ASRS (ARS §38-782 and §38-783). The actuarial calculation of the ASRS plan liabilities used to assess Annual Required Contribution Rate to all participating employers includes an actuarial dollar amount of approximately $879.000 million for fiscal year 2005 (3.50% of the total actuarial liabilities) to fund the health insurance subsidy program. The Total Annual Required Contribution Rate for both employers and employees during fiscal year 2005 was 7.00%. The participating ASRS employers and employees make no other contributions for funding the health insurance subsidy benefit enacted by the State Legislature.

Total actuarial liabilities of the ASRS, including funding for the healthcare insurance subsidy, are determined on a projected unit-credit basis. As the ASRS is a cost-sharing plan, the number of subsidy participants and amount contributed for the subsidy by each participating employer is not available. Total Net Assets available to pay the subsidy for all participants at June 30, 2005, is $815.000 million.

The State Legislature in ARS §38-783 has made the payment of the healthcare subsidy to retired and disabled participants subordinate to the payment of normal retirement benefits.

During the November 1998 general election, voters added Article XXIX to the State of Arizona Constitution. Article XXIX is titled Public Retirement Systems. Article XXIX provided for the following actions:

1. Public retirement systems shall be funded with contributions and investment earnings using actuarial methods and assumptions that are consistent with generally accepted actuarial standards.

2. The assets of the State's public retirement systems, including investment earnings and contributions, are separate and independent trust funds and shall be invested, administered, and distributed as determined by law solely in the interests of the members and beneficiaries of the public retirement systems.

3. Membership in a public retirement system is a contractual relationship that is subject to Article II, Section 25 of the State's constitution, and public retirement system benefits shall not be diminished or impaired.

Article II, Section 25 of the State's constitution indicates that no law impairing the obligation of a contract shall ever be enacted.

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Arizona Department of Transportation

The ADOT issued Senior and Subordinated Highway Revenue Bonds to provide funds for acquisition of right-of-way and construction of federal, state and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $1.0 billion. During the year, Highway Revenue Bonds totaling $188.260 million were

issued to (i) finance portions of the Transportation Board's Five Year Transportation Facilities Construction Program, (ii) pay costs of issuing the bonds, and (iii) pay interest on any bonds issued for highway purposes.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. Arizona Revised Statutes prohibit the total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, from exceeding $1.3 billion.

The Maricopa County Regional Area Road Bond Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $289.000 million.

The Bond Resolution adopted by the Transportation Board on July 25, 1986 established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transaction Excise Tax Revenue Bond Resolution adopted by the Board on September 22, 1988, gives the Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reported in the accompanying financial statements. The policies (aggregating $70.064 million at June 30, 2005) were issued by Financial Guaranty Insurance Company, except for the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies, which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

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, 2005 totaled $74.551 million.

2. School Facilities Board

On July 27, 2004, the School Facilities Board (SFB) issued State School Trust Revenue Bonds Series 2004A for $246.600 million. The 2004A Bonds include $246.600 million of serial bonds with interest rates ranging from 3.25% to 6.00% and maturity dates ranging from 2005 to 2019. The SFB realized net proceeds from the 2004A Bonds of $271.952 million after receipt of Original Issue Premium of $25.788 million and payment of $436 thousand for issuance costs. In addition, $12.409 million of funds held in reserve for the Series 2003A-1 and 2003A-2 were used to complete the refunding. The net proceeds were used to (i) refund Taxable Series 2003A-1 and 2003A-2 with a total outstanding principal balance of $247.125 million, (ii) pay the cost of correcting existing deficiencies in school facilities in the State, and (iii) pay the cost of issuance for the 2004A Bonds.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A's bonded debt consists of various issues of system 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. Bond proceeds are also used for refunding obligations from previously issued bonds. Payment of principal and interest on bonds are secured by a pledge of tuition and fees, sales and services, auxiliary enterprises, and other charges.

On October 27, 2004, the U of A sold System Revenue Bonds Series 2004B (2004B Bonds) for $50.265 million dated November 1, 2004. The 2004B Bonds include $39.540 million of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2008 to 2024. The 2004B Bonds also include two term bonds consisting of $4.750 million with an interest rate of 4.50% due June 1, 2029, and $5.975 million with an interest rate of 5.00% due June 1, 2034. The 2004B Bonds with maturity on or

after June 1, 2015, are subject to optional redemption without premium. The 2004B Bonds with maturity on June 1, 2029 and June 1, 2034, are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2004B Bonds sold at a premium of $2.882 million along with a reserve fund transfer of $1.350 million. The U of A realized net proceeds of $53.985 million after payment of $512 thousand for issuance costs, underwriter discounts and bond insurance. The net proceeds were used to purchase the La Aldea Student Apartments for $21.980 million, and refund in advance of maturity a portion, $14.075 million, of the System Revenue Bonds Series 1998 with an outstanding principal balance of $40.240 million. The net proceeds were also used to advance-refund System Revenue Bonds 2000A with a total outstanding principal balance of $14.210 million. The advance-refundings generated a net present value benefit of $1.441 million (difference between the present values of the old debt and the new debt service payments) for the U of A. The advance-refunding reduced the U of A's debt service by an average of $250 thousand per year in the first 6 years. The total debt service reduction from the refunding debt was $1.538 million. The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.259 million. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2024 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $31.352 million. The refunded debt is considered defeased and is not included in the U of A's financial statements.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2000A. At June 30, 2005, the outstanding principal balance of the refunded bonds was $4.935 million, which will be paid by investments held in trust with a fair value of $5.199 million. These amounts are not included in the accompanying financial statements.

b. Northern Arizona University

The NAU's bonded debt consists of various issues of student housing and system revenue bonds that are generally callable with interest payable semi-annually. 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 December 16, 2004, the NAU sold System Revenue and Refunding Bonds Series 2004 for $39.675 million dated December 1, 2004. The 2004 Bonds include $35.225 million of serial bonds with interest rates ranging from 3.00% to 5.25% and maturity dates ranging from June 1, 2005 to June 1, 2024. The 2004 Bonds also include $4.450 million of term bonds, with interest rates ranging from 4.375% to 4.75% and maturing on June 1, 2021, 2029 and 2034. The 2004 Bonds were sold with net original issue premium of $2.440 million. The NAU realized net proceeds of $41.700 million after payment of $415 thousand for issuance costs, underwriter discounts and bond insurance. Fifteen million of the net proceeds are being used to finance five separate projects on the NAU's Mountain Campus and $26.700 million is being used to purchase U.S. Government obligations to refund in advance of maturity $25.255 million of system revenue bonds previously issued by the NAU.

The Series 2004 System Revenue and Refunding Bonds, with an average interest rate of 4.34%, and the refunded portion of the Series 1997 System Revenue Bonds had an average interest rate of 5.03%. Although the recognition of the difference between the reacquisition price and the net carrying amount of the old debt of $1.445 million, which was reported in the financial statements as a deferred charge for the year ended June 30, 2005, the NAU reduced its aggregate debt service payments by $1.077 million over the next 12 years and obtained an economic gain (i.e., difference between present values of the old and the new debt service payments) of $835 thousand.

In prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the 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 NAU's financial statements. At June 30, 2005, $25.475 million of such bonds outstanding are considered defeased.

c. Arizona State University

In April 2005, the ASU issued $49.900 million of system revenue refunding bonds, with an average interest rate of 4.24%, to refund a portion of the outstanding 2000 and 2002 system revenue bonds totaling $46.900 million with an average interest rate of 5.64%. The net proceeds of $51.300 million, after the net addition of $1.400 million for bond premium, underwriting fees and other issuance costs, were used to purchase U.S. Government securities which were deposited in an irrevocable trust in order to retire the 2012 through 2025 maturities of the 2000 bonds on 7/1/2009 and to retire the 2014 through 2021, 2026, and 2027 maturities of the 2002 bonds on 7/1/2012. The refunded debt is considered defeased and related liabilities are not included in the ASU's financial

statements. The issuance of the refunding bonds at a lower interest rate than the rate for the refunded debt resulted in a $3.900 million reduction in future debt service payments, with an economic gain of $2.400 million based upon the present value savings.

At June 30, 2005, ASU held a combination of fixed and variable rate bonds. ASU's fixed rate bonded debt consists of various issues of system revenue bonds that are generally callable at a prescribed date with interest payable semi-annually. In prior years, certain system revenue bonds of ASU were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in ASU's financial statements. The principal amount of all such bonds outstanding June 30, 2005 was $48.900 million.

ASU had outstanding two series of variable rate demand system revenue bonds, Series 2003A and 2003B, totaling $103.000 million. Both series of bonds continue to bear interest at a weekly rate not to exceed 12.00% per annum based upon prevailing market conditions, as determined by the respective remarketing agents. The bonds are subject to conversion, at the option of the Arizona Board of Regents on behalf of ASU, to a different or alternate adjustable rate mode, or a fixed rate pursuant to the bond indenture. The interest rates in effect at June 30, 2005 were 2.27% for the Series 2003A bonds and 2.26% for the Series 2003B bonds.

The variable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the remarketing agents. If the remarketing agents are unable to resell the bonds, the University has a Standby Purchase Agreement with Bank of America, N.A. to extend credit through the purchase of the unremarketed bonds. Assuming all of the $51.500 million Series 2003A bonds and $51.500 million Series 2003B bonds are not resold within 90 days, ASU would be responsible to make annual installment principal payments of $20.600 million over a five-year period, plus interest to be calculated as established in the Standby Purchase Agreement. The ASU has agreed to pay Bank of America, N.A. an annual commitment fee of 0.18% on the outstanding principal for the Standby Purchase Agreement. The Standby Purchase Agreement is valid through October 15, 2008.

Securities and cash restricted for bond debt service funds held by trustees at June 30, 2005 totaled $25.800 million.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2005 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2005
Governmental Activities:				
Department of Transportation	1989-2005	2006-2024	2.75-8.00%	$1,241,730
School Facilities Board	2001-2005	2006-2021	.14-6.00%	929,115
Proprietary Funds:				
University Revenue Bonds	1969-2005	2006-2035	2.26-7.13%	768,000

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2005 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	Total
2006	$ 178,335	$ 108,222	$ 286,557	$ 33,870	$ 29,148	$ 63,018
2007	102,860	101,799	204,659	41,490	32,827	74,317
2008	108,925	97,079	206,004	46,240	30,807	77,047
2009	114,715	91,486	206,201	43,255	28,635	71,890
2010	121,080	85,868	206,948	45,305	26,408	71,713
2011-2015	637,085	332,349	969,434	214,040	99,462	313,502
2016-2020	731,435	154,616	886,051	134,540	54,203	188,743
2021-2025	176,410	18,222	194,632	87,785	32,102	119,887
2026-2030	-	-	-	68,210	15,025	83,235
2031-2035	-	-	-	53,265	4,312	57,577
Total	$ 2,170,845	$ 989,641	$ 3,160,486	$ 768,000	$ 352,929	$ 1,120,929

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes are issued by the Transportation Board and secured by revenues received from the Federal Highway Administration under a grant agreement and certain other federal-aid revenues. The original amount of Grant Anticipation Notes issued in prior years and outstanding at the start of the fiscal year was $308.585 million. During the year, Grant Anticipation Notes totaling $104.385 million were issued to (i) pay costs of the projects (as specified), (ii) pay costs of issuing the notes, and (iii) pay interest on the notes.

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, 2005
Governmental Activities:				
Department of Transportation	2000-2005	2006-2016	3.00-5.25%	$ 363,970

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
2006	$ 38,540	$ 16,480	$ 55,020
2007	42,570	14,578	57,148
2008	36,565	13,300	49,865
2009	29,990	11,832	41,822
2010	31,350	10,468	41,818
2011-2015	172,865	28,505	201,370
2016	12,090	604	12,694
Total	$ 363,970	$ 95,767	$ 459,737

C. CERTIFICATES OF PARTICIPATION

1. Department of Administration

The State has issued COPs to finance construction or improvements of office buildings that are primarily leased to State agencies. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

Capitalized interest costs include interest incurred during the construction of an asset.

2. School Facilities Board

On August 1, 2004, the SFB issued 2004B COPs for $190.040 million, with interest rates ranging from 3.50% to 6.00%, and maturity dates ranging from 2006 to 2020. Series 2004B COPs maturing on or after September 1, 2014 are subject to optional redemption and payment prior to maturity, at the sole option of the Board. Net proceeds from the Series 2004B COPs totaled

$200.015 million, after receipt of a net reoffering premium of $16.260 million, payment of $1.174 million in issuance costs, and payment of capitalized interest of $5.111 million. The COPs are being issued to finance the costs of acquiring leasehold interests in school sites and constructing and equipping thereon certain school facilities, which will be subleased to various school districts within the State participation in the Board's Lease-to-Own program, to pay capitalized interest on, and pay the costs of issuing the 2004B COPs.

On August 1, 2004, the SFB issued 2004C COPs for $47.585 million, with interest rates ranging from 3.00% to 5.00%, and maturity dates ranging from 2007 to 2020. Series 2004C COPs maturing on or after September 1, 2014 are subject to optional redemption and payment prior to maturity, at the sole option of the SFB. Net proceeds from the Series 2004C COPs totaled $50.013 million, after receipt of a net reoffering premium of $3.303 million, payment of $353 thousand in issuance costs, and payment of capitalized interest of $522 thousand. The COPs are being issued to finance the costs of acquiring leasehold interests in school sites and constructing and equipping thereon certain school facilities, which will be subleased to various school districts within the State participation in the Board's Lease-to-Own program, and to pay the cost of issuing the 2004C COPs.

On September 1, 2004, the SFB issued Refunding COPs Series 2005A-1, 2005A-2 and 2005A-3 for $201.125 million, $80.055 million and $53.045 million, respectively, dated September 1, 2004. The 2005A-1 COPs include $201.125 million of serial certificates with interest rates ranging from 2.50% to 5.00% and maturity dates ranging from 2007 to 2018. The 2005A-2 COPs include $80.055 million of serial certificates with interest rates ranging from 2.50% to 5.00% and maturity dates ranging from 2007 to 2019. The 2005A-3 COPs include $53.045 million of serial certificates with interest rates ranging from 2.50% to 5.00% and maturity dates ranging from 2007 to 2020. The 2005A-1, 2005A-2 and 2005A-3 COPs maturing on or after September 1, 2015, are subject to optional redemption prior to maturity without premium. The SFB realized net proceeds from the 2005A-1, 2005A-2 and 2005A-3 COPs of $363.070 million after receipt of $30.744 million net reoffering premium and payment of $1.899 million for issuance costs. The SFB net proceeds were used to advance-refund a portion of COPs Series 2003A, 2003B, and 2004B with a total outstanding principal balance of $332.020 million. The advance-refunding resulted in a debt service savings of $893 thousand and a net present value benefit of $5.519 million (difference between the present values of the old debt and new debt service payments) for SFB. The advance-refunding resulted in an immaterial difference between the reacquisition price and the net carrying amount of the old debt. This difference is being charged to operations as a direct expense in the current year. The refunded COPs Series 2003A, 2003B and 2004B will be paid by investments held in an irrevocable trust with a fair value of $363.052 million. As a result, the refunded debt is considered to be defeased and is not included in the State's financial statements. Refunded COPs for the SFB at June 30, 2005 totaled $332.020 million.

3. Industrial Commission

The exempt adjustable mode refunding COPs, Series 1985 were issued to refund the 1984 certificates that were issued to finance the cost of acquiring and constructing a building at 800 W. Washington Street, Phoenix, Arizona. The COPs matured serially at six month intervals and lease payments are made to the trustee, JP Morgan Trust Co. The sale-leaseback agreement provides that title will pass to the Commission at the end of the lease term, once the COPs are completely redeemed. The refunded amount was $17.500 million. This amount is considered paid and is not included in the outstanding amounts.

The Trust Indenture for COPs specifies that the rates of specific types of financial instruments must be considered by the Remarketing Agent in setting the variable interest rates for the COPs. These instruments include the following: other issues of bonds marketed under the TEAMS program or similar programs; variable rate demand bonds; variable rate notes; and fixed rate notes that, in the judgment of the Remarketing Agent are otherwise comparable to TEAM certificates in credit quality and length of time prior to which such instruments mature or become subject to purchase at par on the demand of the owner. The interest rate ranged from 1.45% to 3.25% during the fiscal year ended 2005.

4. University of Arizona

On May 10, 2005, the U of A issued Refunding COPs Series 2005A, 2005B and 2005C for $12.660 million, $14.825 million and $16.330 million, respectively, dated May 1, 2005. The 2005A COPs include $12.660 million of serial certificates with interest rates ranging from 4.00% to 5.00% and maturity dates ranging from 2015 to 2024. The 2005B COPs include $9.385 million of serial certificates with an interest rate of 5.00% and maturity dates ranging from 2015 to 2024. The 2005B COPs also include two term certificates consisting of $2.590 million with an interest rate of 5.00% due June 1, 2017, and $2.850 million with an interest rate of 5.00% due June 1, 2019. The 2005C COPs include $12.455 million of serial certificates with interest rates ranging from 4.125% to 5.00% and maturity dates ranging from 2014 to 2022. The 2005C COPs also include $3.875 million of term certificates with an interest rate of 5.00% and a maturity date of June 1, 2017. The 2005A, 2005B and 2005C COPs maturing on or after June 1, 2016, are subject to optional redemption prior to maturity without premium. The 2005B COPs maturing on June 1, 2017 and June 1, 2019 are subject to mandatory sinking fund redemption in part on June 1 of the years 2016 through 2018 without premium. The 2005C

COPs maturing on June 1, 2017 are also subject to mandatory sinking fund redemption without premium. There are also extraordinary redemption dates for the 2005A, 2005B and 2005C COPs pursuant to the debt documents. The 2005A, 2005B, and 2005C COPs were issued at a premium of $2.818 million. The U of A realized net proceeds from the 2005A, 2005B and 2005C COPs of $45.920 million after payment of $713 thousand for issuance costs, underwriters discount and bond insurance. The net proceeds were used to advance-refund a portion of COPs Series 1999A, 1999, and 2001A with a total outstanding principal balance of $67.845 million. The advance-refunding generated a net present value benefit of $1.876 million (difference between the present values of the old debt and new debt service payments) for the U of A. The advance-refunding decreases the U of A's debt service by $2.162 million in year one and increases it by $105 thousand in year two. Annual debt service will decrease by an average of $70 thousand in years three through ten and increase by an average of $137 thousand in years eleven through twenty. The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.468 million. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations through the year 2024 using the straight-line method. The refunded COPs Series 1999A, 1999 and 2001A will be paid by investments held in an irrevocable trust with a fair value of $43.758 million. As a result, the refunded debt with an outstanding principal balance of $41.935 million is considered to be defeased and is not included in the U of A's financial statements.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B. At June 30, 2005, the outstanding principal balance for the COPs Series 2001B was $6.255 million, which will be paid by investments held in trust with a fair value of $6.496 million. These amounts are not included in the U of A's financial statements.

The U of A has outstanding at June 30, 2005, three variable rate COPs, Series 1999B, 2000A, and 2004B, totaling $103.500 million. These COPs bear interest at a weekly rate, determined by UBS Financial Services for the 1999B and 2000A COPs and by J.P. Morgan Securities for the 2004B COPs, as remarketing agents, with final maturity dates of June 1, 2024, June 1, 2025, and June 1, 2031, respectively. These COPs are subject to conversion, at the option of the Arizona Board of Regents, to an adjustable rate, an annual rate, or a term rate pursuant to the debt documents. If not converted, the 1999B, 2000A, and 2004B COPs will bear interest at a weekly rate not to exceed 12 percent per annum determined under prevailing market conditions by the remarketing agent. The variable rate COPs are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the remarketing agents. If the remarketing agents are unable to resell the demand certificates, the U of A has Standby Purchase Agreements with Bayerische Landesbank to extend credit through the purchase of the un-marketed certificates. Assuming all of the $103.500 million COPs are not resold within 90 days, the U of A would be responsible to make annual installment principal payments of $20.700 million over a five-year period, plus interest to be calculated as established in the Standby Purchase Agreements. Bayerische Landesbank charges the U of A an annual Standby Purchase Agreement commitment fee on the outstanding principal for each of the COPs for the Series 1999B, 2000A, and 2004B. The fees are 0.17%, 0.18%, and 0.19%, respectively. The Standby Purchase Agreements are valid through November 30, 2015.

5. Arizona State University

During fiscal year 2005, the ASU issued $190.390 million in COPs to fund the Research Infrastructure facility projects which included Biodesign Institute Building B and Interdisciplinary Science and Technology Buildings I, II, and III. The 2004 COPs were issued in July 2004 at an average interest rate of 4.89%. The 2005A COPs were issued in January 2005 at an average interest rate of 4.36%. The annual debt service will be funded by state appropriations in the amount of $14.500 million annually beginning in fiscal 2008. State appropriations will also fund the ASU's portion of the Arizona Biomedical Collaborative project that will be debt financed during fiscal 2006.

6. Northern Arizona University

On July 29, 2004, the NAU issued COPs Series 2004 for $37.585 million dated July 1, 2004. The Series 2004 COPs included $20.100 million of serial certificates with interest rates ranging from 2.50% to 5.125% and maturity dates ranging from 2007 to 2026. The 2004 COPs also included $17.485 million of term certificates with interest rates ranging from 4.75% to 5.00% and maturing on September 1, 2019, 2026 and 2030. The Series 2004 COPs were issued at a premium of $583 thousand. The NAU realized net proceeds of $37.513 million after payment of $655 thousand for issuance costs, underwriters discount and bond insurance. The premium and costs associated with this issue were recorded in the current fiscal year. The net proceeds are being used to finance the Applied Research and Development building and the College of Engineering and Technology Renovation project.

A summary of the COPs issued as of June 30, 2005, is as follows (expressed in thousands):

Project	Issue Date	Maturity Date	Amount Authorized And Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
AHCCCS	1994	2006	$ 12,642	$ 272	6.66%
Refunding Certificates of 92A, 92C, & 1091	2001	2011	57,930	41,890	3.25 – 5.25
Health Lab/HRIS	2002	2022	63,270	55,000	3.00 – 5.50
Refunding Certificates of 92B	2002	2011	75,295	71,100	2.00 – 5.50
School Facilities Board 2003A	2003	2018	372,730	156,270	1.60 – 5.25
School Facilities Board 2003B	2004	2019	194,610	115,170	2.25 – 6.00
School Facilities Board 2004A	2004	2019	47,160	47,160	2.00 – 5.00
Refunding ADOA Certificates of 2004A	2004	2012	16,725	15,600	2.00 – 5.00
ADOA Series 2004B	2004	2019	31,965	31,965	2.50 – 5.25
School Facilities Board 2004B	2005	2020	190,040	138,440	3.50 – 6.00
School Facilities Board 2004C	2005	2020	47,585	47,585	3.00 – 5.00
SFB Refunding Certificates of 2003A	2005	2018	201,125	201,125	2.50 – 5.00
SFB Refunding Certificates of 2003B	2005	2019	80,055	80,055	2.50 – 5.00
SFB Refunding Certificates of 2004B	2005	2020	53,045	53,045	2.50 – 5.00
Total Governmental Activities:			$ 1,444,177	$ 1,054,677	
Business-Type Activities:					
Industrial Commission Special Fund	1985	2006	$ 17,500	$ 3,100	1.45 – 3.25%
Arizona State University:					
Towers Project	1991	2011	4,500	2,110	6.89
West Campus - Refunding	1993	2006	46,905	4,070	5.18
Downtown Center – A	1999	2025	5,620	5,085	5.75
Downtown Center – B	1999	2025	5,165	4,800	8.00
2002 Certificates of Participation	2002	2027	103,800	97,705	4.75
2004 West Campus – Refunding	2004	2010	22,495	22,495	2.36
2004 Certificates of Participation	2005	2031	80,275	80,275	4.89
2005A Certificates of Participation	2005	2031	110,115	110,115	4.36
University of Arizona:					
Fixed Student Union A	1999	2020	21,607	9,989	5.00 – 5.30
Student Union B	1999	2024	36,500	36,500	Variable not to exceed 12
Parking Garage/Residence Hall	1999	2014	18,635	3,950	4.75 – 5.375
McKale/UAPD/Mt. Graham	2000	2025	28,300	25,600	Variable not to exceed 12
Park Student Union/Ln Svcs/6th St Gar	2001	2025	31,695	15,405	3.75 – 5.50
Gittings Bldg. Highland Infra. Life Sci.	2001	2022	21,425	13,385	3.00 – 5.125
Student Housing, Health Bldg., UA North	2002	2022	76,965	68,400	3.75 – 5.50
Meinel Bldg & Refund COPS 1994B	2002	2023	29,845	29,360	3.00 – 5.125
Refund COPS 1997 & Portion of Series 2001B	2003	2022	10,615	10,615	3.50 – 5.00
Med. Resh. Bldg./Biomed Sci./Tech. Infstr.	2004	2031	153,960	153,385	2.00 – 5.25
Chem.Bldg./Res.Life/Pkg.Garage/Rfnd.COPS	2004	2029	42,020	41,615	2.50 – 5.25
Chemical Building Expansion	2004	2031	41,400	41,400	Variable not to exceed 12
Refund COPS 1999A	2005	2024	12,660	12,660	4.00 – 5.00
Refund COPS 1999	2005	2024	14,825	14,825	5.00
Refund COPS 2001A	2005	2022	16,330	16,330	4.125 – 5.00
Northern Arizona University:					
2004 Certificates of Participation	2005	2030	37,585	37,585	2.50 – 5.125
Total Business-Type Activities:			$ 990,742	$ 860,759	
Total Certificates of Participation			$ 2,434,919	$ 1,915,436	

Principal and interest debt service requirements on COPs outstanding at June 30, 2005, 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
2006	$ 33,867	$ 48,962	$ 82,829	$ 17,425	$ 38,074	$ 55,499
2007	60,944	47,664	108,608	16,735	37,326	54,061
2008	63,215	45,202	108,417	27,745	36,587	64,332
2009	65,805	42,417	108,222	28,805	35,588	64,393
2010	68,580	39,425	108,005	29,665	34,355	64,020
2011-2015	394,915	142,816	537,731	162,341	154,858	317,199
2016-2020	360,870	37,851	398,721	209,298	110,567	319,865
2021-2025	6,481	505	6,986	205,425	60,020	265,445
2026-2030	-	-	-	135,390	21,980	157,370
2031	-	-	-	27,930	695	28,625
Total	$ 1,054,677	$ 404,842	$ 1,459,519	$ 860,759	$ 530,050	$ 1,390,809

D. LEASES AND INSTALLMENT PURCHASES

1. Leases

The total operating lease expenditures for the fiscal year ended June 30, 2005, were $31.404 million for governmental activities and $20.465 million for business-type activities. The future minimum lease payments for long-term operating leases as of June 30, 2005, are summarized below (expressed in thousands):

Fiscal Year	Governmental Activities	Business-type Activities	Total
2006	$ 27,368	$ 3,279	$ 30,647
2007	19,682	2,286	21,968
2008	11,722	1,816	13,538
2009	8,181	447	8,628
2010	2,990	12	3,002
2011-2015	1,028	-	1,028
Total Minimum Lease Payments	$ 70,971	$ 7,840	$ 78,811

Many operating leases are for buildings and land leased by State agencies. Although these leases are considered to be long-term, they are cancelable under certain circumstances.

- An agency must be able to cancel the lease if monies are not appropriated to cover the lease expenditures.
- If an agency is ordered to move into State-owned property and a 60-day notice is given, the lease can be canceled without penalty.
- In situations where the use of the leased property is dependent on the use of Federal monies, the lease must be cancelable in the event Federal monies are no longer available.

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

- Title to or ownership of the asset is transferred to the State at the end of the lease.
- The lease contains a bargain purchase option.

- The lease term is equal to 75.00% or more of the useful life of the leased asset. (This criteria does not apply if the beginning lease term falls within the last 25.00% 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 90.00% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

The future minimum lease payments for long-term capital leases as of June 30, 2005 are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2006	$ 13,140	$ 9,221
2007	13,405	9,355
2008	13,660	8,926
2009	13,789	9,207
2010	12,869	8,286
2011-2015	63,027	35,178
2016-2020	71,512	27,888
2021-2025	81,123	27,397
2026-2030	40,027	28,673
2031-2035	-	21,230
Total minimum lease payments	322,552	185,361
Less: amount representing interest	(94,343)	(65,000)
Less: amount representing executory costs	(101,533)	-
Obligations under capital leases	$ 126,676	$ 120,361

2. Installment Purchases

The State has installment purchase contracts payable for acquisitions of computer and other equipment. Installment purchases assets and liabilities are reported in the government-wide Statement of Net Assets.

The future minimum payments for long-term installment purchases as of June 30, 2005, are summarized below (expressed in thousands):

	Annual Debt Service	
Fiscal Year	Governmental Activities	Business-type Activities
2006	$ 2,171	$ 1,746
2007	1,823	1,692
2008	1,595	1,135
2009	1,212	970
2010	564	631
2011-2015	-	2,193
2016-2020	-	239
Total future minimum payments	7,365	8,606
Less: amount representing interest	(439)	(1,330)
Obligations under installment purchases	$ 6,926	$ 7,276

3. Capital Assets Financed through Capital Leases and Certificates of Participation

The following table summarizes the historical costs of assets acquired under capital leases and COPs:

	Governmental Activities	Business-type Activities
Land	$ 6,078	$ -
Construction in progress	24,509	-
Buildings	303,311	571,182
Improvements other than buildings	3,653	-
Equipment	55,021	-
	392,572	571,182
Less: Accumulated Depreciation	(100,143)	(57,313)
Carrying Value	$ 292,429	$ 513,869

E. LITIGATION

The amounts shown for the *Ladewig vs. Arizona Department of Revenue* settlement is further discussed in Note 11 – *Commitments, Contingencies, and Compliance*. The State has typically paid for litigation from the General Fund.

F. 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 2005, the State paid for compensated absences as follows: 79.00% from the General Fund, 11.00% from other major funds, and 10.00% from other funds.

G. CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	$ 2,278,225	$ 434,860	$ (542,240)	$ 2,170,845	$ 178,335	$ 1,992,510
Grant anticipation notes	308,585	104,385	(49,000)	363,970	38,540	325,430
Certificates of participation	845,804	571,850	(362,977)	1,054,677	33,867	1,020,810
Capital leases	125,974	6,434	(5,732)	126,676	3,467	123,209
Installment purchase contracts	4,602	5,038	(2,714)	6,926	1,984	4,942
Notes payable	562	-	(562)	-	-	-
Revenue bond/GAN premium	93,309	50,202	(12,126)	131,385	10,978	120,407
Certificates of participation premium	51,450	50,307	(35,663)	66,094	5,785	60,309
Total Long-term Debt	3,708,511	1,223,076	(1,011,014)	3,920,573	272,956	3,647,617
Other Long-term Liabilities:						
Compensated absences	146,116	214,431	(207,312)	153,235	147,433	5,802
Ladewig vs. Arizona Department of Revenue Settlement	291,746	-	(140,841)	150,905	58,259	92,646
Schofield vs. State of Arizona Settlement	12,700	-	(12,700)	-	-	-
Total Other Long-term Liabilities	450,562	214,431	(360,853)	304,140	205,692	98,448
Total Long-term Obligations	$ 4,159,073	$ 1,437,507	$ (1,371,867)	$ 4,224,713	$ 478,648	$ 3,746,065
Business-type Activities:						
Long-term Debt:						
Revenue bonds	$ 756,781	$ 139,840	$ (128,621)	$ 768,000	$ 33,870	$ 734,130
Certificates of participation	641,315	271,949	(52,505)	860,759	17,425	843,334
Capital leases	80,338	50,006	(9,983)	120,361	5,709	114,652
Installment purchase contracts	5,038	3,794	(1,556)	7,276	1,428	5,848
Notes payable	80	-	(50)	30	30	-
Revenue bond premium	24,785	8,486	(3,731)	29,540	1,288	28,252
Deferred amount on refundings – Revenue bonds	(9,838)	(11,613)	1,536	(19,915)	(1,467)	(18,448)
Certificates of participation premium	3,399	3,809	(615)	6,593	-	6,593
Deferred amount on refundings – COPs	(1,132)	-	226	(906)	-	(906)
Total Long-term Debt	1,500,766	466,271	(195,299)	1,771,738	58,283	1,713,455
Other Long-term Liabilities:						
Compensated absences	51,016	64,034	(59,231)	55,819	10,363	45,456
Total Other Long-term Liabilities	51,016	64,034	(59,231)	55,819	10,363	45,456
Total Long-term Obligations	$ 1,551,782	$ 530,305	$ (254,530)	$ 1,827,557	$ 68,646	$ 1,758,911

The above long-term obligations relating to governmental activities include Internal Service Funds. Amounts for capital leases and compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because $5.910 million of capital leases and $11.502 million of compensated absences are attributable to Internal Service Funds. These amounts are included in the reconciliation as part of internal service fund net assets.

NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances, as of June 30, 2005, are as follows (expressed in thousands):

	Due To						
Due From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ -	$ 344	$ 39,887	$ 3,414	$ 2,212	$ 45,857
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	63,811	-	-	7,037	111,133	-	181,981
Land Endowments Fund	4,565	-	-	14,171	-	3	18,739
Non-Major Governmental Funds	30,334	-	1,114	807	-	521	32,776
Unemployment Compensation Fund	3	-	-	244	-	-	247
Lottery Fund	19,336	-	-	725	-	-	20,061
Non-Major Enterprise Funds	146,468	20,000	-	-	-	1	166,469
Internal Service Funds	670	-	-	-	-	21	691
Total Due From	$ 265,187	$ 20,000	$ 1,458	$ 62,871	$ 114,547	$ 2,758	$ 466,821

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.

An interfund balance of $62.958 million between the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund is not due until fiscal year 2009. An interfund balance of $146.454 million between the General Fund and Non-Major Enterprise Funds is not due until fiscal year 2008. The entire interfund receivable in the Transportation and Aviation Planning, Highway Maintenance and Safety Fund is not due until fiscal year 2009. An interfund balance of $106.515 million between the Transportation and Aviation Planning, Highway Maintenance and Safety Fund and Non-Major Enterprise Funds is not due until fiscal year 2009.

Interfund Transfers

Transfers for the year ended June 30, 2005 are as follows (expressed in thousands):

	Transferred To							
Transferred From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	$ -	$ 2,199	$ 97	$ 45,823	$ 787,201	$ 3,700	$ 17	$ 839,037
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	157,219	-	-	522,112	-	374	-	679,705
Land Endowments Fund	334	-	-	-	-	-	-	334
Non-Major Governmental Funds	158,275	6,017	5,072	25,958	-	122	42	195,486
Unemployment Compensation Fund	15	-	-	1,715	-	-	-	1,730
Lottery Fund	54,751	-	-	25,907	-	-	-	80,658
Non-Major Enterprise Funds	1,412	-	-	-	-	-	-	1,412
Internal Service Funds	2,986	20	1,501	43	-	-	-	4,550
Total Transfers In	$ 374,992	$ 8,236	$ 6,670	$ 621,558	$ 787,201	$ 4,196	$ 59	$ 1,802,912

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 8. ACCOUNTING CHANGES AND RESTATEMENTS

A. FUND FINANCIAL STATEMENTS

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

	Proprietary Funds Universities
Net Assets, as previously reported	$ 1,755,645
Change in application of an accounting principle	(13,333)
Net Assets, as restated	$ 1,742,312

B. GOVERNMENT-WIDE STATEMENTS

Government-wide Net Assets have been restated as follows (expressed in thousands):

	Business-type Activities of Primary Government
Net Assets, as previously reported	$ 2,504,599
Change in application of an accounting principle	(13,333)
Net Assets, as restated	$ 2,491,266

Change in Application of an Accounting Principle

In fiscal year 2005, the ASU changed its method of calculating depreciation on research buildings to a componentized method based on the estimated useful life of the building components. All other buildings continue to be depreciated using a basic straight-line method over the estimated useful lives of the assets. The ASU's management believes this change is preferable under generally accepted accounting principles and it is the method which will be used for ensuing indirect cost calculations. This change resulted in a decrease in net assets related to building components which are now fully depreciated.

NOTE 9. FUND DEFICIT

The major contributor to the Industrial Commission Special Fund deficit of $192.766 million is the $76.662 million increase in the actuarial liability for several insolvent insurance carriers and self-insured plans. The Industrial Commission Special Fund is responsible for paying all current and future Arizona workers' compensation claims of these companies. Some of the claims expense will be recovered over a period of years as the Industrial Commission Special Fund receives liquidation distributions from the bankrupt companies. The deficit will also be recovered from the Industrial Commission reinstating assessments of gross premium revenues received by the State Compensation Fund and privately owned insurance companies that provide workers' compensation insurance. The 2005 calendar year assessments percentage for the State Compensation Fund and privately owned insurance companies that provide workers' compensation insurance is two and one-half percent, the largest amount currently authorized in Arizona law. In 2005, §23-1081 (B) was amended to permit a surplus in the Administrative Fund to be transferred to the Industrial Commission Special Fund when the special fund is not actuarially sound.

The Internal Service Funds deficit results from the following:

- Risk Management Fund (RMF) - The RMF deficit of $276.601 million is primarily due to the RMF receiving annual funding for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures). Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.
- The Retiree Accumulated Sick Leave pays retirees their accumulated sick leave upon retirement from State service when they meet certain criteria. When a retiree submits an application to receive their sick leave benefits, the entire liability is recorded in the fund. The retirees receiving benefits are paid in three equal annual installments; however, State agencies pay for only one year based on a .40% charge on gross payroll. The $4.089 million fund deficit is primarily due to the above funding mechanism.

NOTE 10. JOINT VENTURE

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 (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope currently being constructed in Arizona. The current members of the LBT are the U of A, Arcetri Research Corporation, Ohio State University and the LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25.00% of the project's construction costs and the LBT's annual operating costs. As of June 30, 2005, the U of A has made cash contributions of $18.159 million toward the project's construction costs. The U of A's financial interest represents its future viewing/observation rights. Upon completion of construction, these rights will be divided among the participants in proportion to their contributions. According to the audited financial statements of the LBT for the year ended December 31, 2004, assets, liabilities, revenues, and expenses totaled $103.000 million, $2.000 million, $15.000 million, and $3.000 million, respectively.

The LBT's separate audited financial statements can be obtained from LBT Project Office, Steward Observatory, University of Arizona, Tucson, AZ 85721-0065.

NOTE 11. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE

A. RISK MANAGEMENT INSURANCE LOSSES

The Department of Administration – Risk Management Section manages the State's property, environmental, 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 Section. Consequently, all agencies and the State's three universities are required to participate in this program. The State's Risk Management Section evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Industrial Commission Special Fund provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Section, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Industrial Commission encompass losses against uninsured or underinsured employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability. The Industrial Commission is totally self-insured.

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, salvage, subrogation, loss development factors, and an estimate for incurred but not reported claims.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (Internal Service Fund) and the Industrial Commission Special Fund (Enterprise Fund). As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Section will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Interest and dividend earnings of investments and assessments on gross premium revenues currently fund the Industrial Commission Special Fund. To provide funding for workers' compensation claims, the Industrial Commission may direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers and self-insured plans during the immediately preceding calendar year. Beginning in calendar 2004 a one and one-half percent assessment was levied under § 23-1065(A) because of a deficit net assets balance resulting from an increase in accrued insurance losses due to defunct insurance carriers.

The majority of the liability increase from July 1, 2004 through June 30, 2005 was the result of $67.423 million Arizona workers' compensation claims from the defunct California domiciled Fremont Companies that were assigned to the State Compensation Fund (SCF) under §23-966(A). Effective for 2005, the Industrial Commission approved an additional one-half percent Special

Fund assessment under §23-966(D), based on insolvent carrier losses, bringing the total to two percent before including the other new §23-1065(F) one-half percent assessment based on the total apportionment liability. With the inclusion of the §23-1065(F) assessment, the total of all three assessments for the Special Fund in 2005 is two and one-half percent. Over the next three fiscal years of 2006, 2007, and 2008, a projected $17.000 million will be received by the Special Fund from liquidated assets of insolvent carriers.

The Industrial Commission Special Fund discounts all benefit reserves at three and one-half percent, except for medical. Medical benefits are discounted at an assumed inflation rate equal to the investment rate of return earned by the Industrial Commission Special Fund. The Industrial Commission has filed pending proof of claim requests with ancillary receivers, liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Industrial Commission will continue to recognize receipt of insolvent carrier deposits (no insurance settlement income) as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Section 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 requires the claimant to sign an agreement releasing the State from any further obligation. 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 years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2004 and June 30, 2005 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2004	$ 233,080	$ 68,430	$ 58,382	$ 243,128
2005	243,128	127,775	69,303	301,600
Industrial Commission Fund:				
2004	239,738	163,108	17,910	384,936
2005	384,936	101,395	24,733	461,598

B. LITIGATION

In *Ladewig vs. Arizona Department of Revenue,* Ladewig is a class action tax refund case. The class members are seeking refunds for Arizona income tax paid on dividends received from corporations doing less than 50.00% of their business in Arizona during the years 1986 through 1989. The trial court held that such taxes violated the Commerce clause of the U.S. Constitution and certified the class. The class certification was upheld by the Arizona Supreme Court in 2001. The Tax Court approved a settlement in December 2002. The remaining issues concern the administration of the settlement. The Department moved to correct claim errors that were caused by computer and clerical mistakes and resulted in millions of dollars in overpayments on the first installment to approximately 3,250 class members. The Tax Court ruled in November 2005 that the Department could not recover amounts previously paid to class members, but could offset the overpayments against the amounts due for the remaining two installments. Accordingly, the State has recorded a liability in its financial statements in the amount of $150.905 million.

In *Kerr vs. Killian*, federal employees claimed an income tax refund on taxes paid on federal employee contributions. The Board of Tax Appeals granted these claims for the years before 1991, but has denied the claim for later years. The State did not appeal. The plaintiffs appealed for years after 1990. The Tax Court awarded attorneys fees from refunds the State is paying, and this ruling was upheld on appeal. The State has filed a petition for review. The attorneys' fees will be paid from funds otherwise due to taxpayers, so there will be little monetary effect on the State if the fees are awarded. The Tax Court has denied class certification, and ruled for the plaintiffs on the merits regarding entitlement to refunds for years after 1990. The State appealed the substantive law issue and the plaintiffs have appealed the denial of class certification, and the Court of Appeals ruled against the State. The Arizona Supreme Court held that Arizona's tax statutes after 1990 did not discriminate against federal employees

based on the source of the income. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, the State could incur losses ranging from $20.000 million to $70.000 million.

In *Roosevelt Elementary School District No. 66 vs. State of Arizona,* the plaintiffs allege the State failed to fully fund the Building Renewal Fund established by the Students FIRST legislation. On October 13, 2000, the court held that the State did not violate the statutory provisions regarding funding of the Building Renewal Fund for fiscal year 1998-99. However, the court held that neither party was entitled to summary judgment regarding funding for fiscal year 1999-00, and that in order to prevail on that claim, the plaintiffs would have to demonstrate that they were injured by the alleged underfunding. On February 21, 2002, the court granted the plaintiffs' motion to file an amended complaint, which included similar allegations regarding funding for fiscal year 2001-02. The parties both moved for summary judgment once again regarding the remaining claims in the case (fiscal years 1999-2000 and 2001-02), and on May 7, 2002, the trial court granted the plaintiffs' motion for summary judgment as to both years. The State timely appealed the decision to the Arizona Court of Appeals. On August 14, 2003, the Court of Appeals reversed the decision of the trial court and remanded the matter back to the trial court. Plaintiffs filed a petition for review in the Arizona Supreme Court, which was denied. The matter has been remanded to the Superior Court, and discovery is now ongoing. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State could incur losses of approximately $88.000 million. However, at this time, the plaintiffs have suggested that they are only seeking a declaration that the Students FIRST legislation is unconstitutional as applied.

In the *Somerton Elementary School District No. 66 vs. State of Arizona*, the plaintiffs' claim is identical to that alleged in the *Roosevelt Elementary School District* case discussed above, except that it involves the level of State funding for the Building Renewal Fund for the fiscal year 2002-03. Because the issues raised in this case are identical to those raised in the *Roosevelt Elementary School District* case, it was assigned to the same trial court judge. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State could incur losses of approximately $90.000 million. However, at this time, the plaintiffs have suggested that they are only seeking a declaration that the Students FIRST legislation is unconstitutional as applied.

In *Smith vs. Winkelman* the plaintiffs have filed an action in Maricopa County Superior Court seeking an accounting, declaratory relief and damages for breach of trust. Damages are for the value of land disposed of by the State Land Department between 1929 and 1967 for approximately 900 rights of way that were issued to governmental entities without appraisal or auction, and without the payment of any compensation. The State's motion to dismiss was denied, but motion to compel joinder of dozens of public entities was granted. The plaintiff's counsel has agreed to defer joinder pending settlement discussions. The Governor's Office is involved in any settlement proposal because about half the land in question was granted to ADOT's predecessor and there could be a conflict of interest between ADOT and State Land. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State would have to pay the Land Endowments Fund between $500.000 million and $1.0 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

State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more 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 25.00% for 500 hours to a maximum of 50.00% for 1,500 hours. The maximum benefit value is $30 thousand. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the financial statements as an Internal Service Fund and accounts for the retiree accumulated sick leave.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires deposit of certain unclaimed assets into a managed Agency Fund. ARS §44-313 requires a separate trust fund of not less than $100 thousand to be retained for prompt payment of claims. The excess amount, above that which is required to be retained, is required to be deposited to the General Fund where it is included as other revenue. Under ARS §46-731, unclaimed utility deposits are deposited in the Utility Assistance Fund to help low income and elderly people make utility deposits and repairs. Fifty-five and twenty percent of the remaining net cash collected, after refunds, is transferred to the Department of Commerce Housing Fund to be used for low-cost housing and the State Treasurer for distribution as provided for in ARS §5-113, respectively. The balance is to be deposited in the General Fund. Also, per Senate Bill 1524, notwithstanding ARS §44-313, the Department of Revenue shall deposit any unclaimed property for fiscal year 2005 and fiscal year 2006 that is associated with the case of *Ladewig v. State of Arizona* in the General Fund. For fiscal year 2005, $1.664 million was deposited in the Utility Assistance Fund, $23.943 million was deposited in the Housing Fund, $8.706 million was deposited in the Racing Fund and $9.423 million was deposited in the General Fund. Ladewig unclaimed property in the amount of $21.292 million was also deposited into the General Fund during fiscal year 2005. A total of approximately $365.062 million has been remitted since inception of the fund. In addition, the State is also holding securities valued at $45.159 million, and mutual funds of $7.039 million. 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. This liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona. At June 30, 2005, this amount, reported as Due to Others in the General Fund, is $86.581 million.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of approximately $627.448 million at June 30, 2005.

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for The Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody, Duff & Phelps or Weiss. The Lottery remains contingently liable on all annuities. Aggregate future payments to prize winners on existing annuities totaled approximately $196.281 million at June 30, 2005. Approximately $140.626 million of the total aggregate future payments at June 30, 2005 relate to annuities purchased from five separate insurance companies, of which approximately $57.771 million relates to a single insurance company.

NOTE 12. 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 $93.933 million and $93.875 million in the fund statements and the government-wide statements in fiscal year 2005, respectively. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2005.

NOTE 13. PUBLIC-PRIVATE PARTNERSHIP

The State has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. This agreement stipulates that Accenture will be paid 85.00% of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture has created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2005, the State has paid Accenture

$36.922 million and accrued $48.079 million towards the $145.080 million contract cost. Included in the $145.080 million contract cost is capital interest charges of $13.000 million and application support charges of $32.014 million.

NOTE 14. CONDUIT DEBT

During the year ended June 30, 2005, the Greater Arizona Development Authority (GADA) issued $10.360 million Infrastructure Revenue Bonds, Series 2004B for public infrastructure projects in the communities of the Town of Queen Creek, the City of Wilcox, and the Drexel Heights Fire District. During the year ended June 30, 2005, the GADA issued $47.695 million Infrastructure Revenue Bonds, Series 2005A for public infrastructure projects in the communities of the Towns of Taylor, Camp Verde, and Buckeye as well as the Fire Districts of Central Yavapai, Golden Ranch, Maricopa, Northwest, and Three Points. The GADA's bond structure provides lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. The GADA Fund is leveraged when GADA issues its bonds, which maximizes loan capacity for communities. An intercept mechanism for intercepting state-shared revenues for loans to political subdivisions enhances the security of the GADA bonds even further.

In certain previous years, the State appropriated a total of $20.000 million to the GADA for the express purpose of securing bonds issued by the GADA. As of June 30, 2005, the remaining balance in the appropriations account was $16.750 million. The Series 2004B and 2005A bonds were issued by the GADA to make loans to the participants listed above and constitute special and limited obligations of the GADA. The principal of and interest on the bonds are payable solely from the funds which are held in Trust by the Trustee (the Trust Estate). The Trust Estate includes debt service payments required to be made by the respective participants in the Series 2004B and 2005A bond issues. The principal of and interest premium, if any, on the Series 2004B and 2005A bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of the GADA. The Series 2004B and 2005A bonds do not constitute a legal debt of the State and are not enforceable against the State. At June 30, 2005, the outstanding face value of the Series 2004B and 2005A bonds was $10.360 million and $47.695 million, respectively, and the total outstanding face value of all bonds issued by the GADA was $120.875 million.

NOTE 15. SUBSEQUENT EVENTS

In July 2005, the ASU entered into a ground lease with the ACFFC, a component unit of the ASU, for the construction and operation of the McAllister Academic Village (MAV) residential facility. In August 2005, the ACFFC issued $145.000 million in variable rate demand revenue bonds. The project, to be constructed in two phases, will include approximately 2,000 beds for freshman residential students for initial occupancy starting in August 2006 for phase one and August 2007 for phase two. The ACFFC will have overall responsibility for the residential portion, comprising about 90.00% of the facility, including budgetary approval, with the ASU leasing the non-residential portion of the facility. The ACFFC will contract out management of the residential portion, with the contract for the residential life program and room assignments, including rent collections being with the ASU's Residential Life Department, and with custodial and facility maintenance potentially being with a non-university contractor. In order for the ACFFC to obtain the lowest cost and most efficient financing arrangement possible for the residential portion of the facility, the ASU entered into a contingent commitment to make up any debt service funding deficiencies to the bondholders of the MAV debt, if such a situation should ever exist. It is contemplated that the non-residential portion of the facility will be a capital lease of the ASU based on the net present value of the lease payments to be made by the ASU.

On July 19, 2005, the ADOT issued $147.400 million in Highway Revenue Refunding Bonds, Series 2005A to (i) refund portions of the ADOT's outstanding senior bonds and (ii) pay costs of issuing the Series 2005A Refunding Bonds. The 2005A Bonds are due July 1, 2011, through July 1, 2022. Net proceeds totaled $161.783 million (after receipt of $14.957 million reoffering premium and payment of $573 thousand in underwriting fees and costs of issuance).

In August 2005, the NAU issued approximately $40.300 million of COPs for various capital projects and renovations on the main campus. In November 2005, the NAU issued approximately $15.300 million of System Revenue Bonds for the purpose of constructing a parking structure on the mountain campus. These bonds are secured by a first lien on certain gross revenues and are on parity with the Series 1997 System Revenue Bonds, the Series 2002 System Revenue Bonds, the Series 2002 System Revenue Refunding Bonds, the Series 2003 System Revenue Bonds and the Series 2004 System Revenue and Refunding Bonds.

In August 2005, the GADA issued the Infrastructure Revenue Bond Series 2005B. The principal amount of original issue was $64.100 million with interest rates of 3.00% to 5.00%. Maturity dates are from August 1, 2006 through August 1, 2035. Interest payment dates are February 1 and August 1 of each year. The GADA's contribution to the bond issue costs was $175 thousand. In addition, the GADA will reclassify from unrestricted net assets to its restricted net assets the amount of $6.360 million for the

pledged collateral reserve fund. The participants in this bond issue are the communities of Lake Havasu City, Drexel Heights Fire District, the Towns of Queen Creek and Superior and the City of Williams in the amounts of $58.070 million, $1.560 million, $2.470 million, $500 thousand and $1.500 million, respectively.

On August 10, 2005, the SFB issued $448.760 million of State School Improvement Revenue Refunding Bonds, Series 2005, with interest rates ranging from 3.00% to 5.00%, and maturity dates ranging from 2006 to 2021. Series 2005 Bonds maturing on and after July 1, 2016 are subject to redemption prior to maturity at the option of the SFB. The Series 2005 Bonds are being issued to (i) refund and redeem, in advance of maturity, Series 2001, Series 2002 and Series 2003 Revenue Bonds, and (ii) pay costs of the issuance of the Series 2005 Bonds. Net proceeds totaled $484.963 million (after receipt of an original issue premium of $37.304 million and payment of the $1.101 million of bond issuance costs). These proceeds were deposited into a special trust account with a depository trustee and used to purchase U.S. Government securities, the maturing principle and interest income on which is calculated to be sufficient to pay the principal and interest represented by the bonds being refunded to their respective redemption dates.

On September 13, 2005, the U of A issued System Revenue Bonds (SRBs) Series 2005A in the amount of $35.570 million dated September 1, 2005, to finance the construction of the Architecture Building Expansion Project, the Residence Life Building Renewal Phase II Project, the Poetry Center, and Deferred Maintenance and Building Renewal projects, and to pay the December 1, 2005 interest payments on the U of A's System Revenue Bonds Series 1992A, 1998, 2002, 2003, 2004A, and 2004B. The SRBs Series 2005A bears interest rates ranging from 3.00% to 5.00% and will mature in 2031.

On October 1, 2005, the State entered into a lease-to-own agreement with Capitol Mall, L.L.C., which amended a previous lease-to-own agreement for the purpose of construction, occupancy and ownership of two office buildings and related parking facilities located on the capitol mall dated December 1, 2000. The scheduled lease payments for fiscal year 2006 will total $5.449 million. The lease is not a general obligation or indebtedness of the State. The State shall have the right to cancel and terminate the lease only at the end of its fiscal period in the event that funds are not appropriated by the Arizona State Legislature or the Department of Administration fails to allocate monies for any subsequent fiscal period with respect to this lease. The State shall have the right, during the lease term, to purchase the Capital Mall, L.L.C.'s right, title, and interest in this project.

On November 16, 2005, the U of A issued Refunding COPs 2005D through 2005I in the amount of $29.460 million dated November 1, 2005, to refund a portion of the U of A's COPs 1999, 1999A, and 2000A, and to pay the December 1, 2005 interest payments on the COPs 1999, 1999A, 1999B, 2000A, 2001A, 2001B, 2002A, 2002B, 2003A, 2003B, and 2004A. The COPs 2005D-I bear interest rates ranging from 3.25% to 4.58% and will mature in 2025.

On November 18, 2005, the U of A entered into two interest rate exchange agreements with Citibank, N.A., New York. One agreement was for SRBs in the amount of $18.750 million and the other was for COPs in the amount of $12.070 million. The purpose of the agreements was to lock in a fixed interest rate of 4.07% for the SRBs and COPs which the U of A anticipates issuing in May 2006 to refund the June 2006 principal payments and pay the June 2006 interest payments for several SRBs and COPs issues. The effective date for both agreements is May 11, 2006, and they will terminate on June 1, 2020.

NOTE 16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COMPONENT UNITS

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 with the exception of the Law College Association, which has a May 31 year-end.

A. FINANCIAL REPORTING POLICIES

1. Measurement Focus and Basis of Accounting

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

of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

2. Net Assets

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

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

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

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

3. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and money market funds. Cash and cash equivalents are stated at cost, which approximates fair value.

4. Investments

Investments are recorded in accordance with Statements of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, entities are required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities at fair value. Equities, fixed income, and mutual funds are stated at fair market value based on quoted market prices. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses in the Statement of Activities.

5. Income Taxes

The Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements, except for the Collegiate Golf Foundation and the ACFFC. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. The ACFFC and NACFFC are exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

6. Annuities Payable and Other Trust Liabilities

Annuities payable and other trust liabilities for the U of A Foundation are stated at the actuarially computed present value of future payments to the annuitants. The excess of the fair values of assets received (classified according to their nature in the Statement of Financial Position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received.

7. Contributions

Contributions are recorded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* 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.

8. Net Assets Released from Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the assets are reclassified to unrestricted net assets. The total assets reclassified are reported as net assets released from restriction in the accompanying statement of activities.

9. Use of Estimates

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP required 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 reported amounts 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.

B. 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 in regards to interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2005 (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Commercial Paper	$ 32,802	$ 32,802	$ -	$ -	$ -
Corporate Asset Backed Securities	761	-	-	761	-
Corporate Collateralized Mortgage Obligations	5,426	-	-	-	5,426
Corporate Notes	23,146	-	23,146	-	-
Guaranteed Investment Contracts	68,082	-	11,468	56,614	-
Money Market Mutual Funds	16,126	16,126	-	-	-
U.S. Agency Securities	58,134	58,134	-	-	-
U.S. Agency Mortgage Backed Securities	2,996	-	-	-	2,996
U.S. Treasury Securities	3,067	-	3,067	-	-
Total	$ 210,540	$ 107,062	$ 37,681	$ 57,375	$ 8,422

C. 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 in regards to credit risk. The following table presents the WIFA's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2005 (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	BBB	BB	A1	Not Rated
Commercial Paper	$ 32,802	$ -	$ -	$ -	$ -	$ -	$ 32,802	$ -
Corporate Securities	29,333	12,784	2,459	10,980	-	3,110	-	-
Guaranteed Investment Contracts	68,082	68,082	-	-	-	-	-	-
Money Market Mutual Funds	16,126	-	-	-	-	-	-	16,126
U.S. Agency Securities	61,130	42,146	-	-	-	-	18,984	-
Total	$ 207,473	$ 123,012	$ 2,459	$ 10,980	$ -	$ 3,110	$ 51,786	$ 16,126

D. 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. As of June 30, 2005, an investment in Bayerische Landesbank (fair value of $40.586 million) was approximately 19.28% of the WIFA's total investments and an investment in AIG Matched Funding Corp. (fair value of $25.153 million) was approximately 11.95% of the WIFA's total investments.

2. Universities-Affiliated Component Units

A. Investment Summary

Investments of the Universities-affiliated component units are comprised of the following amounts at June 30, 2005. All investments are stated at fair value (expressed in thousands):

	ASU Foundation	ACFFC	U of A Foundation	NAU Foundation
Money market funds and cash equivalents	$ 20,282	$ 34,702	$ -	$ -
U.S. Government/agency obligations and mutual funds	-	-	76,387	12,127
Domestic/international equity securities and mutual funds	204,180	-	125,631	28,159
Fixed income	86,347	-	9,941	-
Corporate bonds	-	-	22,857	5,855
REIT fund, real estate and timber partnerships	-	-	8,597	-
Absolute return limited partnerships	-	-	43,816	-
Other investments	107,672	2,753	6,194	41
Total Investments	$ 418,481	$ 37,455	$ 293,423	$ 46,182

B. Endowment Trust Agreement

In March 2003, the ASU Foundation and the ASU entered into a trust agreement, appointing the ASU Foundation the trustee of selected ASU endowments. In accordance with the trust agreement, the ASU Foundation receives a management fee for providing these services. Unrealized and realized gains and losses, and interest and dividends, if any, are added to or subtracted from the recorded value of the invested trust assets managed by the ASU Foundation. The invested trust assets are separate from ASU Foundation investments, and a corresponding liability is presented for the fair value of the invested trust assets managed for the ASU.

C. Securities Lending Program

The U of A Foundation participates in a securities lending program established by Wells Fargo Bank, the custodian of the majority of the U of A Foundation's investment assets (the Program). Under the Program, the custodian makes the U of A

Foundation's securities available for loan to selected brokerage firms and other borrowing organizations. Each loan is required to be collateralized in an amount equal to at least 102 percent of the market value of the loaned security and accrued interest thereon. Each loaned security is marked to market daily, and the custodian is required to ensure that collateralization remains at an amount of at least 102.00% on a daily basis. At June 30, 2005, $20.615 million, $24.138 million and $360 thousand in U.S. Government and agency obligations, equity securities and corporate bonds, respectively, were in use under the Program.

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 2005 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	$ 292,475	$ 73,572	$ (16,953)	$ 349,094
Drinking Water Fund	116,695	26,871	(3,588)	139,978
Total	$ 409,170	$ 100,443	$ (20,541)	$ 489,072

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes or from special assessments. Most loans have a .30 to 4.00% annual administrative fee.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers.

D. PLEDGES RECEIVABLE

Unconditional promises to give are included in the accompanying financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises to give are recorded at their net realizable value using various yields as determined by the University Foundations. The following summarizes unconditional promises as of June 30, 2005 (expressed in thousands):

	Universities-Affiliated Component Units Net Pledges Receivable
ASU Foundation	$ 46,218
U of A Foundation	35,105
Law Association	31,293

E. CAPITAL ASSETS

Capital asset activity for the UMC for the fiscal year ended June 30, 2005 was as follows (expressed in thousands):

	University Medical Center				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	$ 5,998	$ 3	$ -	$ -	$ 6,001
Construction in progress	4,642	9,805	(7)	(7,205)	7,235
Total Non-depreciable Capital Assets	10,640	9,808	(7)	(7,205)	13,236
Depreciable capital assets:					
Buildings	148,962	51	(272)	1,144	149,885
Improvements other than buildings	876	-	-	5	881
Equipment	156,274	6,969	(4,180)	4,918	163,981
Total Depreciable Capital Assets	306,112	7,020	(4,452)	6,067	314,747
Less accumulated depreciation for:					
Buildings	(84,316)	(6,756)	129	-	(90,943)
Improvements other than buildings	(313)	(51)	-	-	(364)
Equipment	(124,776)	(11,774)	3,254	1,775	(131,521)
Total Accumulated Depreciation	(209,405)	(18,581)	3,383	1,775	(222,828)
Total Depreciable Capital Assets, Net	96,707	(11,561)	(1,069)	7,842	91,919
Total UMC Capital Assets, Net	$ 107,347	$ (1,753)	$ (1,076)	$ 637	$ 105,155

Capital asset summary for the Universities-affiliated component units for the fiscal year ended June 30, 2005 was as follows (expressed in thousands):

	ASU Foundation	ACFFC	CRC	NACFFC
Buildings and improvements	$ 15,233	$ 28,914	$ 11,302	$ -
Furniture, fixtures, and equipment	1,913	36,176	611	-
Construction in progress	-	46,720	-	3,216
Other property and equipment	-	509	-	-
Total cost or donated value	17,146	112,319	11,913	3,216
Less: Accumulated Depreciation	(455)	(5,779)	(1,427)	-
Property and Equipment, Net	$ 16,691	$ 106,540	$ 10,486	$ 3,216

F. LONG-TERM OBLIGATIONS

1. Component Units

A. Arizona Power Authority

On September 12, 2001 the APA issued $57.520 million of Special Obligation Crossover Refunding Bonds (Crossover Bonds). Proceeds from the sale of the bonds along with a fund contribution by the APA were held in an escrow trust account invested in government securities until October 1, 2003 (the Crossover Date) when a crossover refunding took place. The crossover refunding resulted in $57.520 million of Special Obligation Crossover Refunding Bonds being exchanged for 2001 Series Power Resource Revenue Refunding Bonds of the same principal amount, maturity date and interest rates as the crossover bonds. In addition, as part of the crossover and as required by regulation, the APA applied an additional $600 thousand of funds held in their Debt Service Reserve Account to effect the crossover transaction and called the $62.630 million of the 1993 Series Power Resource Revenue Refunding Bonds maturing on and after October 1, 2005.

The proceeds in the government securities escrow trust account, together with the income realized from investment of trust assets served as collateral for the Crossover Bonds and paid the debt service on those bonds until the Crossover Date. The Crossover Bonds were payable solely from the amounts in the escrow trust account and were not payable from any other source. Because

they were not payable from revenues derived by the APA or secured by any assets held by the APA, neither the Crossover Bonds nor the assets held in the escrow trust account were reflected on the APA's Statement of Net Assets at June 30, 2003. However, in conjunction with the issuance of the Crossover Bonds, the APA deposited $2.695 million with a crossover bond trustee which is reflected as "Cash with Trustee" in the APA's Statement of Net Assets at June 30, 2003.

As a result of the crossover refunding transaction on October 1, 2003, the 2001 Series Bonds are reflected as obligations of the APA at June 30, 2004 and the called portion of the 1993 Series Bonds are no longer outstanding and cease to be entitled to any lien on the revenues pledged to payment of those bonds. Instead, the revenue stream originally pledged to secure the called portion of the 1993 Series bonds "crossed over" to pay debt service on the 2001 Series Bonds on October 1, 2003. The 2001 Series Bonds bear interest at a rate of 5.00% and 5.25% payable on April 1 and October 1 of each year, commencing April 1, 2004 and maturing in 2017. In addition, the APA recognized an economic gain (difference between the present value of the old and new debt service payments) of $2.096 million. The crossover refunding also resulted in the recognition of a deferred amount of $2.412 million that has been reflected as a decrease in bonds payable and which will be amortized using the effective interest method as a component of interest expense over the life of the refunded bonds. The APA amortized $267 thousand for the year ended June 30, 2005 resulting in a net deferred amount of $1.946 million in the Statement of Net Assets. The APA also recognized a premium of $3.537 million on the crossover refunding which has been reflected as an increase in bonds payable and which will be amortized using the effective interest method. The APA amortized $391 thousand for the year ended June 30, 2005.

In prior years, the APA defeased various issues of bonds by purchasing U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide future debt service until the call dates. As a result, those bonds are considered to be defeased and the liability has been removed from the Hoover Uprating Fund. Accordingly, these trust account assets and related liabilities are not included in the accompanying financial statements.

B. University Medical Center

In March 1992, the UMC issued $28.405 million of Hospital Revenue Bonds (the Series 1992 Bonds) and in May 1993, the UMC issued $54.750 million of Hospital Revenue Refunding Bonds (the Series 1993 Bonds). The proceeds of the Series 1992 Bonds and the Series 1993 Bonds were used to advance refund a portion of prior bonds. In March 2004, the UMC issued $52.000 million of Hospital Revenue Bonds (the Series 2004 Bonds). The Series 2004 Bonds were issued at a net premium to yield an effective interest rate of 4.82% and were used in part to advance refund the Series 1992 Bonds.

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture), with which the UMC is in compliance as of and for the year ended June 30, 2005. In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds totaled $8.794 million at June 30, 2005 which are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board of Regents, the U of A, the State or any political subdivision thereof.

C. Water Infrastructure Finance Authority

The WIFA issued Financial Assistance Revenue Bonds in 1992, 1995, 1996, 1997, and 1998. The WIFA also issued Capitalization Revenue Bonds in 1992, 1995, 1996, and 1997. The WIFA also issued Water Quality Refunding Bonds in 1999, 2001, and 2004. The 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.

On September 8, 1999, the WIFA issued $64.000 million of Water Quality Refunding Bonds to advance refund all of the 1991A bonds, and part of the 1992A, 1995A, and 1996A bonds. Under the terms of the refunding issue, sufficient assets to pay all of the principal and interest on the refunded bonds have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with the interest earned thereon, will provide amounts sufficient for future debt service requirements of the refunded bonds. The amount outstanding on the refunded bonds as of June 30, 2005 is $17.275

million. These bonds have been defeased through advanced refunding and, therefore, the corresponding liability has been removed from the accompanying financial statements.

On April 7, 2004, the WIFA issued $97.100 million of Water Quality Refunding Bonds to do an advance refunding of part of the 1992, 1997A, 1998A, and 2001 bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest on the issues refunded. The amount outstanding on those bonds as of June 30, 2005 is $91.215 million. These bonds are fully defeased, and, therefore, the corresponding liability has been removed from the accompanying financial statements.

The net present value cash flow savings on issuing the refunding bonds at 3.213% bond yield was $3.120 million.

The $8.609 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. Annual amortization is $409 thousand and $173 thousand for Clean Water Revolving and Drinking Water Revolving Funds, respectively. Amortization has been offset against interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2005, is $1.681 million. Further, bond issuance costs are amortized over the life of the bond and offset to interest expense. The amortization for the year ended June 30, 2005, is $173 thousand.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2005 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2005
Component Units:				
Arizona Power Authority	2001-2004	2006-2018	5.0-5.25%	$ 57,520
University Medical Center	1993-2004	2006-2034	4.82-5.53%	97,245
Water Infrastructure Finance Authority	1992-2004	2006-2025	2.0-6.10%	405,675

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2005 are as follows (expressed in thousands):

	Annual Debt Service		
	Arizona Power Authority		
Fiscal Year	Principal	Interest	Total
2006	$ 2,560	$ 2,894	$ 5,454
2007	2,825	2,760	5,585
2008	3,120	2,611	5,731
2009	3,450	2,447	5,897
2010	3,815	2,265	6,080
2011-2015	24,010	7,927	31,937
2016-2020	17,740	1,429	19,169
Total	$ 57,520	$ 22,333	$ 79,853

	Annual Debt Service		
	University Medical Center		
Fiscal Year	Principal	Interest	Total
2006	$ 4,280	$ 4,876	$ 9,156
2007	3,835	4,689	8,524
2008	4,040	4,491	8,531
2009	4,145	4,289	8,434
2010	4,040	4,082	8,122
2011-2015	23,595	17,083	40,678
2016-2020	24,765	10,851	35,616
2021-2025	11,725	5,596	17,321
2026-2030	9,735	3,279	13,014
2031-2034	7,085	720	7,805
Total	$ 97,245	$ 59,956	$ 157,201

	Annual Debt Service		
	Water Infrastructure Finance Authority		
Fiscal Year	Principal	Interest	Total
2006	$ 28,515	$ 18,369	$ 46,884
2007	25,110	17,450	42,560
2008	23,025	16,482	39,507
2009	23,670	15,444	39,114
2010	22,120	14,416	36,536
2011-2015	116,705	54,661	171,366
2016-2020	100,855	27,513	128,368
2021-2025	65,675	5,827	71,502
Total	$ 405,675	$ 170,162	$ 575,837

D. 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, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year	Due Thereafter
Arizona Power Authority:						
Long-term Debt:						
Revenue bonds	$ 60,065	$ -	$ (2,545)	$ 57,520	$ 2,560	$ 54,960
Revenue bond premium (discount)	3,244	-	(391)	2,853	-	2,853
Deferred amounts, Net	(2,212)	-	266	(1,946)	-	(1,946)
Total Long-term Debt	61,097	-	(2,670)	58,427	2,560	55,867
Other Long-term Liabilities:						
Compensated absences	59	64	(59)	64	64	-
Total Other Long-term Liabilities	59	64	(59)	64	64	-
Total Long-term Obligations	$ 61,156	$ 64	$ (2,729)	$ 58,491	$ 2,624	$ 55,867
University Medical Center:						
Long-term Debt:						
Revenue bonds	$ 99,425	$ -	$ (2,180)	$ 97,245	$ 4,280	$ 92,965
Revenue bond premium	1,753	-	(315)	1,438	-	1,438
Revenue bond discount	(2,438)	-	193	(2,245)	-	(2,245)
Total Long-term Debt	98,740	-	(2,302)	96,438	4,280	92,158
Other Long-term Liabilities:						
Compensated absences	8,546	6,735	(5,818)	9,463	3,338	6,125
Other	859	3,564	-	4,423	-	4,423
Total Other Long-term Liabilities	9,405	10,299	(5,818)	13,886	3,338	10,548
Total Long-term Obligations	$ 108,145	$ 10,299	$ (8,120)	$ 110,324	$ 7,618	$ 102,706
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	$ 417,400	$ -	$ (11,725)	$ 405,675	$ 28,515	$ 377,160
Revenue bond premium	29,887	-	(1,681)	28,206	-	28,206
Deferred amounts, Net	(9,190)	-	582	(8,608)	-	(8,608)
Total Long-term Debt	438,097	-	(12,824)	425,273	28,515	396,758
Other Long-term Liabilities:						
Compensated absences	53	20	(47)	26	26	-
Total Other Long-term Liabilities	53	20	(47)	26	26	-
Total Long-term Obligations	$ 438,150	$ 20	$ (12,871)	$ 425,299	$ 28,541	$ 396,758

2. Universities-Affiliated Component Units

Bonds payable as of June 30, 2005 are summarized as follows (expressed in thousands):

	Final Maturity	Amount
ASU Foundation:		
Series 2003 Lease Revenue Term Bonds	2023	$ 20,400
Series 2003 Lease Revenue Term Bonds	2028	10,575
Series 2003 Lease Revenue Term Bonds	2034	16,625
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	12,075
ACFFC:		
Series 2005 Tax – Exempt Refunding Bonds	2035	16,005
Series 2004 Variable Rate Demand Revenue Bonds	2030	51,605
Series 2004A Variable Rate Demand Lease Revenue Bonds	2034	20,175
Series 2004B Variable Rate Demand Lease Revenue Bonds	2034	14,825
Series 2003 Serial and Term Bonds	2035	13,395
Series 2002 Bonds	2018	31,065
Series 2000 Serial and Term Bonds	2032	10,775
Unamortized bond premium		1,501
Campus Research Corporation:		
Series A Bonds	2013	7,912
Series B Bonds	2006	540
NACFFC:		
Variable Rate Demand Revenue Bonds, Series 2005	2033	35,910

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

Fiscal Year	ASU Foundation	ACFFC	NACFFC
2006	$ 385	$ 1,420	$ 105
2007	995	1,830	460
2008	1,035	1,945	355
2009	1,090	2,845	400
2010	1,135	4,540	455
Thereafter	77,455	146,766	34,135
Total	$ 82,095	$ 159,346	$ 35,910

G. ACCOUNTING CHANGES AND RESTATEMENTS

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

	Universities - Affiliated Component Units
Net assets as previously reported	$ 688,633
Prior period adjustment	(1,917)
Net assets as restated	$ 686,716

The ASU restated their component units' beginning net assets due to correcting an error in their financial statements for the ASU Research Park in the recording of advanced refunding cost made in 1996. As a result, beginning net assets was decreased by $1.941 million.

The U of A restated their component units' beginning net assets due to the exclusion of the Southern Arizona Capital Facilities Finance Corporation because it no longer met the significance criterion of GASB Statement No. 39. As a result, beginning net assets was increased by $743 thousand.

The NAU restated their component units' beginning net assets due to the exclusion by the NAU Foundation of three funds that the NAU Foundation was holding in custody for the NAU. These three funds were included in fiscal year 2004 determination of net assets for the NAU Foundation. As a result, beginning net assets was decreased by $719 thousand.

H. RELATED PARTY TRANSACTIONS

The UMC and the U of A both provide and receive services from each other under various contracts. Payments to the U of A by the UMC include resident and intern salaries, utilities, ground maintenance, mailroom operations and various administrative functions. Amounts paid to the U of A for these services were approximately $19.315 million for the year ended June 30, 2005.

The UMC has entered into contractual agreements with the U of A to provide support for the academic mission of the U of A. Charges to the U of A for such services and facilities provided by the UMC were approximately $9.600 million for the year ended June 30, 2005. These amounts are included in other operating revenue in the accompanying financial statements.

University Physicians Healthcare (UPH) is a not-for-profit corporation whose members are physicians employed by the U of A and who practice at the UMC. The UMC has agreements with the UPH whereby the UPH provides physician and other services to the UMC. The UMC also has an agreement to provide healthcare services to members of a health plan owned by the UPH. Net revenues include $9.066 million in 2005 from this payor, based on negotiated rates.

Effective July 1, 2003, the UMC became the region's sole Level I Trauma Center and entered into an arrangement with the UPH to pay trauma physician call pay. Funding for the physician call pay was derived primarily from funds designated by the State to cover trauma readiness costs. During 2005, amounts incurred for these services totaled $3.576 million. As of June 30, 2005, accrued expenses include approximately $440 thousand payable to the UPH for these services. These amounts were funded primarily by amounts the UMC received from the State of Arizona during fiscal year 2005.

I. SUBSEQUENT EVENTS

The MAV, a wholly-owned subsidiary of the ACFFC, was organized in May 2005 to provide assistance to the ASU by acquiring, constructing, developing and operating capital facilities to provide student housing, academic, tutorial, retail, and food service at the Tempe campus of the ASU. The final plans and specifications for the project have been completed and approved by the MAV and the ASU.

On July 1, 2005, the MAV entered into a ground lease with the ASU to develop, construct, and operate its project. The ground lease expires on the earlier of July 1, 2045 or the first date on which all monetary liens and encumbrances on the leasehold estate have been paid. Upon termination of the ground lease, the premises will become the sole property of the ASU. Also on July 1, 2005, the MAV entered into a lease with the ASU. Under this lease, the ASU will lease from the MAV, the academic portions of the project together with the food service and retail areas, and the related support areas. Any right, title, or interest of the MAV in and to the academic portions of the project will pass to the ASU without further cost upon the payment in full of the bonds by the MAV or the ASU and termination of the ground lease.

The MAV project is being developed by the ASU pursuant to a Development Agreement, dated July 1, 2005. Pursuant to the Development Agreement, the ASU coordinates and administers construction of the project. The MAV will pay the ASU certain fees from proceeds of the Series 2005 Bonds for providing such services. As construction of the MAV project is completed, the ASU will manage the residential portion of the project on behalf of the MAV pursuant to a year-to-year Management Agreement, dated July 1, 2005. The MAV will pay the ASU a fee of $50 thousand per year for providing such services.

On August 3, 2005, the MAV issued Variable Rate Demand Revenue Series 2005A and Series 2005B Bonds for $96.700 million and $48.300 million, respectively. Both the Series 2005A bonds and Series 2005B bonds are due at various intervals through July 1, 2045 and bear interest at weekly rates unless and until converted to the fixed rate mode. Interest is payable monthly commencing on September 1, 2005.

In November 2005, the UMC issued $140.000 million of Hospital Revenue Bonds (the Series 2005 Bonds). The Series 2005 Bonds were issued at a discount with an effective interest rate of 5.01%. These proceeds will be used to finance upcoming constructions projects and other capital needs of the UMC.

J. CONDENSED FINANCIAL STATEMENT INFORMATION

The following represents summary financial information for the State's component units for the year ended June 30, 2005. Component units conforming to GASB are presented separately from those component units conforming to FASB (expressed in thousands):

1. Component Units

Condensed Statement of Net Assets
Component Units
(Expressed in Thousands)

	Water Infrastructure Finance Authority	University Medical Center	Arizona Power Authority	Total
ASSETS				
Cash and investments	$ 215,828	$ 112,601	$ 14,786	$ 343,215
Loans & notes receivable	489,072	-	-	489,072
Capital assets, net of accumulated depreciation	12	105,155	212	105,379
Other assets	9,855	70,732	48,886	129,473
Total Assets	714,767	288,488	63,884	1,067,139
LIABILITIES				
Long-term debt	425,273	96,438	58,427	580,138
Other liabilities	7,091	65,029	2,702	74,822
Total Liabilities	432,364	161,467	61,129	654,960
NET ASSETS				
Invested in capital assets, net of related debt	12	19,854	212	20,078
Restricted	240,080	14,603	-	254,683
Unrestricted	42,311	92,564	2,543	137,418
Total Net Assets	$ 282,403	$ 127,021	$ 2,755	$ 412,179

Condensed Statement of Activities
Component Units
(Expressed in Thousands)

	Water Infrastructure Finance Authority	University Medical Center	Arizona Power Authority	Total
EXPENSES	$ 19,928	$ 354,885	$ 27,869	$ 402,682
PROGRAM REVENUES				
Charges for services	14,763	372,813	26,472	414,048
Operating grants and contributions	7,339	-	-	7,339
Net Revenue (Expense)	2,174	17,928	(1,397)	18,705
GENERAL REVENUES				
Unrestricted investment earnings	8,580	4,983	597	14,160
Miscellaneous	-	-	26	26
Total General Revenue	8,580	4,983	623	14,186
Change in Net Assets	10,754	22,911	(774)	32,891
Total Net Assets - Beginning	271,649	104,110	3,529	379,288
Total Net Assets - Ending	$ 282,403	$ 127,021	$ 2,755	$ 412,179

2. Universities-Affiliated Component Units

Condensed Statement of Financial Position
Universities-Affiliated Component Units
(Expressed in Thousands)

	ASU Foundation	U of A Foundation	ACFFC	Other Component Units	Total
ASSETS					
Cash and investments	$ 418,481	$ 334,638	$ 37,455	$ 113,896	$ 904,470
Property and equipment, net	16,691	1,687	106,540	39,824	164,742
Other assets	70,913	51,526	38,509	73,444	234,392
Total Assets	506,085	387,851	182,504	227,164	1,303,604
LIABILITIES					
Bonds payable	82,095	495	159,346	83,232	325,168
Other liabilities	100,968	22,988	29,539	38,025	191,520
Total Liabilities	183,063	23,483	188,885	121,257	516,688
NET ASSETS					
Permanently restricted	205,222	234,489	-	28,597	468,308
Temporarily restricted	91,959	121,858	-	50,670	264,487
Unrestricted	25,841	8,021	(6,381)	26,640	54,121
Total Net Assets	$ 323,022	$ 364,368	$ (6,381)	$ 105,907	$ 786,916

Condensed Statement of Activities
Universities-Affiliated Component Units
(Expressed in Thousands)

	ASU Foundation	U of A Foundation	ACFFC	Other Component Units	Total
REVENUES					
Contributions	$ 59,981	$ 64,354	$ -	$ 19,924	$ 144,259
Rental revenue	-	-	3,586	17,792	21,378
Net investment income	17,317	19,107	529	5,136	42,089
Other revenues	23,557	8,246	3,019	26,121	60,943
Total Revenues	100,855	91,707	7,134	68,973	268,669
EXPENSES					
Program services:					
Payments to Universities	30,355	19,787	-	6,488	56,630
Other program services	15,673	13,003	-	15,350	44,026
Personal services, operations, and administrative	4,351	4,004	1,860	13,715	23,930
Other expenses	10,465	3,109	6,837	20,573	40,984
Total Expenses	60,844	39,903	8,697	56,126	165,570
Extraordinary Items			(2,752)	(147)	(2,899)
Increase (Decrease) in Net Assets	40,011	51,804	(4,315)	12,700	100,200
Net Assets - Beginning, as restated	283,011	312,564	(2,066)	93,207	686,716
Net Assets - Ending	$ 323,022	$ 364,368	$ (6,381)	$ 105,907	$ 786,916

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

GENERAL FUND	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
General Accounting Office			
Capital Outlay - Cochise	$ 912,200	$ 912,200	$ 912,200
Capital Outlay - Coconino	355,700	355,700	355,700
Capital Outlay - Graham	509,500	509,500	509,500
Capital Outlay - Maricopa	10,372,200	10,372,200	10,372,200
Capital Outlay - Mohave	492,000	492,000	492,000
Capital Outlay - Navajo	586,300	586,300	586,300
Capital Outlay - Pima	3,297,800	3,297,800	3,297,800
Capital Outlay - Pinal	711,100	711,100	711,100
Capital Outlay - Yavapai	683,800	683,800	683,800
Capital Outlay - Yuma/La Paz	866,500	866,500	866,500
Equalization Aid - Cochise	3,151,300	3,151,300	3,151,300
Equalization Aid - Graham	9,588,000	9,588,000	9,588,000
Equalization Aid - Navajo	2,134,800	2,134,800	2,134,800
Equalization Aid - Yuma/La Paz	606,000	606,000	606,000
General Relief	0	105,725	105,725
Operating State Aid - Cochise	6,232,700	6,232,700	6,232,700
Operating State Aid - Coconino	3,025,000	3,025,000	3,025,000
Operating State Aid - Graham	5,252,400	5,252,400	5,252,400
Operating State Aid - Maricopa	51,290,500	51,290,500	51,290,500
Operating State Aid - Mohave	3,710,000	3,710,000	3,710,000
Operating State Aid - Navajo	4,412,300	4,412,300	4,412,300
Operating State Aid - Pima	19,593,500	19,593,500	19,593,500
Operating State Aid - Pinal	5,659,100	5,659,100	5,659,100
Operating State Aid - Yavapai	4,724,500	4,724,500	4,724,500
Operating State Aid - Yuma/La Paz	5,447,800	5,447,800	5,447,800
Provisional Community Colleges - Gila	325,000	325,000	325,000
Salary Adjustments	26,500,000	578,000	0
Woolsey Flood District	0	86,065	86,065
Department of Administration			
State Archives and History Building	400,000	400,000	400,000
Administrative Adjustments	0	145,415	145,415
Administrative Adjustments	0	125	125
Administrative Adjustments	0	98,535	98,535
Administrative Adjustments	0	2	2
Administrative Adjustments	0	572,685	572,685
Arizona Financial Information System	0	0	26
Arizona Financial Information System	927,500	939,800	749,734
Building Renewal FY00 - 01	49,445	66,699	28,655
Building Renewal FY01 - 02	2,154	2,154	0
Building Renewal FY02 - 03	473,761	566,935	558,632
Building Renewal FY03 - 04	2,302,183	2,175,673	1,459,483
Building Renewal FY04 - 05	3,500,000	2,977,500	1,414,041
Building Renewal FY97 - 98	2,103	2,103	0
Building Renewal FY98 - 99	6,848	6,848	6,848
Building Renewal FY98 - 99	5,906	5,906	3,562
Classification Pilot Program	122,454	122,454	0
Ensco	5,310,300	5,310,300	5,309,300
HB1464 Personnel Reform	273,045	273,045	0
HRMS Lapsing End of FY03	0	0	26
Human Resources Information Solution	2,294,700	2,294,700	2,294,700
On Call Pay Settlement Agreement	0	2,499,100	2,378,396
Operating Lump Sum Appropriation	17,567,000	17,884,700	17,450,191

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation	11,673,700	11,858,200	11,695,472
Operating Lump Sum Appropriation	1,078,500	1,109,000	1,011,863
Operating Lump Sum Appropriation	352,100	352,100	48,441
Operating Lump Sum Appropriation	5,031,900	5,134,900	4,282,164
PLTO 1 Backfill Agency Relocations FY01 - 02	4	4	0
PLTO 1 Backfill Agency Relocations FY02 - 03	325,183	325,183	80,417
PLTO 1 Backfill Space Renovations	126,078	126,078	19,676
PLTO 1 Backfill Space Renovations FY01 - 02	847	847	0
PLTO 1 Backfill Space Renovations FY02 - 03	336,702	336,702	(11,460)
PLTO 1 Project Management	146,756	146,756	2,061
PLTO 1 Project Management FY01 - 02	1	1	0
PLTO 1 Project Management FY02 - 03	55,659	55,659	0
Relocation FY00 - 01	60,000	60,000	0
Relocation FY01 - 02	59,866	59,866	0
Relocation FY02 - 03	59,775	59,775	0
Relocation FY03 - 04	54,569	54,569	29,436
Relocation FY04 - 05	60,000	60,000	0
Relocation FY99 - 00	46,526	46,526	0
State Boards Lump Sum Appropriation	283,000	287,600	231,775
State Surplus Property Sales Proceeds	3,000,000	3,000,000	1,779,561
Utilities	5,733,800	5,733,800	5,274,228
Radiation Regulatory Agency			
Off Site Nuclear Emergency Response Plan	0	451,600	451,600
Operating Lump Sum Appropriation	1,078,000	1,105,600	1,088,402
Office of Equal Opportunity			
Governor's Office of Equal Opportunity	216,300	220,900	220,826
Attorney General			
Administrative Adjustments	0	11,454	11,454
Crane Elementary School Case	69,607	69,607	36,185
Military Installation/Planning	0	100,000	71,306
Operating Lump Sum Appropriation	22,891,300	23,188,400	23,169,877
Operating Lump Sum Appropriation	18,004,400	18,273,300	17,704,213
Property Tax Supplemental	301	301	0
State Grand Jury	160,100	160,100	160,046
Department of Agriculture			
Administrative Adjustments	0	10,969	10,969
Agricultural Employment Relations Board	23,300	23,300	10,000
Animal Damage Control	65,000	65,000	65,000
Operating Lump Sum Appropriation	10,005,500	10,226,100	10,178,560
Red Imported Fire Ant	23,200	23,200	23,200
Arizona State University			
East Campus - Operating Lump Sum Appropriation	12,729,900	13,040,200	13,040,200
Main Campus - Operating Lump Sum Appropriation	276,040,500	282,510,500	282,510,500
West Campus - Operating Lump Sum Appropriation	39,575,400	40,323,100	40,323,100
Auditor General			
Operating Lump Sum Appropriation FY00-01	387,692	387,692	22,199
Operating Lump Sum Appropriation FY01-02	233,944	233,944	0
Operating Lump Sum Appropriation FY02-03	293,810	293,810	480
Operating Lump Sum Appropriation FY03-04	489,384	489,384	113,720
Operating Lump Sum Appropriation FY04-05	11,543,900	11,747,500	11,341,613
Operating Lump Sum Appropriation FY99-00	230,000	230,000	230,000
Banking Department			
Administrative Adjustments	0	1,263	1,263
Operating Lump Sum Appropriation	2,836,400	2,891,700	2,856,834

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Board of Nursing			
Fingerprinting Nursing Assistants	90,198	90,198	0
Operating Lump Sum Appropriation	135,200	136,400	136,400
Board of Regents			
Administrative Adjustments	0	862,829	862,829
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Operating Lump Sum Appropriation	2,103,100	2,135,000	885,102
Student Financial Aid Trust Fund	2,251,200	2,251,200	2,251,200
University Pay Plan	16,100,000	0	0
Western Interstate Commission Office	103,000	105,000	105,000
WICHE Student Subsidies	2,908,100	2,906,100	2,871,119
Corporation Commission			
Administrative Adjustments	0	23,944	23,944
Operating Lump Sum Appropriation	4,849,500	4,953,400	4,947,943
Operating Lump Sum Appropriation	39,500	40,700	40,683
Railroad Warning Systems FY00 - 01	88,586	88,586	88,586
Railroad Warning Systems FY99 - 00	102,000	102,000	54,490
Court of Appeals Division I			
Division I - Operating Lump Sum Appropriation	7,591,400	7,685,700	7,681,247
State Board for Charter Schools			
Administrative Adjustments	0	2,298	2,298
Operating Lump Sum Appropriation	691,200	702,700	691,512
Court of Appeals Division II			
Division II - Operating Lump Sum Appropriation	3,314,400	3,347,300	3,347,179
Department of Corrections			
Administrative Adjustments	0	2,098,302	2,098,302
ASPC - Lewis Repair Shower FY00 - 01	20,000	0	0
Employee Compensatory Leave Payout	0	7,500,000	7,499,446
Operating Lump Sum Appropriation	617,703,800	629,113,900	624,707,037
Operating Lump Sum Appropriation	1,541,800	1,541,800	1,356,869
Department of Economic Security			
ADM Attorney General Legal Services	309,600	314,100	314,100
ADM Attorney General Legal Services	141,300	141,300	60,799
ADM Finger Imaging	488,900	490,300	490,300
ADM Finger Imaging	289,900	89,900	24,672
ADM High Performance Bonus	33,335	33,335	5,476
ADM Lease Purchase Equipment	1,602,700	1,602,700	1,602,700
ADM Lease-Purchase Equipment	645,000	645,000	206,052
ADM Operating Lump Sum Appropriation	26,592,100	27,462,200	27,196,198
ADM Operating Lump Sum Appropriation	4,333,800	4,333,800	3,497,459
ADM Operating Lump Sum Appropriation	1,049,300	1,053,200	1,032,642
ADM Public Assistance Collections	177,800	177,800	60,966
ADM Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
ADM Tri-Agency Disaster Recovery	742,300	742,300	381,084
ADM Workforce Investment Act Operating Lump Sum	0	500,000	0
Administrative Adjustments	0	5,673,568	5,673,568
Administrative Adjustments	0	30,053,996	30,053,996
Administrative Adjustments	0	89,899	89,899
Administrative Adjustments	0	1,019,600	1,019,600
Administrative Adjustments	0	9,773,081	9,773,081
Attorney General Legal Services	15,300	15,400	6,322
Coolidge Environmental Impact Study	4,948	4,948	0
DACS Adult Services	11,339,800	11,339,800	10,291,859
DACS Community and Emergency Services	5,424,900	5,424,900	4,127,254

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DACS Coordinated Homeless Program	1,155,400	1,155,400	1,121,017
DACS Coordinated Homeless Program	1,649,500	1,649,500	1,393,314
DACS Coordinated Hunger Program	1,286,600	1,286,600	1,257,205
DACS Coordinated Hunger Program	500,000	500,000	442,260
DACS Domestic Violence Prevention	2,507,900	2,507,900	2,188,505
DACS Domestic Violence Prevention	5,120,700	5,120,700	3,861,283
DACS Hopi Senior Center - Kykotsmovi	22,097	22,097	0
DACS Information and Referral	115,400	115,400	115,400
DACS Marriage and Communication Skills	166,857	166,857	136,384
DACS Marriage Handbook	809	809	84
DACS Marriage Skills Training	22,960	22,960	12,712
DACS Navajo Senior Centers - Birdsprings	65,000	65,000	0
DACS Navajo Senior Centers - Chilchenbento	45,000	45,000	0
DACS Navajo Senior Centers - Chinle	10,000	10,000	0
DACS Navajo Senior Centers - Dilcon	30,000	30,000	0
DACS Navajo Senior Centers - Fort Defiance	65,000	65,000	55,993
DACS Navajo Senior Centers - St Michael's	1,961	1,961	0
DACS Navajo Senior Centers - White Cone	30,000	30,000	0
DACS Navajo Senior Centers Services	25,000	25,000	0
DACS Operating Lump Sum Appropriation	4,847,000	4,923,200	4,922,509
DACS TANF Operating Lump Sum Appropriation	213,400	213,400	98,587
DACS TANF Short-Term Crisis Services FY00 - 01	47,817	47,817	0
DACS TANF Short-Term Crisis Services FY99 - 00	2	2	0
DACS Tribal Senior Centers - Navajo	415,185	415,185	415,185
Day Care Subsidy	61,866,900	57,866,900	57,137,058
DBME General Assistance	4,260,800	3,960,800	3,917,351
DBME Operating Lump Sum Appropriation	22,122,400	22,495,800	22,495,800
DBME Operating Lump Sum Appropriation	9,024,500	12,024,500	8,972,703
DBME TANF Cash Benefits	64,378,600	64,378,600	62,796,108
DBME TANF Cash Benefits	103,856,800	91,856,800	91,158,456
DBME TANF FLSA Supplemental	1,008,900	608,900	517,053
DBME Tribal Pass-Through Funding	4,288,700	4,288,700	3,802,536
DBME Tuberculosis Control	32,200	32,200	28,924
DCSE Attorney General Legal Services	325,400	482,460	482,460
DCSE Attorney General Legal Services	6,893,900	7,387,500	5,983,962
DCSE Central Payment Processing	444,700	444,700	444,700
DCSE Central Payment Processing	3,275,700	3,275,700	1,771,707
DCSE County Participation	6,845,200	6,845,200	5,053,758
DCSE Genetic Testing	72,400	42,400	42,400
DCSE Genetic Testing	723,600	663,600	280,984
DCSE Operating Lump Sum Appropriation	4,337,500	4,244,740	4,214,740
DCSE Operating Lump Sum Appropriation	34,834,900	34,707,500	26,983,200
DCYF Adoption Services	20,760,700	18,460,700	18,460,700
DCYF Adoption Services	5,186,100	8,986,100	5,186,100
DCYF Attorney General Legal Services	8,200,600	8,098,900	8,098,900
DCYF Attorney General Legal Services	48,700	48,700	48,700
DCYF Children Services	42,140,600	62,740,700	62,740,700
DCYF Children Services	9,412,100	8,112,100	6,073,614
DCYF Comprehensive Medical and Dental Program	2,057,000	2,057,000	2,057,000
DCYF CPS Appeals	628,900	639,200	639,200
DCYF CPS Substance Abuse Treatment	224,500	224,500	224,500
DCYF Family Builders TANF	5,200,000	4,500,000	3,139,404
DCYF Healthy Families	8,715,800	3,915,800	3,915,800
DCYF Healthy Families	5,034,200	5,034,200	0

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCYF Homeless Youth Intervention	400,000	400,000	226,750
DCYF Intensive Family Services	1,985,600	1,985,600	1,985,600
DCYF Joint Substance Abuse Treatment-GF	3,000,000	3,000,000	2,787,702
DCYF Operating Lump Sum Appropriation	43,742,900	33,620,800	33,620,800
DCYF Operating Lump Sum Appropriation	20,267,100	29,167,100	26,547,080
DCYF Permanent Guardianship Subsidy	2,144,500	2,144,500	2,113,898
DCYF Permanent Guardianship Subsidy	859,300	1,759,300	859,000
DCYF Residential Drug Treatment FY03 - 04	350,000	350,000	0
DCYF Residential Drug Treatment FY04 - 05	0	250,000	0
DCYF Substance Abuse Treatment	2,000,000	2,000,000	1,699,305
DCYF TANF to SSBG	22,613,100	22,613,100	17,186,189
DDD Arizona Training Program at Coolidge	2,961,000	600,400	595,100
DDD Case Management	3,837,300	3,899,000	3,500,000
DDD Home and Community Based Services	30,761,800	30,809,400	26,469,694
DDD Home and Community Based Services	848,100	848,100	0
DDD Institutional Services	294,900	150,000	139,455
DDD Institutional Services	0	0	106
DDD Operating Lump Sum Appropriation	3,620,400	3,681,600	3,441,600
DDD State Funded Long Term Care Services	21,034,000	21,036,300	18,949,485
DDD Training Program at Coolidge	2,390,500	2,455,000	6,715
DERS Child Care Sliding Fee Scales	2,676,118	2,676,118	1,600,000
DERS Daycare Subsidy	75,032,900	75,032,900	75,032,900
DERS Independent Living Rehabilitation Services	784,200	784,200	681,896
DERS Job Search Stipends	30,000	30,000	30,000
DERS Jobs	2,000,000	2,000,000	0
DERS Jobs	17,316,600	15,316,600	12,633,983
DERS Jobs	1,793,500	1,793,500	1,793,500
DERS Operating Lump Sum Appropriation	6,251,700	6,318,900	6,318,900
DERS Operating Lump Sum Appropriation	4,893,200	4,893,200	4,328,884
DERS Operating Lump Sum Appropriation	8,425,100	8,627,700	8,627,604
DERS Operating Lump Sum Appropriation	2,063,300	2,120,900	2,120,900
DERS Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
DERS Summer Youth Program	32,446	32,446	0
DERS TANF Day Care Subsidy	620,300	620,300	0
DERS Vocational Rehabilitation Services	3,285,100	3,585,100	3,285,100
DERS Work Related Transportation	302,200	302,200	292,692
DERS Workforce Investment Act Discretionary	4,881,000	4,556,000	1,958,283
DERS Workforce Investment Act Operating Lump Sum	1,952,200	1,990,200	0
DERS Workforce Investment Act Programs	45,088,100	44,913,100	40,753,049
LTC Arizona Training Program at Coolidge	3,752,000	3,848,500	3,848,500
LTC Arizona Training Program at Coolidge	11,304,400	15,650,900	0
LTC Case Management	9,452,000	9,574,400	9,574,400
LTC Case Management	28,237,300	25,359,700	0
LTC Home and Community Based Services	136,831,900	136,850,200	136,850,200
LTC Home and Community Based Services	419,832,500	412,850,800	0
LTC Institutional Services	5,053,900	5,068,300	5,068,300
LTC Institutional Services	15,297,700	14,062,100	0
LTC Medical Services	26,555,000	26,559,900	26,559,900
LTC Medical Services	82,633,500	87,638,400	0
LTC Operating Lump Sum Appropriation	8,934,600	8,862,400	8,862,400
LTC Operating Lump Sum Appropriation	26,995,300	28,923,100	0
State Funded LTC Services	762,900	762,900	761,659
Statewide Bldg Renewal FY03 - 04	37,015	148,015	148,015
Statewide Bldg Renewal FY04 - 05	0	94,000	94,000

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Statewide Building Renewal FY92 - 93	20	20	0
Transitional Child Care	32,911,900	36,911,900	33,373,598
Department of Juvenile Corrections			
Administrative Adjustments	0	430,723	430,723
Adobe Mountain Campus Health Facility Upgrades	0	646,000	646,000
Building Renewal FY91 - 92	39	39	0
Building Renewal FY94 - 95	3,794	3,794	0
DOA Building Renewal - Restore Fire Pump-Cms	0	40,000	5,237
Operating Lump Sum Appropriation	67,774,300	67,946,000	67,549,073
Operating Lump Sum Appropriation	2,683,700	2,736,600	2,716,215
Department of Transportation			
Operating Lump Sum Appropriation	69,400	71,700	71,699
Department of Education			
Accountability Measures	50	50	0
Achievement Testing	7,565,978	17,568,878	12,267,583
Additional State Aid to Schools	296,669,700	286,274,330	279,818,010
Administrative Adjustments	0	5,504,049	5,504,049
Adult Education Assistance	4,439,917	4,443,817	4,443,817
AIMS Intervention and Dropout Prevention Program	550,000	550,000	550,000
Arizona Teacher Evaluation	193,700	195,700	183,041
Assistance to School Districts for Children of State Employees	99,500	100,507	100,507
Basic Aid and Additional State Aid Entitlement	0	191,293,800	191,293,800
Basic State Aid Entitlement	2,564,461,100	2,564,461,100	2,528,800,466
Certificates of Educational Convenience	269,900	664,263	663,387
Chemical Abuse	797,578	800,478	714,950
English Learner Classroom Bonus Fund FY04 - 05	0	3,060,000	3,060,000
English Learner FY02 - 03	202,272	202,272	199,883
English Learner FY03 - 04	159,073	159,073	156,439
English Learner FY04 - 05	0	322,422	59,451
English Learner Instruction FY02 - 03	272,588	272,588	0
English Learner Instruction FY03 - 04	1,015,107	1,015,107	1,010,961
English Learner Instruction FY04 - 05	0	5,500,000	4,456,215
English Learner Materials and Supplies FY03 - 04	385,436	385,436	276,511
English Learner Materials and Supplies FY04 - 05	0	1,500,000	1,105,359
English Learner Pilot FY03 - 04	202	202	202
English Learner Pilot FY04 - 05	0	750,000	736,490
English Learner Teacher FY02 - 03	4,500,000	4,500,000	0
English Learner Teacher FY03 - 04	4,453,299	4,453,299	(46,411)
English Learner Teacher FY04 - 05	0	4,500,000	(291)
Extended School Year	500,000	500,000	404,258
Family Literacy Program FY04 - 05	1,002,529	1,003,429	993,323
Family Literacy Program FY98 - 99	1,373	1,373	0
Full-Day Kindergarten	0	21,000,000	21,000,000
Gifted Support	1,302,248	1,304,248	1,180,359
Operating Lump Sum Appropriation	596,148	603,148	586,958
Operating Lump Sum Appropriation	6,573,709	6,671,109	6,625,417
Optional Performance Incentive Programs	120,000	120,000	0
Parental Choice for Reading Success	1,000,000	1,000,000	938,333
Residential Placement	10,000	10,000	10,000
School Accountability Fund	18,400	18,400	72
School Report Cards	440,378	443,278	287,827
School Safety Program	0	0	(2,810)
School Safety Program FY01 - 02	7,461	7,461	5,418
School Safety Program FY02 - 03	50,798	50,798	(16,686)

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

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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
School Safety Program FY03 - 04	1,656,577	1,656,577	1,571,410
School Safety Program FY04 - 05	6,701,978	6,704,878	4,416,442
Small Pass-Through Programs	581,600	581,600	581,600
Special Education Audit	291,563	293,963	154,246
Special Education Fund	31,093,029	31,093,929	31,093,929
State Block Grant for Early Childhood Education	19,410,603	19,415,603	19,372,745
State Block Grant for Vocational Education	11,167,755	11,199,055	11,199,026
Teacher Certification	1,123,200	1,147,300	1,147,300
Unorganized Territories Transportation	0	600,000	600,000
Vocational Education Extended Year	600,000	600,000	452,764
Department of Commerce			
Agriculture Preservation District	32,514	32,514	0
Apprenticeship Services Office	156,000	158,700	153,333
International Trade Offices	334,200	334,200	331,355
Military Installation Contracts	0	4,825,000	4,825,000
Military Installation Fund - Operating	0	75,000	50,170
Motion Picture Development	291,100	296,500	252,803
NAFTA Agreement Projects	37,777	37,777	0
NAFTA Projects-Initial Phase	19,874	19,874	0
Operating Lump Sum Appropriation	2,826,000	2,879,700	2,727,148
Operating Lump Sum Appropriation	121,000	122,700	98,323
Rural Economic Development	295,400	295,400	244,518
Board of Tax Equalization			
Operating Lump Sum Appropriation	548,600	556,700	552,640
Department of Environmental Quality			
Administrative Adjustments	0	833	833
Administrative Adjustments	0	141,515	141,515
Aquifer Protection Permit Program	756,100	756,100	754,858
Operating Lump Sum Appropriation	9,742,500	9,940,900	9,937,583
Operating Lump Sum Appropriation	11,724,500	11,852,700	1,942,737
Water Infrastructure Finance Authority	2,445,100	2,445,100	2,445,100
Geological Survey			
Operating Lump Sum Appropriation	782,600	796,700	796,588
Government Information Technology Agency			
Operating Lump Sum Appropriation	2,521,700	2,545,900	2,214,117
Governor's Office			
Administrative Adjustments	0	418	418
Arizona - Sonora Study Implementation FY00-01	5,200	5,200	0
Border Volunteer Corps FY94-95	34,705	34,705	0
Border Volunteer Corps FY95-96	65,374	65,374	0
Governor's Office of Strategic Planning and Budgeting	1,696,100	1,721,400	1,720,720
Governor's Telecommunication	504	504	0
Office of Sonora	7,783	7,783	0
Operating Lump Sum Appropriation FY00-01	1	1	0
Operating Lump Sum Appropriation FY01-02	162,392	162,392	129,375
Operating Lump Sum Appropriation FY02-03	228,583	228,583	32,225
Operating Lump Sum Appropriation FY03-04	115,976	115,976	14,965
Operating Lump Sum Appropriation FY04-05	6,054,100	6,127,700	6,041,494
Operating Lump Sum Appropriation FY99-00	1,014	1,014	1,014
Arizona Health Care Cost Containment System			
Administrative Adjustments	0	1,279,825	1,279,825
Administrative Adjustments	0	22,005,541	22,005,541
Administrative Adjustments	0	1,583,351	1,583,351
Administrative Adjustments	0	18,351,063	18,351,063

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

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STATE OF ARIZONA
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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Board of Nursing	209,700	339,200	339,200
Breast and Cervical Cancer Treatment Fed Administration	52,730	52,730	0
Breast and Cervical Cancer Treatment Fed Program	745,860	745,860	0
Breast and Cervical Cancer Treatment Program FY01 - 02	73	73	0
Breast and Cervical Cancer Treatment Program FY04 - 05	96,900	191,900	147,222
Breast and Cervical Cancer Treatment State Program	327,600	597,600	498,451
Capitation	370,821,600	410,295,485	404,280,879
Capitation	1,111,955,100	1,202,832,100	1,200,025,021
CHIP - Parents	6,882,100	7,050,200	6,950,799
CHIP - Services	15,890,700	16,038,500	15,861,277
Critical Access Hospitals	554,200	553,350	553,350
Critical Access Hospitals	1,145,800	1,146,650	1,146,650
DES Eligibility	20,996,100	23,539,600	18,495,015
DES Eligibility	23,841,900	24,392,500	23,077,644
DES Title XIX Pass Though	134,200	136,500	134,614
DES Title XIX Pass Through	179,100	181,700	156,062
Disproportionate Share Payments	46,428,000	46,336,553	37,825,476
Disproportionate Share Payments	95,369,400	96,018,448	78,381,824
DOA Data Center Charges	1,724,700	1,724,700	1,720,426
DOA Data Center Charges	3,992,800	3,992,800	3,987,184
Fee for Service	77,780,200	76,800,200	76,155,982
Fee for Service	166,019	166,019	166,019
Fee For Service FY04 - 05	311,642,100	307,246,250	303,652,851
Fee For Service FY99 - 00	468,147	468,147	468,147
Graduate Medical Education	6,883,500	6,883,512	6,883,511
Graduate Medical Education	14,264,000	14,264,000	14,263,989
Health Care Group	4,000,000	4,000,000	585,580
Indian Advisory Council	100,800	102,800	84,558
Indian Advisory Council	101,500	103,600	76,896
Kidscare Administration	1,864,600	1,893,700	1,893,700
Long Term Care Program Lump Sum Appropriation	7,446,500	7,446,500	7,446,500
Medicare Premiums	14,520,700	16,590,700	16,582,854
Medicare Premiums	38,746,500	41,671,500	41,518,339
Mental Health - Adults FY91 - 92	45,368	45,368	0
Office of Administrative Hearings	191,900	255,300	202,682
Operating Lump Sum Appropriation	25,546,700	28,554,400	28,150,254
Operating Lump Sum Appropriation	71,614,900	71,614,900	71,614,900
Operating Lump Sum Appropriation	35,929,900	36,178,100	34,494,730
Operating Lump Sum Appropriation	814,045,100	813,915,600	772,776,907
Proposition 204 - Admin Oper 100% Fpl Expansion	4,887,700	6,604,000	5,915,489
Proposition 204 - Administration	5,566,700	5,566,700	5,566,700
Proposition 204 - Capitation	170,590,000	180,615,800	168,530,109
Proposition 204 - Capitation	618,720,000	677,089,000	669,763,173
Proposition 204 - Capitation	30,068,200	30,068,200	30,068,200
Proposition 204 - Capitation	43,494,600	43,494,600	43,494,600
Proposition 204 - Fee-For-Service	121,250,700	113,209,252	105,555,262
Proposition 204 - Fee-For-Service	24,173,600	21,873,600	21,873,600
Proposition 204 - Medicare Premiums	9,322,000	12,772,000	12,501,310
Proposition 204 - Pass Through Admin	13,487,100	13,866,000	12,124,449
Proposition 204 Admin Oper 100% Fpl Expansion	4,887,800	4,294,900	4,294,900
Proposition 204 Fee-For-Service	3,500,000	4,000,000	3,997,441
Proposition 204 Pass Through Admin	13,245,000	11,618,500	10,571,719
Ticket To Work	1,280,100	1,295,100	1,289,525
Ticket To Work	2,647,700	2,647,700	2,512,196

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Office of Administrative Hearings			
Operating Lump Sum Appropriation	1,086,900	1,104,200	1,104,200
Operating Lump Sum Appropriation	13,900	13,900	13,900
Historical Society			
Field Services And Grants	80,000	80,000	79,398
Operating Lump Sum Appropriation	1,909,000	1,957,000	1,956,880
Papago Park Museum	1,407,600	1,425,100	1,425,096
Papago Park Museum	193,700	193,700	193,700
House of Representatives			
Operating Lump Sum Appropriation FY00-01	854,254	854,254	997
Operating Lump Sum Appropriation FY01-02	426,822	426,822	1,810
Operating Lump Sum Appropriation FY02-03	842,887	842,887	1,140
Operating Lump Sum Appropriation FY03-04	616,410	616,410	23,013
Operating Lump Sum Appropriation FY04-05	11,710,500	11,955,500	10,917,379
Operating Lump Sum Appropriation FY98-99	2,462	2,462	2,462
Operating Lump Sum Appropriation FY99-00	360,375	360,375	347
Department of Health Services			
90/91 Environmental Assessment Phoenix	8,849	8,849	0
Administrative Adjustments	0	1,505,361	1,505,361
Administrative Adjustments	0	17,988	17,988
Administrative Adjustments	0	17,779	17,779
Adult Cystic Fibrosis	105,200	105,200	105,200
Adult Sickle Cell Anemia	33,000	33,000	33,000
AHCCCS-Children's Rehabilitative Services	13,975,400	13,975,400	13,975,400
AHCCCS-Children's Rehabilitative Services	28,897,200	28,897,200	0
AIDS Reporting and Surveillance	1,125,000	1,125,000	1,057,807
Arizona State Hospital Accreditation	3,140	3,140	0
Arizona State Hospital Corrective Action Plan	0	1,281,400	883,340
Arnold v. Sarn	27,500,000	27,500,000	27,488,099
Arnold v. Sarn	10,338,700	10,338,700	0
ASH Condensate Receiver	4,700	4,700	0
Assurance and Licensure	7,613,500	7,767,000	7,498,136
Assurance and Licensure	708,400	721,100	658,341
Assurance and Licensure	772,200	772,200	0
Attorney General Legal Services	362,800	362,800	362,800
Breast and Cervical Cancer Screening	887,000	887,000	687,330
Building Renewal - Tucson FY00 - 01	6,109	6,109	0
Building Renewal - Tucson FY02 - 03	78,900	78,900	0
Building Renewal - Tucson FY98 - 99	2,221	2,221	0
Building Renewal - Tucson FY99 - 00	37,168	37,168	0
Building Renewal FY91 - 92	3,548	3,548	0
Building Renewal FY96 - 97	30	30	0
CBH State Match Title XIX Supplemental	0	12,408,800	12,408,800
CBH State Match Title XIX Supplemental	0	32,735,100	0
Children's Behavioral Health Services	9,351,800	9,351,800	9,351,799
Children's Behavioral Health State Match for Title XIX	64,727,100	64,727,100	64,727,100
Children's Behavioral Health State Match For Title XIX FY00 - 01	833,545	833,545	572,904
Children's Behavioral Health State Match For Title XIX	139,169,100	139,169,100	0
Children's Rehabilitative Services	3,587,000	3,587,000	3,587,000
Cholla - Sexual Predator	11,655	11,655	0
Community Health Centers	10,403,200	10,412,300	9,930,918
Community Placement Treatment	5,574,100	5,574,100	5,574,100
Community Placement Treatment	1,130,700	1,130,700	1,130,700
County Nutrition Services	330,300	330,300	265,474

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

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
County Prenatal Services Grant	1,148,500	1,148,500	803,950
County Public Health	200,000	200,000	200,000
Court Monitoring	197,500	224,000	224,000
Diabetes Prevention Control	100,000	100,000	75,394
Direct Grants	460,300	460,300	460,300
General Fund Transfer 2nd Regular Session Chapter 275	2,000,000	2,000,000	2,000,000
Health Start	226,600	226,600	0
Hearing and Speech Professionals	0	260,000	114,994
Hearing and Speech Professionals Regulation	66,012	66,012	3,768
Hepatitis C Surveillance	354,600	360,900	322,554
High Risk Prenatal Services	3,180,600	3,180,600	2,427,174
Indirect Cost Fund	6,954,100	7,053,800	5,384,257
Indirect Costs AHCCCS - CRS	350,000	350,000	244,502
Kidney Program	50,500	50,500	50,500
Laboratory Services	2,985,100	3,041,900	2,926,131
Loan Repayment Services	150,000	150,000	28,857
Medicaid Spec Exam State Supplemental	0	1,117,800	0
Medicaid Special Exemption Payment State Supplemental	0	364,300	364,300
Medicaid Special Exemption Payments	4,192,700	4,192,700	4,192,700
Medicaid Special Exemption Payments	305,500	305,500	305,500
Medicaid Special Exemption Payments BHS	8,669,300	8,669,300	0
Medicaid Special Exemption Payments CFHS	631,700	631,700	0
Mental Health - Non-Title XIX	2,447,300	2,447,300	2,447,300
Mental Health and Substance Abuse State Match	22,678,900	22,678,900	22,678,900
Mental Hlth & Subst Abuse St Match Title XIX	46,893,800	46,893,800	0
Operating Lump Sum Appropriation	13,758,500	13,921,200	13,535,563
Operating Lump Sum Appropriation	5,633,800	5,755,400	5,598,919
Operating Lump Sum Appropriation	3,226,500	3,291,700	3,053,858
Operating Lump Sum Appropriation	4,045,700	3,989,200	3,899,565
Operating Lump Sum Appropriation	35,466,300	36,505,400	36,173,991
Operating Lump Sum Appropriation	1,576,200	1,576,200	1,534,393
Operating Lump Sum Appropriation	7,169,300	7,169,300	7,124,869
Operating Lump Sum Appropriation	1,910,500	1,910,500	0
Operating Lump Sum Appropriation	4,263,200	4,263,200	0
Proposition 204 Administration State Match	1,997,100	1,997,100	1,997,100
Proposition 204 Administration Title XIX Match	4,129,400	4,129,400	0
Proposition 204 Children's Behavior Health State Match	394,700	394,700	394,700
Proposition 204 Children's Title XIX Match	2,037,400	2,037,400	0
Proposition 204 Mental Health and Substance Abuse State Match	8,717,200	8,717,200	8,717,200
Proposition 204 MH/SA Title XIX Match	52,992,800	52,992,800	0
Proposition 204 Seriously Mentally Ill State Match	5,562,100	5,562,100	5,562,100
Proposition 204 Seriously Mentally Ill Title XIX Match	118,912,600	118,912,600	0
Reimbursement to Counties	67,900	67,900	67,900
Renal and Non-Renal Disease Management	468,000	468,000	450,000
Seriously Emotionally Handicapped Child	500,000	500,000	26,015
Seriously Mentally Ill Non-Title XIX	61,116,700	61,116,700	60,991,014
Seriously Mentally Ill State Match for Title XIX	88,043,100	88,043,100	0
Seriously Mentally Ill State Match for Title XIX	13,153,100	13,153,100	13,153,100
Sexually Transmitted Diseases Control	26,300	26,300	23,668
Sexually Violent Persons	9,786,500	9,999,100	9,526,128
SMI-MH-SA-P204 State T19 Supplemental	0	34,138,800	0
SMI-MH-SA-P204 State T19 Supplemental	0	8,772,900	8,772,900
Statewide Immunization Information System	454,600	460,900	457,132
Substance Abuse - Non-Title XIX	12,135,400	12,135,400	12,135,400

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

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TANF Prenatal Services FY99 - 00	46,969	46,969	0
Telemedicine	260,000	260,000	204,140
Tuberculosis Provider Care and Control	1,010,500	1,010,500	700,750
Vaccines	3,784,300	3,784,300	3,780,515
Vaccines	576,600	576,600	575,959
Vital Records	37,860	37,860	12,335
Commission on the Arts			
Administrative Adjustments	0	2,000,000	2,000,000
Arts Endowment Fund	2,000,000	2,000,000	2,000,000
Community Service Projects	1,263,100	1,263,100	1,263,100
Operating Lump Sum Appropriation	541,900	555,100	555,100
Indian Affairs Commission			
Administrative Adjustments	0	3,277	3,277
Operating Lump Sum Appropriation	201,600	205,100	203,348
Occupational Safety and Health Review Board			
Employee Related Expenditures FY01 - 02	75	75	0
Operating Lump Sum Appropriation FY00 - 01	1,000	1,000	0
Operating Lump Sum Appropriation FY01 - 02	6,947	6,947	0
Operating Lump Sum Appropriation FY02 - 03	4,800	4,800	0
Operating Lump Sum Appropriation FY03 - 04	4,800	4,800	0
Operating Lump Sum Appropriation FY04 - 05	4,800	4,800	0
Operating Lump Sum Appropriation FY98 - 99	8,051	8,051	2,028
Operating Lump Sum Appropriation FY99 - 00	1,000	1,000	0
Personal Services FY91 - 92	53	53	0
Insurance Department			
Administrative Adjustments	0	21,233	21,233
Managed Care and Dental Plan Oversight	517,000	526,400	497,651
Operating Lump Sum Appropriation	5,758,900	5,867,200	5,848,242
Arizona Criminal Justice Commission			
Administrative Adjustments	0	234,727	234,727
Operating Lump Sum Appropriation	994,200	994,200	829,235
Rural State Aid to County Attorneys	157,700	157,700	157,700
Rural State Aid to Indigent Defense	150,100	150,100	150,100
Joint Legislative Budget Committee			
Operating Lump Sum Appropriation FY03-04	1,330,187	1,330,187	1,330,187
Operating Lump Sum Appropriation FY04-05	2,165,400	2,201,100	677,819
Department of Library, Archives and Public Records			
Grants-In-Aid FY01 - 02	1,343	1,343	0
Grants-In-Aid FY02 - 03	54,400	54,400	50,000
Grants-In-Aid FY03 - 04	88,857	88,857	22,476
Grants-In-Aid FY04 - 05	651,400	651,400	536,000
Operating Lump Sum Appropriation	663,000	672,200	535,188
Operating Lump Sum Appropriation FY00-01	135,650	135,650	97,630
Operating Lump Sum Appropriation FY01-02	89,146	89,146	16,228
Operating Lump Sum Appropriation FY03-04	169,428	169,428	159,941
Operating Lump Sum Appropriation FY04-05	5,856,000	5,975,700	5,918,858
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Legislative Council			
Juvenile Study	19,520	19,520	0
Ombudsman Citizens Aid Office FY03 - 04	34,938	34,938	34,938
Ombudsman Citizens Aid Office FY04 - 05	363,400	363,400	347,241
Ombudsman FY93 - 94	43,000	43,000	0
Ombudsman FY94 - 95	95,169	95,169	0
Operating Lump Sum Appropriation FY00-01	180,329	180,329	21,348

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, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation FY03-04	279,617	279,617	279,617
Operating Lump Sum Appropriation FY04-05	4,210,000	4,265,000	3,939,884
Operating Lump Sum Appropriation FY99-00	886,420	886,420	0
School Maintenance and Operations	214,221	214,221	0
Land Department			
Cap User Fees	1,026,400	1,026,400	1,026,400
Environmental County Grants	125,000	125,000	125,000
Fire Equipment	1,200,000	1,200,000	917,138
In/Out of State Fire Costs	0	3,000,000	3,000,000
Inmate Fire Crews	790,200	790,200	465,505
Natural Resource Conservation Districts	110,000	110,000	110,000
Operating Lump Sum Appropriation	12,360,900	12,548,500	12,539,082
Liquor Licensing Department			
Operating Lump Sum Appropriation	2,769,800	2,813,700	2,813,559
Law Enforcement Merit System Council			
Operating Lump Sum Appropriation	57,100	58,300	57,962
Department of Emergency Management and Military Affairs			
Apache County River Reservoir Dam Emergency	394,816	394,816	337,675
Aspen Fire Emergency	819,450	819,450	74,440
Civil Air Patrol	56,700	56,700	56,700
Euz701 Search and Rescue	0	200,000	149,004
Euz701 Search and Rescue	1	1	1
Euz701 Search and Rescue	1,010	1,010	1,010
Euzhaz - Hazard Material Contingency	12,939	12,939	1,455
February 2005 Winter Storms and Flooding	0	1,820,000	760,067
Forest Heath Emergency - Pine Bark Beetle	452,696	452,696	0
Forest Heath Emergency - Pine Bark Beetle	1,084,231	1,084,231	819,751
Gila County Flash Flood Emergency	0	(261)	(261)
Hazard Materials Contingency	49,014	49,014	695
Kinishba Fire Emergency	0	(3,810)	(3,810)
La Paz/Maricopa Counties Storm Emergency	50	50	29
La Paz/Maricopa Counties Storm Emergency	1,797	1,797	(59,797)
La Paz/Maricopa Counties Storm Emergency	119,373	119,373	13,588
Mediterranean Fruit Fly Emergency	0	200,000	196,459
Mesa Armory Re-Roofing	1,325	1,325	-
Mitigation Projects 2004 Emergency Funds	1,636,179	1,636,179	712,638
Navajo County Severe Weather Emergency	0	70,000	58
Navajo, Gila and Coconino Counties Rodeo Fire	52	52	48
Navajo, Gila and Coconino Counties Rodeo Fire	326,430	326,430	(6,823)
Nogales and 52nd Street Building Renewal	12,032	12,032	0
Northern Arizona Winter Storm Emergency	0	950,000	485,729
Nuclear Emergency Management Fund	0	294,306	294,306
Nuclear Emergency Management Fund - Buckeye	0	31,551	31,551
Nuclear Emergency Management Fund - Maricopa	0	258,628	258,628
Nuttall Complex and Willow Fire Emergency	0	560,000	207,969
Off Site Nuclear Emergency FY89-90	1,708	1,708	0
Operating Lump Sum Appropriation	2,673,500	2,776,400	2,768,164
Operating Lump Sum Appropriation - Administration	1,304,100	1,325,500	1,324,066
Operating Lump Sum Appropriation - DEMA	842,000	859,300	859,263
Prescott and Bellemont Armories	101,897	8,723	0
Project Challenge Construction FY01 - 02	145,468	145,468	145,468
Project Challenge Program	1,560,300	1,560,300	1,558,977
Queen Valley Flash Flood Emergency	0	200,000	100,895
Safford and Sunnyslope Building Renewal	141	141	0

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
September Terrorism Incident Emergency	0	0	(107,024)
Service Contracts FY03 - 04	248,785	248,785	248,785
Service Contracts FY04 - 05	852,300	852,300	605,812
Mine Inspector			
Administrative Adjustments	0	2,835	2,835
Operating Lump Sum Appropriation	1,096,600	1,116,200	1,116,180
Department of Building and Fire Safety			
Administrative Adjustments	0	472	472
Operating Lump Sum Appropriation	3,221,000	3,278,400	2,964,819
Mines and Mineral Resources			
Operating Lump Sum Appropriation	650,300	658,400	654,054
Medical Student Loans Board			
Medical Student Loans	13,200	13,200	13,193
Northern Arizona University			
Main Campus - Operating Lump Sum Appropriation	113,034,100	115,132,300	115,132,300
NAU - Yuma Campus	2,308,200	2,308,200	2,308,200
Navigable Streams Adjudication Commission			
Administrative Adjustments	0	3,136	3,136
Operating Lump Sum Appropriation	158,400	160,700	151,364
Personnel Board			
Administrative Adjustments	0	111	111
Operating Lump Sum Appropriation	334,800	338,300	292,010
Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	1,220,800	1,220,800	1,220,800
Private Postsecondary Education Student Financial Assistance	170,500	170,500	170,500
Prescott Historical Society			
Administrative Adjustments	0	131	131
Building Renewal -Sharlot Hall Re-roofing	19	19	0
Operating Lump Sum Appropriation	620,700	639,100	628,864
Pioneer's Home			
Operating Lump Sum Appropriation	3,112,700	2,057,500	2,057,500
Board of Executive Clemency			
Operating Lump Sum Appropriation	894,900	913,300	903,117
Parks Board			
Acquisition and Development	114,360	114,360	7,260
Administrative Adjustments	0	70,000	70,000
Kartchner Caverns	1,595,700	1,654,800	1,629,448
Land Conservation Fund-General Fund	0	20,000,000	20,000,000
Operating Lump Sum Appropriation	2,334,500	2,380,500	2,282,811
Operating Lump Sum Appropriation	8,679,700	8,851,000	8,198,275
Department of Public Safety			
Administrative Adjustments	0	3,595	3,595
Building Renewal - Project 91-1036	0	2,746	2,746
Building Renewal - Project 91-2060	4,242	4,242	4,165
Building Renewal - Project 91-4018	2,310	2,310	2,300
Building Renewal - Project 91-4019	2,654	12,186	11,965
Building Renewal - Project 91-4020	6,544	8,500	8,500
Building Renewal - Project 91-4048	0	4,022	4,022
Building Renewal - Project 91-5013	0	28,500	28,498
Building Renewal - Project 91-5014	0	40,000	39,076
G.I.T.E.M.	4,288,900	4,308,100	4,298,525
Operating Lump Sum Appropriation	20,920,300	21,116,000	21,116,000
Operating Lump Sum Appropriation	13,006,800	13,006,800	13,006,800
Operating Lump Sum Appropriation	331,000	343,000	125,000

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Statewide Interoperability - Phase II	3,000,000	3,000,000	0
Statewide Interoperability Design	2,000,000	2,000,000	517,952
Sworn Officer Salary Adjustments	1,414,900	1,414,900	1,414,900
Tri-Agency Disaster Recovery	296,200	296,200	286,736
Racing Department			
Administrative Adjustments	0	1,501	1,501
Operating Lump Sum Appropriation	2,458,500	2,504,800	2,504,797
Independent Redistricting Commission			
Operating Lump Sum Appropriation FY00-01	48,633	48,633	48,633
Operating Lump Sum Appropriation FY03-04	249,542	2,749,542	728,172
Real Estate Department			
Operating Lump Sum Appropriation	3,142,700	3,208,400	3,201,942
Ranger's Pension			
Operating Lump Sum Appropriation	12,600	12,600	12,600
Department of Revenue			
Administrative Adjustments	0	26,378	26,378
Operating Lump Sum Appropriation	55,096,100	62,846,500	62,286,079
Revenue Generating Program	6,537,000	0	0
Schools for the Deaf and the Blind			
Administrative Adjustments	0	796,056	796,056
Operating Lump Sum Appropriation - Administration	4,841,600	4,973,800	4,767,710
Operating Lump Sum Appropriation - Phoenix	1,750,900	1,942,800	1,593,878
Operating Lump Sum Appropriation - Tucson	7,395,400	7,719,600	7,315,471
School Facilities Board			
Administrative Adjustments	0	1,456,708	1,456,708
Deficiencies Correction	15,000,000	15,000,000	15,000,000
Full Day Kindergarten Capital Grants	0	4,000,000	2,684,648
General Fund Transfer to Building Renewal 1st Tier	30,000,000	30,000,000	30,000,000
General Fund Transfer to Building Renewal 2nd Tier	10,000,000	10,000,000	10,000,000
General Fund Transfer to Deficiencies Correction Fund 3rd Tier	25,000,000	25,000,000	25,000,000
General Fund Transfer to Deficiencies Correction Fund Senate Bill 1406	0	75,000,000	75,000,000
New School Facilities Debt Service	43,009,600	43,009,600	43,009,600
Operating Lump Sum Appropriation	1,585,800	1,606,500	1,606,491
Senate			
Operating Lump Sum Appropriation FY03-04	93,907	93,907	93,907
Operating Lump Sum Appropriation FY04-05	6,694,100	6,841,500	6,341,014
Operating Lump Sum Appropriation FY99-00	711,220	711,220	711,220
Supreme Court			
4th Floor Chiller	2,528	2,528	0
Administrative Adjustments	0	54,607	54,607
Administrative Adjustments	0	(5,357)	(5,357)
Administrative Adjustments	0	8,671	8,671
Adult Intensive Probation	10,175,900	10,370,100	10,368,663
Adult Standard Probation Enhancement	11,114,300	11,351,800	11,349,330
Automation	4,613,000	4,636,800	2,317,943
Automation	9,886,100	9,886,100	8,499,690
Commission on Judicial Conduct	343,700	348,600	348,590
Community Punishment	893,100	913,000	910,461
County Reimbursements	246,000	246,000	230,613
Domestic Relations	708,500	713,900	700,120
Foster Care Review Board	1,864,100	1,901,200	1,897,711
HVAC Piping and Pump - Courts Building	329	329	0
HVAC Storage Tank	1,211	1,211	0
Interstate Compact	560,500	570,200	570,113

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Judges Compensation	14,711,000	14,361,000	14,296,423
Judicial Nomination & Performance Review	281,300	284,300	275,846
Juvenile Family Counseling	660,400	660,400	641,068
Juvenile Intensive Probation	13,025,200	13,591,200	13,301,112
Juvenile Standard Probation	7,459,700	7,639,000	7,620,509
Juvenile Treatment Services	22,066,700	22,101,400	22,039,853
Operating Lump Sum Appropriation	8,195,300	8,302,400	8,109,052
Operating Lump Sum Appropriation	624,900	633,900	364,420
Operating Lump Sum Appropriation	4,807,700	4,812,300	4,245,051
Progressively Increasing Consequences	9,268,100	9,391,900	9,391,900
Repair/Rehab Cooling Tower - Courts Building	0	320,000	124,922
Rural State Aid to the Courts	418,500	418,500	418,500
Special Water Master	20,000	20,000	20,000
State Aid	84,700	84,700	80,460
Secretary of State			
Administrative Adjustments	0	19,535	19,535
Election Services	3,623,200	3,632,200	2,911,231
Help America Vote Act	1,400,000	1,400,000	702,683
Help America Vote Act - Federal Funds	27,000,000	27,000,000	47,125
Operating Lump Sum Appropriation	2,081,500	2,117,700	2,007,752
Office of Tourism			
Administrative Adjustments	0	20,403	20,403
International and Domestic Marketing	18,095	18,095	18,095
Media Advertising	4,500	4,500	4,500
Transfer to Tourism Fund	0	11,963,538	11,963,538
State Treasurer			
Administrative Adjustments	0	821,662	821,662
Community College Reimbursement	0	2,048,976	2,048,976
Corporate Income Tax Transfer	0	10,000,000	10,000,000
General Fund Transfer 2nd Regular Session Chapter 275	8,000,000	8,000,000	8,000,000
General Fund Transfer 2nd Regular Session Chapter 275	6,000,000	6,000,000	6,000,000
General Fund Transfer 2nd Regular Session Chapter 275	16,832,250	16,832,250	16,832,250
General Fund Transfer 2nd Regular Session Chapter 275	133,658,250	133,658,250	133,658,250
Justice of the Peace Salaries	2,775,500	2,775,500	2,390,127
Operating Lump Sum Appropriation	150,000	150,000	150,000
Operating Lump Sum Appropriation	2,598,400	2,635,700	2,626,522
Tax Appeals Board			
Administrative Adjustments	0	23	23
Operating Lump Sum Appropriation	274,100	278,700	246,529
University of Arizona			
Agriculture	39,536,800	40,336,000	40,336,000
Clinical Rural Rotation	459,800	475,700	475,700
Clinical Teaching Support	9,473,200	9,434,500	9,434,500
Liver Research Institute	488,300	503,300	503,300
Main Campus - Operating Lump Sum Appropriation	231,328,800	236,204,200	236,204,200
Operating Lump Sum Appropriation	42,549,800	43,251,300	43,251,300
Sierra Vista Campus	2,241,400	2,302,800	2,302,800
Telemedicine	1,172,100	1,184,300	1,184,300
Uniform State Law Commission			
Operating Lump Sum Appropriation	52,300	52,300	43,042
Veterans' Services Department			
Administrative Adjustments	0	2	2
Administrative Adjustments	0	65	65
Nursing Home Project FY91-92	3,605	3,605	0

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Nursing Home Project FY91-92	13,284	13,284	0
Nursing Home Project FY91-92	18,934	18,934	0
Operating Lump Sum Appropriation	2,036,700	2,097,800	2,095,932
Southern Arizona Cemetery	129,000	134,700	134,700
Veterans' Organizations Contracts	29,200	29,200	29,200
Water Resources Department			
Administrative Adjustments	0	663,428	663,428
Operating Lump Sum Appropriation	13,497,300	13,698,900	13,642,543
Rural Water Studies FY05	500,000	500,000	500,000
Weights and Measures Department			
Administrative Adjustments	0	6,504	6,504
Operating Lump Sum Appropriation	1,440,000	1,466,900	1,450,991
Total General Fund Budgetary Expenditures before Adjustments	12,268,278,811	13,042,674,265	11,513,715,608
Less:			
Economic Security Long-Term Care System Fund Appropriations that were duplicate expenditure authorizations	(584,300,700)	(584,485,000)	0
Department of Health Services Behavioral Health Appropriations, Children Rehabilitation Services Appropriations, & Kidscare Appropriations that were duplicate expenditure authorizations	(507,661,000)	(575,652,700)	0
Total General Fund Budgetary Expenditures after Adjustments	$ 11,176,317,111	$ 11,882,536,565	$ 11,513,715,608

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, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND			
Department of Transportation			
Administrative Adjustments	$ 0	$ 350	$ 350
Administrative Adjustments	0	14,485	14,485
Airport Planning and Development	13,540,000	13,540,000	6,318,147
Airport Planning and Development FY03 - 04	4,706,554	4,706,554	4,706,554
Alternate Truck Route - Douglas Chino Road	250,000	250,000	0
Arizona-Mexico Border Points FY97 - 98	569	569	0
Asbestos and Lead Inspections FY01 - 02	401,770	401,770	190,596
Asbestos and Lead Inspections FY02 - 03	598,039	598,039	0
Building Renewal	65,900	65,900	0
Building Renewal	500,000	500,000	495,031
Building Renewal	2,715,000	2,715,000	945,204
Building Renewal FY00 - 01	2,463	2,463	2,463
Building Renewal FY01 - 02	12,600	12,600	12,600
Building Renewal FY02 - 03	634,893	634,893	634,894
Building Renewal FY03 - 04	32,000	32,000	32,000
Building Renewal FY03 - 04	914,242	914,242	887,741
De-Icer Building FY02 - 03	14,822	0	0
Douglas Maintenance Yard Admin Adjustment FY90 - 91	2,000	2,000	0
Douglas Weigh Station	178,000	178,000	0
East Valley Maintenance Yard FY02-03	1,026,761	1,026,761	675,304
Fee Accounting and Revenue Management System	156,083	156,083	153,181
Fire System Upgrades	46,187	0	0
Highway - Operating Lump Sum Appropriation	115,466,700	117,024,700	117,011,487
Highway Construction	218,155,000	218,155,000	151,844,063
Highway Construction FY03 - 04	69,900,759	69,900,759	69,900,759
Highway Maintenance Lump Sum Appropriation	105,048,800	106,112,000	102,897,488
Highway Maintenance Lump Sum Appropriation	558,700	558,700	558,699
Highway Maintenance Lump Sum Appropriation FY03 - 04	100	100	0
Highway Maintenance Lump Sum Appropriation FY03 - 04	2,670,844	2,670,844	2,670,315
Increase to Vehicle Registration Enforcement	0	37,000	37,000
Integrated Inventory System	99,244	99,244	99,194
License Plate Credits and Refunds	0	322,000	245,181
Liquid De-Icer Storage Tanks	1,436	0	0
Methane Extraction Unit	65,436	0	0
Modular Trailer Operating Expenses	18,882	18,882	11,363
Motor Carrier Towing Regulation	0	168,500	157,393
Motor Vehicle - Electronic Certificate of Title Sys FY01 - 02	4,852	4,852	0
Motor Vehicle - Electronic Certificate of Title Sys FY02 - 03	13,488	13,488	0
Motor Vehicle - One-Time Trailer Feds Implementation	43,724	43,724	0
Motor Vehicle - Operating Lump Sum Appropriation	83,603,700	85,449,400	85,341,012
Motor Vehicle - Operating Lump Sum Appropriation	2,139,000	2,174,500	1,420,293
Motor Vehicle - Operating Lump Sum Appropriation	1,130,400	1,149,900	1,112,638
Motor Vehicle - Operating Lump Sum Appropriation	1,157,200	1,175,500	971,919
Motor Vehicle - Security Enhancement Issues FY01 - 02	174,917	174,917	173,766
Motor Vehicle - Security Enhancement Issues FY02 - 03	2,168,504	2,168,504	628,920
Motor Vehicle Nogales Port Facility FY00 - 01	5,481	5,481	0
Motor Vehicle Nogales Port Facility FY99 - 00	20,347	20,347	17,009
Nogales Cyber Port Study	300,000	300,000	0
Nogales Port of Entry FY98 - 99	2	2	0
North Phoenix Maintenance Yard	27,217	27,217	27,217

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

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
On-Line Verification of Social Security Numbers	797	797	0
Operating Lump Sum Appropriation	1,929,200	1,967,000	1,797,760
Operating Lump Sum Appropriation	38,333,600	38,801,800	38,795,649
Operating Lump Sum Appropriation	56,800	58,600	58,600
Safety, Security, Traffic Management and Control	18,000	18,000	0
San Luis Poe Connector Road	200,000	200,000	0
Site Improvement - Nogales Inspection Station	54,000	54,000	0
Southern Border Ports Administrations Office Annex	42,600	42,600	42,600
Special Projects FY98 - 99	30,868	30,868	0
Transfer to Department of Public Safety	32,540,600	32,680,100	32,680,100
Transfer to Department of Public Safety	1,218,200	1,226,800	1,226,800
Transfer to Department of Public Safety	51,889,500	52,216,300	52,216,300
Vehicle Registration Enforcement	383,300	383,300	378,128
Vehicle Registration Enforcement	383,300	383,300	383,219
West Phoenix Motor Vehicle Service Center	1,347	1,341	1,341
Governor's Office of Highway Safety			
Annual Rev Motorcycle Safety ARS 28-2010	0	43,028	43,028
Department of Public Safety			
Administrative Adjustments	0	5,242	5,242
Operating Lump Sum Appropriation	205,000	205,000	205,000
Total Transportation and Aviation Planning, Highway Maintenance and Safety Fund Budgetary Expenditures	$ 755,859,728	$ 761,845,346	$ 678,028,033

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, 2004 that affect available appropriations during fiscal year 2005. The final budget represents any appropriation bills passed during fiscal year 2005 for fiscal year 2005 plus the original budget. Appropriation bills passed after the end of fiscal year 2005 for fiscal year 2005 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	$ 11,513,716	$ 678,028
Differences - budget to GAAP:		
Increase (decrease) in unpaid incurred expenditures from fiscal year end 2004 to fiscal year end 2005.	(12,179)	448,322
Increase in unpaid payroll expenditures from fiscal year end 2004 to fiscal year end 2005. For budgetary reporting, final June 2005 payroll expenditures were charged to fiscal year 2006 budget.	19,519	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	875,744	-
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.	373,073	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	532	-
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2005.	3,638,236	1,564,642
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(839,037)	(679,705)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 15,569,604	$ 2,011,287

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. 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. 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 budgeted expenditures from exceeding 7.41 percent of aggregate 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 a three-week administrative period 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 both an annual and biennial basis. Laws 2001, Chapter 236 appropriated biennial budgets for all state agencies. In biennial budgets, an agency receives a separate appropriation for each of two fiscal years. For "small" regulatory agencies, comprised of five to ten people, whose budgets were merely amended for technical adjustments in Laws 2002, Chapter 327, the first year appropriations do not lapse until the end of the second year. Except where specifically noted by the appropriation bills, the appropriations for all other agencies lapse at the end of each fiscal year. For the "large" fifteen state agencies, Laws 2002, Chapter 210 returned their budgets to a "one" year cycle beginning with the 2003 Legislative Session (fiscal year 2004 budget request). In prior years the "large" agencies have accounted for approximately ninety percent or more of the appropriations for the General Fund.

The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriations Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum – The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to ARS §35-173, an agency must seek approval of the Joint Legislative Budget Committee before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Department of Administration (ADOA), but not the Joint Legislative Budget Committee.

Detailed Line Item – The agency appropriation for each fiscal year consists of each line item listed in the Appropriation Report including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfers between all line items.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2005

During the fiscal year, $901.956 million in supplemental appropriations net of increases and reversions were provided to major and non-major governmental funds to enhance various programs. The General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund received $774.395 and $5.986 million, respectively, and those 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 State Department of Administration – Financial Services Division 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 two ensuing years for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature *may* provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditure 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. Examples of these are found in the Department of Economic Security's Long Term Care appropriation line items on page 131 and in the Department of Health Services Title XIX appropriation line items on pages 135 and 136. 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 general fund budget (appropriation) totals on page 142.

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,816 center lane miles (18,424 travel lane miles) of roads and 4,608 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 2006 and beyond was adopted by the Transportation Board on June 17, 2005.

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

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

Roads

The mission of the Department of Transportation's (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after AASHTO Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement and many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called "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 2005, an overall rating of 3.8 was achieved, as shown in the following graph:

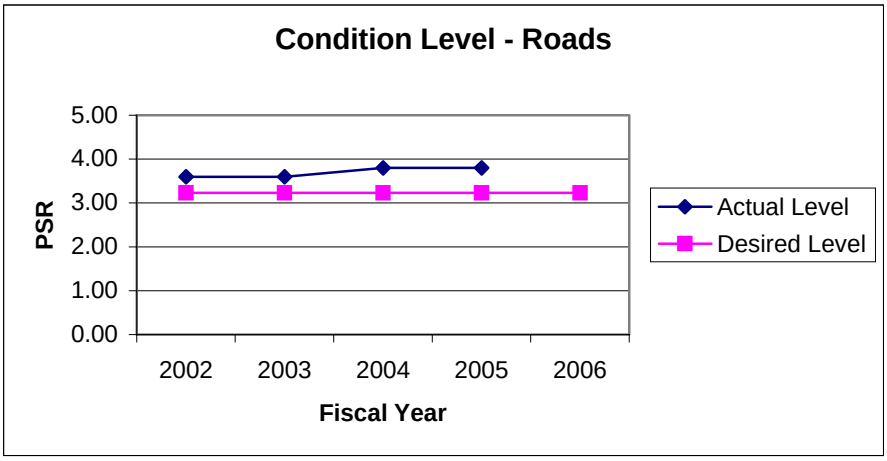

Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT PMS, as well as other units within the Department. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2002 through 2005 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$227.4	$234.8
2003	$243.5	$220.8
2004	$198.5	$215.5
2005	$235.7	$196.0

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2005, the State owns and maintains 4,608 bridges with an approximate total deck area of 41,988,500 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 assist 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 superstructure condition, and the substructure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

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

Management of the bridge inventory is a major function of 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 2005, the CRI was computed at 93.9%.

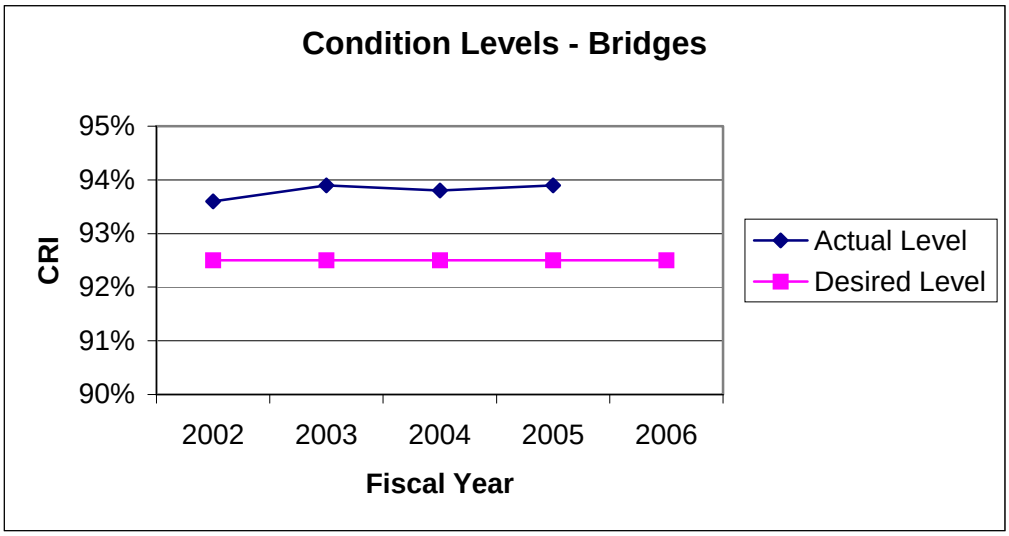

Figure 2

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 64% of the bridges in the State were constructed prior to the 1970s while only 15% have been constructed in the last two decades.

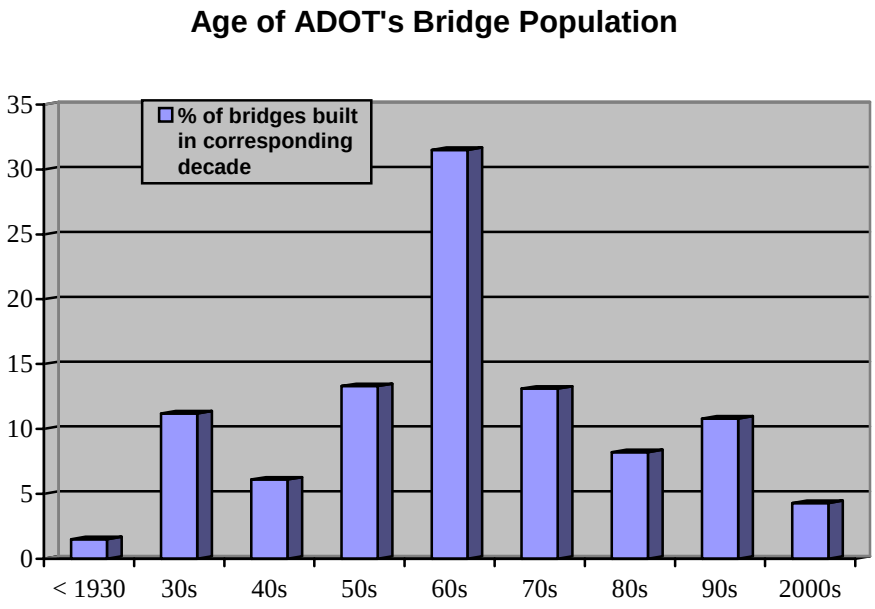

Figure 3

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 2002 through 2005 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$14.4	$18.2
2003	$13.6	$15.8
2004	$12.1	$12.2
2005	$ 9.4	$10.0

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
AGENT RETIREMENT PLANS' FUNDING PROGRESS
JUNE 30, 2005

Analysis of the funding progress for each of the agent, multiple-employer defined benefit 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	(Unfunded)/ Funding Excess	Funded Ratio	Annual Covered Payroll	(Unfunded)/ Funding Excess as Percentage of Covered Payroll
PSPRS	6/30/2005	$ 573,536	$ 718,353	$ (144,817)	79.8%	$ 73,779	(196.3)%
	6/30/2004	588,237	635,120	(46,883)	92.6%	69,576	(67.4)%
	6/30/2003	612,183	594,058	18,125	103.1%	71,364	25.4%
CORP	6/30/2005	674,749	696,396	(21,647)	96.9%	295,772	(7.3)%
	6/30/2004	649,029	618,373	30,656	105.0%	296,028	10.4%
	6/30/2003	632,635	552,740	79,895	114.5%	286,197	27.9%

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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, general long-term debt principal, interest and related costs.

Capital Projects Funds

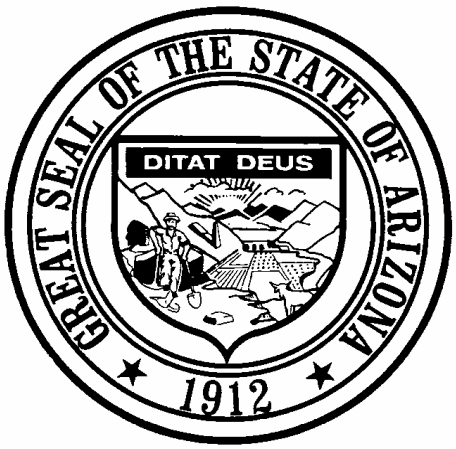
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 2,214	$ -	$ -	$ 2,214
Cash and pooled investments with State Treasurer	668,573	6,101	3,635	678,309
Receivables, net of allowances:				
Taxes	18,015	-	-	18,015
Interest	1,009	302	464	1,775
Other	22,215	-	-	22,215
Due from others	343	-	-	343
Due from other Funds	61,703	1,168	-	62,871
Inventories, at cost	2,547	-	-	2,547
Restricted assets:				
Cash and pooled investments with State Treasurer	655	14,413	132,157	147,225
Cash held by trustee	106	8	3,889	4,003
Other	1	-	-	1
Total Assets	$ 777,381	$ 21,992	$ 140,145	$ 939,518
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 71,489	$ -	$ 217	$ 71,706
Accrued liabilities	14,243	-	-	14,243
Due to local governments	43,088	-	-	43,088
Due to others	503	-	-	503
Due to other Funds	32,776	-	-	32,776
Unavailable deferred revenue	1,547	-	-	1,547
Unearned deferred revenue	628	-	-	628
Total Liabilities	164,274	-	217	164,491
Fund Balances:				
Reserved for:				
Highway construction	-	-	132,621	132,621
Other construction	-	-	7,307	7,307
School facilities improvements	5,386	-	-	5,386
Continuing appropriations	37,118	-	-	37,118
Debt service	-	21,992	-	21,992
Other fund balance reservations	144	-	-	144
Unreserved	570,459	-	-	570,459
Total Fund Balances	613,107	21,992	139,928	775,027
Total Liabilities and Fund Balances	$ 777,381	$ 21,992	$ 140,145	$ 939,518

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 481,270	$ 65,815	$ -	$ 547,085
Income	43	-	-	43
Tobacco	176,571	-	-	176,571
Property	3,913	-	-	3,913
Other	98,166	-	-	98,166
Intergovernmental	36,112	-	-	36,112
Licenses, fees and permits	162,668	-	-	162,668
Earnings on investments	9,513	18,292	3,837	31,642
Sales and charges for services	34,637	12,850	-	47,487
Fines, forfeitures and penalties	104,838	-	-	104,838
Gaming	62,898	-	-	62,898
Other	89,410	127	-	89,537
Total Revenues	1,260,039	97,084	3,837	1,360,960
EXPENDITURES				
Current:				
General government	95,736	-	-	95,736
Health and welfare	327,729	-	-	327,729
Inspection and regulation	98,714	-	-	98,714
Education	471,858	-	-	471,858
Protection and safety	105,058	-	-	105,058
Transportation	-	-	30,531	30,531
Natural resources	121,155	-	-	121,155
Debt service:				
Principal	127	358,020	-	358,147
Interest and other fiscal charges	10	151,088	1,997	153,095
Capital outlay	12,422	-	269,554	281,976
Total Expenditures	1,232,809	509,108	302,082	2,043,999
Excess (Deficiency) of Revenues Over Expenditures	27,230	(412,024)	(298,245)	(683,039)
OTHER FINANCING SOURCES (USES)				
Transfers in	209,299	411,963	296	621,558
Transfers out	(181,422)	(5,966)	(8,098)	(195,486)
Refunding bonds issued	-	224,283	-	224,283
Payment to refunded bond escrow agent	-	(247,417)	-	(247,417)
Bonds issued	22,317	-	188,260	210,577
Premium on bonds issued	2,328	23,460	12,863	38,651
Grant anticipation notes issued	-	-	104,385	104,385
Premium on grant anticipation notes issued	-	-	11,551	11,551
Total Other Financing Sources (Uses)	52,522	406,323	309,257	768,102
Net Change in Fund Balances	79,752	(5,701)	11,012	85,063
Fund Balances - Beginning	533,355	27,693	128,916	689,964
Fund Balances - Ending	$ 613,107	$ 21,992	$ 139,928	$ 775,027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NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The School Facilities Revenue Bond Proceeds Fund accounts for the receipt of the Education Transaction Privilege Revenue Bond proceeds. Funds are restricted to be expended to (1) pay the costs of correcting existing deficiencies in public school facilities for grades K-12, (2) pay bond related expenses, and (3) fully or partially fund any reserves or sinking fund accounts established by the bond resolution.

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; and 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 statewide water protection planning; storage of Colorado River water; statewide water and groundwater conservation; county and metropolitan areas water use and dam repairs. All of 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, 2005
(Expressed in Thousands)

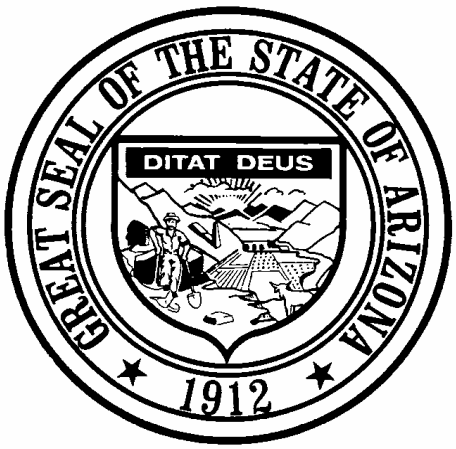
	SCHOOL FACILITIES PROCEEDS	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES
ASSETS						
Cash	$ -	$ 2,136	$ 14	$ -	$ -	$ 2
Cash and pooled investments with State Treasurer	5,280	82,213	90,808	40,612	13,759	35,753
Receivables, net of allowances:						
Taxes	-	3,962	-	450	13,603	-
Interest	-	111	195	40	30	48
Other	-	132	-	7,074	-	-
Due from others	-	343	-	-	-	-
Due from other Funds	-	5,795	12,091	2,321	-	1,346
Inventories, at cost	-	2,547	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	-	655	-	-
Cash held by trustee	106	-	-	-	-	-
Other	-	-	-	-	-	-
Total Assets	$ 5,386	$ 97,239	$ 103,108	$ 51,152	$ 27,392	$ 37,149
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ -	$ 6,750	$ 52,829	$ 2,681	$ 1,128	$ 1,858
Accrued liabilities	-	387	-	10,507	-	346
Due to local governments	-	-	-	-	-	-
Due to others	-	360	-	-	-	-
Due to other Funds	-	2	11,707	302	12,397	869
Unavailable deferred revenue	-	-	-	1,547	-	-
Unearned deferred revenue	-	15	-	608	-	-
Total Liabilities	-	7,514	64,536	15,645	13,525	3,073
Fund Balances:						
Reserved for:						
School facilities improvements	5,386	-	-	-	-	-
Continuing appropriations	-	3,312	1,347	1,698	-	222
Other fund balance reservations	-	81	1	-	-	-
Unreserved	-	86,332	37,224	33,809	13,867	33,854
Total Fund Balances	5,386	89,725	38,572	35,507	13,867	34,076
Total Liabilities and Fund Balances	$ 5,386	$ 97,239	$ 103,108	$ 51,152	$ 27,392	$ 37,149

REGULATING & LICENSING	GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 27	$ 30	$ 5	$ -	$ -	$ -	$ -	$ 2,214
105,844	33,326	58,030	52,775	98,750	28,855	22,568	668,573
-	-	-	-	-	-	-	18,015
60	82	144	218	16	65	-	1,009
2,537	1,600	-	19	10,853	-	-	22,215
-	-	-	-	-	-	-	343
150	66	156	24,501	15,277	-	-	61,703
-	-	-	-	-	-	-	2,547
-	-	-	-	-	-	-	655
-	-	-	-	-	-	-	106
-	-	-	1	-	-	-	1
$ 108,618	$ 35,104	$ 58,335	$ 77,514	$ 124,896	$ 28,920	$ 22,568	$ 777,381
$ 2,195	$ 2,117	$ 1,388	$ 314	$ 150	$ 79	$ -	$ 71,489
1,712	1,011	102	119	-	43	16	14,243
-	-	-	-	43,088	-	-	43,088
143	-	-	-	-	-	-	503
625	162	11	6	6,694	1	-	32,776
-	-	-	-	-	-	-	1,547
-	-	-	5	-	-	-	628
4,675	3,290	1,501	444	49,932	123	16	164,274
-	-	-	-	-	-	-	5,386
2,305	5,613	2,435	4,015	16,171	-	-	37,118
27	30	5	-	-	-	-	144
101,611	26,171	54,394	73,055	58,793	28,797	22,552	570,459
103,943	31,814	56,834	77,070	74,964	28,797	22,552	613,107
$ 108,618	$ 35,104	$ 58,335	$ 77,514	$ 124,896	$ 28,920	$ 22,568	$ 777,381

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	SCHOOL FACILITIES PROCEEDS	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES
REVENUES						
Taxes:						
Sales	$ -	$ 27,428	$ -	$ 4,948	$ -	$ -
Income	-	-	-	-	-	-
Tobacco	-	7,765	-	-	168,806	-
Property	-	-	-	-	-	-
Other	-	47,458	2,157	12,426	-	-
Intergovernmental	-	926	293	7,634	-	3,757
Licenses, fees and permits	-	13,521	44,087	7,062	-	2,807
Earnings on investments	164	1,149	1,741	425	232	416
Sales and charges for services	-	29,985	65	280	-	284
Fines, forfeitures and penalties	-	47,398	1,226	10,549	-	35,494
Gaming	-	-	-	16,688	-	-
Other	-	4,773	136	3,952	72	1,001
Total Revenues	164	180,403	49,705	63,964	169,110	43,759
EXPENDITURES						
Current:						
General government	-	21,805	1,110	3,993	438	32,697
Health and welfare	-	-	92,929	63,821	170,887	-
Inspection and regulation	-	-	1,255	-	-	-
Education	24,645	-	-	111	-	-
Protection and safety	-	105,058	-	-	-	-
Natural resources	-	9,921	614	-	-	-
Debt service:						
Principal	-	80	-	-	-	-
Interest and other fiscal charges	1	6	-	-	-	3
Capital outlay	-	1,243	96	403	101	107
Total Expenditures	24,646	138,113	96,004	68,328	171,426	32,807
Excess (Deficiency) of Revenues Over Expenditures	(24,482)	42,290	(46,299)	(4,364)	(2,316)	10,952
OTHER FINANCING SOURCES (USES)						
Transfers in	-	94,275	62,650	6,650	5,844	1,346
Transfers out	(12,585)	(121,400)	(17,229)	(2,317)	(693)	(5,434)
Bonds issued	22,317	-	-	-	-	-
Premium on bonds issued	2,328	-	-	-	-	-
Total Other Financing Sources (Uses)	12,060	(27,125)	45,421	4,333	5,151	(4,088)
Net Change in Fund Balances	(12,422)	15,165	(878)	(31)	2,835	6,864
Fund Balances - Beginning	17,808	74,560	39,450	35,538	11,032	27,212
Fund Balances - Ending	$ 5,386	$ 89,725	$ 38,572	$ 35,507	$ 13,867	$ 34,076

REGULATING & LICENSING	GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ -	$ 448,894	$ -	$ -	$ 481,270
-	-	-	-	43	-	-	43
-	-	-	-	-	-	-	176,571
-	2,478	1,435	-	-	-	-	3,913
36,125	-	-	-	-	-	-	98,166
1,537	18,129	-	2,210	1,626	-	-	36,112
66,984	19,175	388	2,616	69	5,959	-	162,668
532	804	1,339	1,763	77	871	-	9,513
672	308	-	287	2,674	82	-	34,637
2,085	194	-	-	-	-	7,892	104,838
8,122	4,760	-	-	33,328	-	-	62,898
4,225	4,424	193	26,023	10,513	28,852	5,246	89,410
120,282	50,272	3,355	32,899	497,224	35,764	13,138	1,260,039
1,195	-	-	26,906	-	-	7,592	95,736
92	-	-	-	-	-	-	327,729
97,459	-	-	-	-	-	-	98,714
283	-	-	-	446,819	-	-	471,858
-	-	-	-	-	-	-	105,058
-	51,267	13,081	176	-	46,096	-	121,155
31	16	-	-	-	-	-	127
-	-	-	-	-	-	-	10
1,207	7,104	1,879	28	254	-	-	12,422
100,267	58,387	14,960	27,110	447,073	46,096	7,592	1,232,809
20,015	(8,115)	(11,605)	5,789	50,151	(10,332)	5,546	27,230
392	10,959	19,558	2,960	3,215	1,450	-	209,299
(6,470)	(2,576)	(1,085)	(3,114)	(5,512)	(2,000)	(1,007)	(181,422)
-	-	-	-	-	-	-	22,317
-	-	-	-	-	-	-	2,328
(6,078)	8,383	18,473	(154)	(2,297)	(550)	(1,007)	52,522
13,937	268	6,868	5,635	47,854	(10,882)	4,539	79,752
90,006	31,546	49,966	71,435	27,110	39,679	18,013	533,355
$ 103,943	$ 31,814	$ 56,834	$ 77,070	$ 74,964	$ 28,797	$ 22,552	$ 613,107


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

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

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

The Certificates of Participation Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previously issued certificates of participation.

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

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

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2005
(Expressed in Thousands)

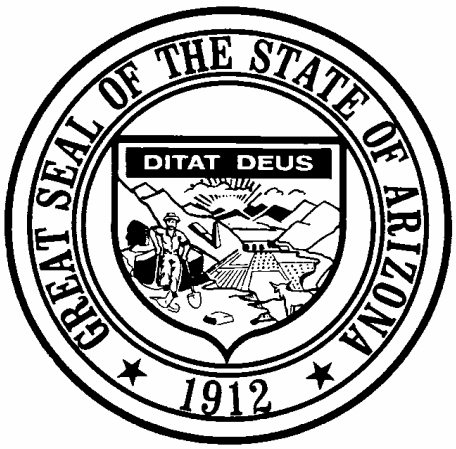
	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ -	$ 1,309	$ 4,792	$ -
Interest receivable	176	1	-	123	2
Due from other Funds	-	-	-	1,168	-
Restricted assets:					
Cash and pooled investments with State Treasurer	1,808	288	-	12,304	13
Cash held by trustee	-	-	8	-	-
Total Assets	$ 1,984	$ 289	$ 1,317	$ 18,387	$ 15
FUND BALANCES					
Reserved for debt service	$ 1,984	$ 289	$ 1,317	$ 18,387	$ 15
Total Fund Balances	$ 1,984	$ 289	$ 1,317	$ 18,387	$ 15

TOTAL
$ 6,101
302
1,168
14,413
8
$ 21,992
$ 21,992
$ 21,992

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
REVENUES					
Taxes:					
Sales	$ -	$ -	$ -	$ 65,815	$ -
Earnings on investments	1,036	1,749	11	14,919	577
Sales and charges for services	-	-	-	12,850	-
Other	-	-	127	-	-
Total Revenues	1,036	1,749	138	93,584	577
EXPENDITURES					
Debt service:					
Principal	44,265	208,625	13,905	42,225	49,000
Interest and other fiscal charges	60,494	14,398	10,373	48,777	17,046
Total Expenditures	104,759	223,023	24,278	91,002	66,046
Excess (Deficiency) of Revenues Over Expenditures	(103,723)	(221,274)	(24,140)	2,582	(65,469)
OTHER FINANCING SOURCES (USES)					
Transfers in	104,474	204,938	25,180	12,621	64,750
Transfers out	-	-	(994)	(4,972)	-
Refunding bonds issued	-	-	-	224,283	-
Payment to refunded bond escrow agent	-	-	-	(247,417)	-
Premium on bonds issued	-	-	-	23,460	-
Total Other Financing Sources (Uses)	104,474	204,938	24,186	7,975	64,750
Net Change in Fund Balances	751	(16,336)	46	10,557	(719)
Fund Balances - Beginning	1,233	16,625	1,271	7,830	734
Fund Balances - Ending	$ 1,984	$ 289	$ 1,317	$ 18,387	$ 15

	TOTAL
$	65,815
	18,292
	12,850
	127
	97,084
	358,020
	151,088
	509,108
	(412,024)
	411,963
	(5,966)
	224,283
	(247,417)
	23,460
	406,323
	(5,701)
	27,693
$	21,992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NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

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

The Grant Anticipation Notes Financed Fund administers the proceeds from the grant anticipation notes issued by the Arizona Department of Transportation Board. These monies are expended for the acquisition of right-of-way purchases or the construction of certain controlled access highways within Maricopa County.

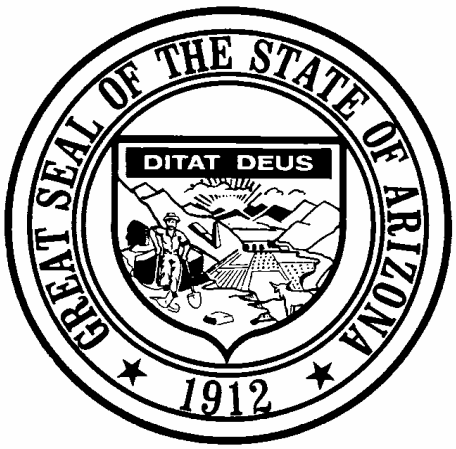
Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the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

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	TOTAL
ASSETS				
Cash and pooled investments with State Treasurer	$ -	$ -	$ 3,635	$ 3,635
Interest receivable	307	157	-	464
Restricted assets:				
Cash and pooled investments with State Treasurer	86,778	45,379	-	132,157
Cash held by trustee	-	-	3,889	3,889
Total Assets	$ 87,085	$ 45,536	$ 7,524	$ 140,145
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ -	$ -	$ 217	$ 217
Total Liabilities	-	-	217	217
Fund Balances:				
Reserved for:				
Highway construction	87,085	45,536	-	132,621
Other construction	-	-	7,307	7,307
Total Fund Balances	87,085	45,536	7,307	139,928
Total Liabilities and Fund Balances	$ 87,085	$ 45,536	$ 7,524	$ 140,145

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	TOTAL
REVENUES				
Earnings on investments	$ 3,082	$ 619	$ 136	$ 3,837
Total Revenues	3,082	619	136	3,837
EXPENDITURES				
Current:				
Transportation	30,531	-	-	30,531
Debt service:				
Interest and other fiscal charges	1,103	894	-	1,997
Capital outlay	144,752	91,654	33,148	269,554
Total Expenditures	176,386	92,548	33,148	302,082
(Deficiency) of Revenues Over Expenditures	(173,304)	(91,929)	(33,012)	(298,245)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	296	296
Transfers out	(4,257)	(2,699)	(1,142)	(8,098)
Bonds issued	188,260	-	-	188,260
Premium on bonds issued	12,863	-	-	12,863
Grant anticipation notes issued	-	104,385	-	104,385
Premium on grant anticipation notes issued	-	11,551	-	11,551
Total Other Financing Sources (Uses)	196,866	113,237	(846)	309,257
Net Change in Fund Balances	23,562	21,308	(33,858)	11,012
Fund Balances - Beginning	63,523	24,228	41,165	128,916
Fund Balances - Ending	$ 87,085	$ 45,536	$ 7,307	$ 139,928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NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

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

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

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 2 to 50 employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, and data analysis and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the State Hospital Revolving Fund, the State Home for Veterans Trust Fund, and the Arizona Beef Council.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash	$ 132	$ 66	$ -	$ 21	$ -
Cash and pooled investments with State Treasurer	661	3,349	1,774	3,946	-
Restricted cash and pooled investments with State Treasurer	-	-	-	-	94,906
Short-term investments	-	-	-	-	-
Receivables, net of allowances:					
Interest	1	16	5	-	272
Loans and notes	-	-	-	-	10,019
Other	1,803	2,595	456	23	-
Due from U.S. Government	104	-	-	-	-
Due from local governments	-	-	-	-	203
Due from other Funds	-	-	44	-	111,046
Inventories, at cost	3,395	3,728	1,137	-	-
Other current assets	-	140	218	214	-
Total Current Assets	6,096	9,894	3,634	4,204	216,446
Noncurrent Assets:					
Restricted assets:					
Cash and pooled investments with State Treasurer	-	-	-	2,689	-
Loan and note receivables, net of allowances	-	-	-	-	14,897
Other long-term assets	-	-	73	-	-
Capital assets:					
Land, construction in progress and collections	182	692	8	138	-
Depreciable buildings, property and equipment, net of accumulated depreciation	1,721	1,867	492	3,827	-
Total Noncurrent Assets	1,903	2,559	573	6,654	14,897
Total Assets	7,999	12,453	4,207	10,858	231,343
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	586	1,009	117	135	-
Accrued liabilities	215	211	107	101	4
Due to others	-	-	-	-	-
Due to other Funds	14	-	-	-	166,454
Unearned deferred revenue	-	-	3,568	-	-
Current portion of long-term debt	30	-	-	-	-
Current portion of other long-term liabilities	206	363	123	201	10
Total Current Liabilities	1,051	1,583	3,915	437	166,468
Noncurrent Liabilities:					
Long-term debt	-	-	-	58	-
Other long-term liabilities	85	-	-	-	-
Total Noncurrent Liabilities	85	-	-	58	-
Total Liabilities	1,136	1,583	3,915	495	166,468
NET ASSETS					
Invested in capital assets, net of related debt	1,903	2,559	499	3,965	-
Restricted for:					
Loans and other financial assistance:					
Expendable	-	-	-	-	64,875
Unrestricted (deficit)	4,960	8,311	(207)	6,398	-
Total Net Assets	$ 6,863	$ 10,870	$ 292	$ 10,363	$ 64,875

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ 214	$ 433
9,629	1,616	20,975
-	-	94,906
-	41	41
-	3	297
-	-	10,019
8	1,442	6,327
-	-	104
-	-	203
3,414	43	114,547
-	2	8,262
-	-	572
13,051	3,361	256,686
-	-	2,689
-	-	14,897
-	-	73
-	980	2,000
193	9,563	17,663
193	10,543	37,322
13,244	13,904	294,008
371	125	2,343
4,032	284	4,954
-	95	95
-	1	166,469
6,721	-	10,289
-	-	30
81	-	984
11,205	505	185,164
-	-	58
-	-	85
-	-	143
11,205	505	185,307
193	10,543	19,662
-	-	64,875
1,846	2,856	24,164
$ 2,039	$ 13,399	$ 108,701

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	$ 18,870	$ 25,499	$ 8,443	$ 10,712	$ -
Intergovernmental	1,023	-	-	-	-
Licenses, fees and permits	-	-	-	-	-
Earnings on investments	-	-	-	-	3,010
Other	55	-	380	966	-
Total Operating Revenues	19,948	25,499	8,823	11,678	3,010
OPERATING EXPENSES					
Cost of sales and benefits	11,831	20,681	6,262	1,620	1
Interest on notes payable	-	-	-	-	4,040
Personal services	5,041	1,931	2,689	4,554	202
Contractual services	1,274	104	680	2,934	110
Depreciation and amortization	373	408	314	1,190	-
Insurance	-	-	-	446	-
Other	1,036	462	327	951	7
Total Operating Expenses	19,555	23,586	10,272	11,695	4,360
Operating Income (Loss)	393	1,913	(1,449)	(17)	(1,350)
NON-OPERATING REVENUES (EXPENSES)					
(Loss) on sale of capital assets	-	(3)	(1)	-	-
Investment income	17	74	40	118	2,725
Other non-operating revenue	-	-	-	407	-
Interest expense	(1)	-	-	-	-
Total Non-Operating Revenues (Expenses)	16	71	39	525	2,725
Income (Loss) Before Contributions and Transfers	409	1,984	(1,410)	508	1,375
Capital grants and contributions	-	5	-	-	-
Transfers in	122	-	-	-	-
Transfers out	-	(1,410)	-	-	-
Change in Net Assets	531	579	(1,410)	508	1,375
Total Net Assets - Beginning	6,332	10,291	1,702	9,855	63,500
Total Net Assets - Ending	$ 6,863	$ 10,870	$ 292	$ 10,363	$ 64,875

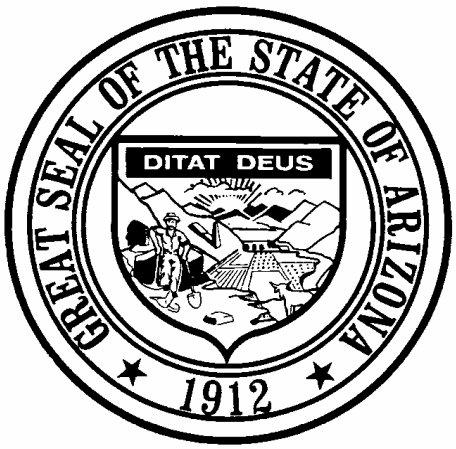
HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 33,616	$ 12,188	$ 109,328
-	-	1,023
-	651	651
-	-	3,010
-	65	1,466
33,616	12,904	115,478
34,527	337	75,259
-	-	4,040
1,697	9,839	25,953
1,549	333	6,984
47	326	2,658
-	176	622
640	1,689	5,112
38,460	12,700	120,628
(4,844)	204	(5,150)
-	-	(4)
134	35	3,143
-	-	407
-	-	(1)
134	35	3,545
(4,710)	239	(1,605)
-	-	5
3,700	374	4,196
-	(2)	(1,412)
(1,010)	611	1,184
3,049	12,788	107,517
$ 2,039	$ 13,399	$ 108,701

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 18,656	$ 25,413	$ 8,195	$ 10,804	$ 1,547
Receipts from federal and local governments	1,042	-	-	-	-
Receipts from other Funds	-	-	-	-	54,491
Payments to suppliers or insurance companies	(12,568)	(21,649)	(5,756)	(5,855)	(30)
Payments to employees	(4,950)	(1,785)	(2,677)	(4,513)	(215)
Payments to other Funds	-	-	(40)	-	(55,108)
Other receipts (payments)	(2,251)	-	380	966	(6)
Net Cash Provided (Used) by Operating Activities	(71)	1,979	102	1,402	679
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	-	-	-	-	-
Transfers to other Funds	-	(1,410)	-	-	-
Other receipts	142	-	-	407	-
Net Cash Provided (Used) by Non-capital Financing Activities	142	(1,410)	-	407	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(549)	(513)	(4)	(1,274)	-
Other (payments)	-	-	-	(17)	-
Net Cash (Used) by Capital and Related Financing Activities	(549)	(513)	(4)	(1,291)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	-	-	-	-
Interest and dividends from investments	17	73	40	118	2,588
Purchase of investments	(1)	-	-	-	-
Net Cash Provided by Investing Activities	16	73	40	118	2,588
Net Increase (Decrease) in Cash and Cash Equivalents	(462)	129	138	636	3,267
Cash and Cash Equivalents - Beginning	1,255	3,286	1,636	6,020	91,639
Cash and Cash Equivalents - Ending	$ 793	$ 3,415	$ 1,774	$ 6,656	$ 94,906
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 393	$ 1,913	$ (1,449)	$ (17)	$ (1,350)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	373	408	314	1,190	-
Loss on sale of capital assets	4	-	-	-	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(215)	(86)	85	92	-
Decrease in due from U.S. Government	19	-	-	-	-
Decrease in due from local governments	-	-	-	-	183
(Increase) in due from other Funds	-	-	(40)	-	(2,182)
(Increase) decrease in inventories, at cost	(310)	(428)	1,137	-	-
(Increase) decrease in other assets	-	(13)	394	53	-
Increase (decrease) in accounts payable	(377)	39	(16)	43	-
Increase (decrease) in accrued liabilities	33	16	20	19	(2)
(Decrease) in due to others	-	-	-	-	-
Increase (decrease) in due to other Funds	-	-	-	-	4,040
Increase (decrease) in deferred revenue	-	-	(335)	-	-
Increase (decrease) in other liabilities	9	130	(8)	22	(10)
Net Cash Provided (Used) by Operating Activities	$ (71)	$ 1,979	$ 102	$ 1,402	$ 679
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Change in fair value of investments	$ -	$ -	$ -	$ -	$ (399)
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ -	$ -	$ -	$ (399)

The beginning cash and cash equivalents balance at July 1, 2004 for the Arizona Correctional Industries differs from the ending cash and cash equivalents balance on the cash flow for the year ended June 30, 2004 due to the correction of an error.

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 36,089	$ 11,856	$ 112,560
-	-	1,042
-	-	54,491
(33,196)	(2,790)	(81,844)
(1,682)	(9,713)	(25,535)
-	-	(55,148)
-	65	(846)
1,211	(582)	4,720
586	374	960
-	(2)	(1,412)
-	-	549
586	372	97
(20)	(18)	(2,378)
-	-	(17)
(20)	(18)	(2,395)
-	20	20
134	35	3,005
-	-	(1)
134	55	3,024
1,911	(173)	5,446
7,718	2,003	113,557
$ 9,629	$ 1,830	$ 119,003
$ (4,844)	$ 204	$ (5,150)
47	326	2,658
-	-	4
-	(969)	(1,093)
-	-	19
-	-	183
-	(14)	(2,236)
-	2	401
-	-	434
360	(86)	(37)
3,160	126	3,372
-	(168)	(168)
-	(3)	4,037
2,473	-	2,138
15	-	158
$ 1,211	$ (582)	$ 4,720
$ (25)	$ -	$ (424)
$ (25)	$ -	$ (424)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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Technologies and Telecommunications Fund receives monies from State agencies for services related to the operation of the data processing and telecommunications programs.

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

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

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	RETIREE SICK LEAVE
ASSETS					
Current Assets:					
Cash and pooled investments with State Treasurer	$ 29,633	$ 3,561	$ 49,737	$ 9,971	$ 5,866
Receivables, net of allowances:					
Interest	-	11	-	-	-
Other	57	-	8,933	1,456	-
Due from other Funds	44	-	-	1,573	-
Inventories, at cost	-	2,797	-	-	-
Other current assets	1,580	-	-	562	-
Total Current Assets	31,314	6,369	58,670	13,562	5,866
Noncurrent Assets:					
Capital assets:					
Depreciable buildings, property and equipment, net of accumulated depreciation	146	46,668	37	5,060	-
Total Noncurrent Assets	146	46,668	37	5,060	-
Total Assets	31,460	53,037	58,707	18,622	5,866
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	6,192	149	52,272	1,113	-
Accrued liabilities	-	417	-	-	-
Due to other Funds	23	-	661	5	-
Current portion of accrued insurance losses	52,233	-	-	-	-
Current portion of long-term debt	-	1,234	-	-	-
Current portion of other long-term liabilities	246	569	108	591	6,253
Total Current Liabilities	58,694	2,369	53,041	1,709	6,253
Noncurrent Liabilities:					
Accrued insurance losses	249,367	-	-	-	-
Long-term debt	-	4,676	-	-	-
Other long-term liabilities	-	-	-	-	3,702
Total Noncurrent Liabilities	249,367	4,676	-	-	3,702
Total Liabilities	308,061	7,045	53,041	1,709	9,955
NET ASSETS					
Invested in capital assets, net of related debt	146	40,759	37	5,060	-
Unrestricted (deficit)	(276,747)	5,233	5,629	11,853	(4,089)
Total Net Assets	$ (276,601)	$ 45,992	$ 5,666	$ 16,913	$ (4,089)

MOTOR POOL	TOTAL
$ 10,632	$ 109,400
-	11
731	11,177
1,141	2,758
21	2,818
6	2,148
12,531	128,312
11,452	63,363
11,452	63,363
23,983	191,675
651	60,377
-	417
2	691
-	52,233
-	1,234
33	7,800
686	122,752
-	249,367
-	4,676
-	3,702
-	257,745
686	380,497
11,452	57,454
11,845	(246,276)
$ 23,297	$ (188,822)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

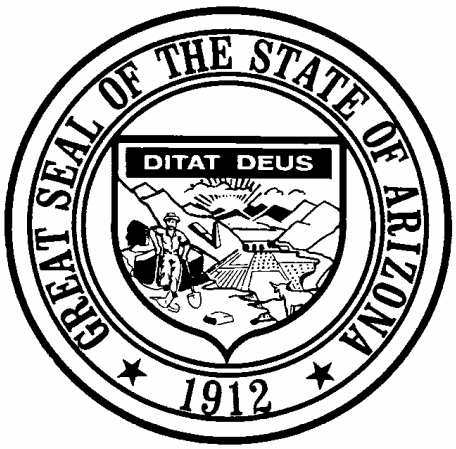
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	RETIREE SICK LEAVE
OPERATING REVENUES					
Sales and charges for services	$ 91,856	$ 34,291	$ 507,601	$ 28,481	$ 11,366
Other	-	2,886	-	-	-
Total Operating Revenues	91,856	37,177	507,601	28,481	11,366
OPERATING EXPENSES					
Cost of sales and benefits	-	12,706	497,344	10,592	10,213
Personal services	4,517	11,788	-	9,807	-
Contractual services	27,470	318	-	1,666	1
Depreciation and amortization	68	6,813	-	2,726	-
Insurance	119,903	605	-	349	5
Other	1,690	1,123	-	1,911	8
Total Operating Expenses	153,648	33,353	497,344	27,051	10,227
Operating Income (Loss)	(61,792)	3,824	10,257	1,430	1,139
NON-OPERATING REVENUES (EXPENSES)					
Gain on sale of capital assets	-	-	-	-	-
Investment income	-	84	-	-	-
Interest expense	-	(47)	-	-	-
Other non-operating revenue	33	-	-	-	-
Total Non-Operating Revenues (Expenses)	33	37	-	-	-
Income (Loss) Before Contributions and Transfers	(61,759)	3,861	10,257	1,430	1,139
Capital grants and contributions	-	-	-	-	-
Transfers in	59	-	-	-	-
Transfers out	(3,531)	-	-	(17)	-
Change in Net Assets	(65,231)	3,861	10,257	1,413	1,139
Total Net Assets - Beginning	(211,370)	42,131	(4,591)	15,500	(5,228)
Total Net Assets - Ending	$ (276,601)	$ 45,992	$ 5,666	$ 16,913	$ (4,089)

MOTOR POOL	TOTAL
$ 11,002	$ 684,597
-	2,886
11,002	687,483
4,995	535,850
673	26,785
132	29,587
3,118	12,725
1,644	122,506
447	5,179
11,009	732,632
(7)	(45,149)
153	153
-	84
-	(47)
-	33
153	223
146	(44,926)
1,403	1,403
-	59
(1,002)	(4,550)
547	(48,014)
22,750	(140,808)
$ 23,297	$ (188,822)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 91,814	$ 34,292	$ 507,116	$ 27,796
Payments to suppliers or insurance companies	(86,403)	(15,016)	(485,300)	(16,085)
Payments to employees	(4,642)	(11,815)	-	(10,196)
Payments to retirees	-	-	-	-
Other receipts	-	2,876	-	-
Net Cash Provided by Operating Activities	769	10,337	21,816	1,515
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	59	-	-	-
Interest paid	-	(47)	-	-
Transfers to other Funds	(3,531)	-	-	(17)
Other receipts	33	-	-	-
Net Cash (Used) by Non-capital Financing Activities	(3,439)	(47)	-	(17)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	591	9	-
Acquisition and construction of capital assets	(29)	(9,387)	-	(574)
Net Cash Provided (Used) by Capital and Related Financing Activities	(29)	(8,796)	9	(574)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	84	-	-
Net Cash Provided by Investing Activities	-	84	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,699)	1,578	21,825	924
Cash and Cash Equivalents - Beginning	32,332	1,983	27,912	9,047
Cash and Cash Equivalents - Ending	$ 29,633	$ 3,561	$ 49,737	$ 9,971
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (61,792)	$ 3,824	$ 10,257	$ 1,430
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	68	6,813	-	2,726
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	-	(10)	(485)	(885)
Decrease in due from others	-	-	-	-
(Increase) decrease in due from other Funds	(42)	-	-	200
(Increase) decrease in inventories, at cost	-	(295)	-	-
(Increase) decrease in other assets	13	-	-	(228)
Increase (decrease) in accounts payable	4,182	(51)	13,022	(1,340)
Increase (decrease) in accrued liabilities	(137)	60	-	(313)
Increase (decrease) in due to other Funds	(7)	-	(988)	1
Increase in accrued insurance losses	58,472	-	-	-
Increase (decrease) in other liabilities	12	(4)	10	(76)
Net Cash Provided by Operating Activities	$ 769	$ 10,337	$ 21,816	$ 1,515
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Assets acquired under capital leases	$ -	$ 6,122	$ -	$ -
Total Noncash Investing, Capital and Non-capital Financing Activities	$ -	$ 6,122	$ -	$ -

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
$ 11,366	$ 11,013	$ 683,397
-	(7,539)	(610,343)
-	(694)	(27,347)
(9,718)	-	(9,718)
-	-	2,876
1,648	2,780	38,865
-	-	59
-	-	(47)
-	(1,002)	(4,550)
-	-	33
-	(1,002)	(4,505)
-	-	600
-	(1,038)	(11,028)
-	(1,038)	(10,428)
-	-	84
-	-	84
1,648	740	24,016
4,218	9,892	85,384
$ 5,866	$ 10,632	$ 109,400
$ 1,139	$ (7)	$ (45,149)
-	3,118	12,725
-	96	(1,284)
-	2	2
-	(87)	71
-	19	(276)
-	(1)	(216)
-	(335)	15,478
-	(20)	(410)
-	(4)	(998)
-	-	58,472
509	(1)	450
$ 1,648	$ 2,780	$ 38,865
$ -	$ -	$ 6,122
$ -	$ -	$ 6,122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PENSION 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 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 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 is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

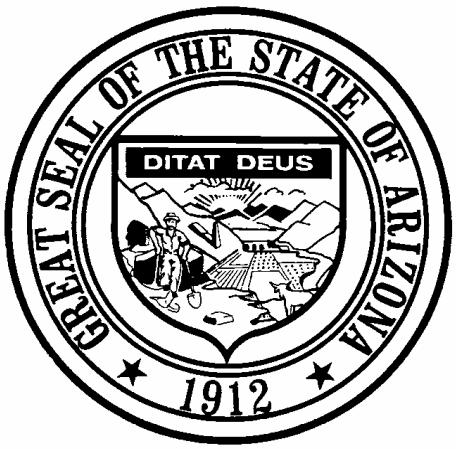
The Corrections Officer Retirement Plan is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ASSETS					
Cash	$ 18,363	$ 2,743	$ 982	$ 544	$ 22,632
Receivables, net of allowances:					
Accrued interest and dividends	55,103	16,420	1,160	3,004	75,687
Securities sold	510,583	-	-	-	510,583
Forward contract receivable	1,573,699	-	-	-	1,573,699
Contributions	21,147	10,125	81	138	31,491
Court fees	-	-	343	-	343
Miscellaneous receivables	4,427	2,134	-	-	6,561
Total receivables	2,164,959	28,679	1,584	3,142	2,198,364
Investments, at fair value:					
Temporary investments	2,040,185	-	-	-	2,040,185
Temporary investments from securities lending	2,279,978	-	-	-	2,279,978
U.S. Government securities	2,564,711	242,050	18,747	40,643	2,866,151
Corporate bonds	2,617,193	662,003	45,926	121,112	3,446,234
Corporate notes	-	276,388	15,016	43,702	335,106
Corporate stocks	15,751,417	3,198,452	216,819	547,296	19,713,984
Real estate mortgages and contracts	26,774	-	-	-	26,774
Collateral investment pool	-	943,046	74,671	183,436	1,201,153
Other investments	-	194,105	13,193	32,953	240,251
Total investments	25,280,258	5,516,044	384,372	969,142	32,149,816
Property and equipment, net of accumulated depreciation	-	3,622	242	633	4,497
Total Assets	27,463,580	5,551,088	387,180	973,461	34,375,309
LIABILITIES					
Accounts payable	1,591,741	-	1,015	1,151	1,593,907
Payable for securities purchased	984,476	-	-	-	984,476
Obligation under securities loan agreements	2,279,978	943,046	74,671	183,436	3,481,131
Total Liabilities	4,856,195	943,046	75,686	184,587	6,059,514
NET ASSETS					
Held in Trust for Pension Benefits	$ 22,607,385	$ 4,608,042	$ 311,494	$ 788,874	$ 28,315,795

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ADDITIONS:					
Member contributions	$ 442,643	$ 67,948	$ 3,617	$ 34,590	$ 548,798
Employer contributions	442,643	104,497	3,305	16,292	566,737
Member purchase of service credit	140,159	-	-	-	140,159
Court fees	-	-	3,793	-	3,793
Investment income:					
Net increase in fair value of investments	1,382,587	249,837	18,273	43,805	1,694,502
Interest income	225,710	86,351	5,866	14,590	332,517
Dividends	212,174	46,986	3,232	7,808	270,200
Real estate	6,113	-	-	-	6,113
Other investment income	4,731	-	-	-	4,731
Securities lending income	46,757	1,049	84	194	48,084
Total investment income	1,878,072	384,223	27,455	66,397	2,356,147
Less investment expenses:					
Investment activity expenses	33,584	692	48	120	34,444
Security lending expenses	41,096	-	-	-	41,096
Net investment income	1,803,392	383,531	27,407	66,277	2,280,607
Other additions	1,773	9,156	3,647	2,268	16,844
Total Additions	2,830,610	565,132	41,769	119,427	3,556,938
DEDUCTIONS:					
Retirement and disability benefits	1,558,332	257,449	25,746	31,098	1,872,625
Death benefits	18,402	-	-	-	18,402
Refunds to withdrawing members, including interest	44,164	7,648	83	16,653	68,548
Administrative expense	25,275	1,600	132	922	27,929
Other deductions	8,151	128	246	1,115	9,640
Total Deductions	1,654,324	266,825	26,207	49,788	1,997,144
Change in net assets held in trust for pension benefits	1,176,286	298,307	15,562	69,639	1,559,794
Net Assets - Beginning	21,431,099	4,309,735	295,932	719,235	26,756,001
Net Assets - Ending	$ 22,607,385	$ 4,608,042	$ 311,494	$ 788,874	$ 28,315,795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INVESTMENT TRUST FUNDS

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

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt 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, negotiable certificates of deposit and United States Government securities.

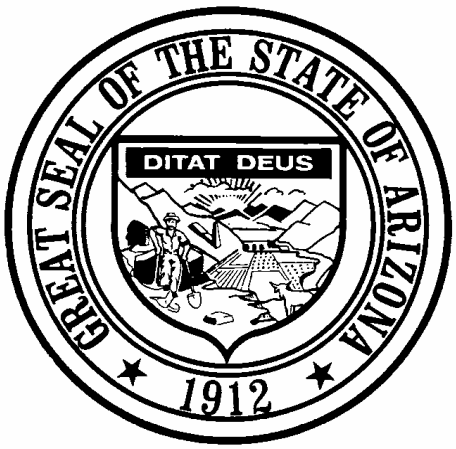
Local Government Investment Pool-Government is an Investment Trust Account composed of repurchase agreements and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ASSETS				
Receivables, net of allowances:				
Accrued interest and dividends	$ 724	$ 2,495	$ 1,718	$ 4,937
Total receivables	724	2,495	1,718	4,937
Investments, at fair value:				
U.S. Government securities	84,167	684,258	665,409	1,433,834
Corporate bonds	19,755	879,300	-	899,055
Repurchase agreements	-	84,606	743,119	827,725
Money market mutual funds	1,117	6	-	1,123
Total investments	105,039	1,648,170	1,408,528	3,161,737
Total Assets	105,763	1,650,665	1,410,246	3,166,674
LIABILITIES				
Due to local governments	747	236	766	1,749
Total Liabilities	747	236	766	1,749
NET ASSETS				
Held in trust for pool participants	$ 105,016	$ 1,650,429	$ 1,409,480	$ 3,164,925
Net assets consist of:				
Participant shares outstanding	105,016	1,650,429	1,409,480	3,164,925
Participants' net asset value (net assets/shares outstanding)	$ 1.00	$ 1.00	$ 1.00	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ADDITIONS:				
Investment income:				
Net increase in fair value of investments	$ 47	$ 166	$ 1,077	$ 1,290
Interest income	3,397	35,162	25,494	64,053
Total investment income	3,444	35,328	26,571	65,343
Less: Investment activity expenses	102	1,186	992	2,280
Net investment income	3,342	34,142	25,579	63,063
Capital share and individual account transactions:				
Shares sold	84,201	2,771,037	2,161,027	5,016,265
Reinvested interest income	3,515	31,630	20,890	56,035
Shares redeemed	(130,571)	(2,691,276)	(1,932,827)	(4,754,674)
Net capital share and individual account transactions	(42,855)	111,391	249,090	317,626
Total Additions	(39,513)	145,533	274,669	380,689
DEDUCTIONS:				
Dividends to investors	3,342	34,142	25,579	63,063
Total Deductions	3,342	34,142	25,579	63,063
Change in net assets held in trust for pool participants	(42,855)	111,391	249,090	317,626
Net Assets - Beginning	147,871	1,539,038	1,160,390	2,847,299
Net Assets - Ending	$ 105,016	$ 1,650,429	$ 1,409,480	$ 3,164,925


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
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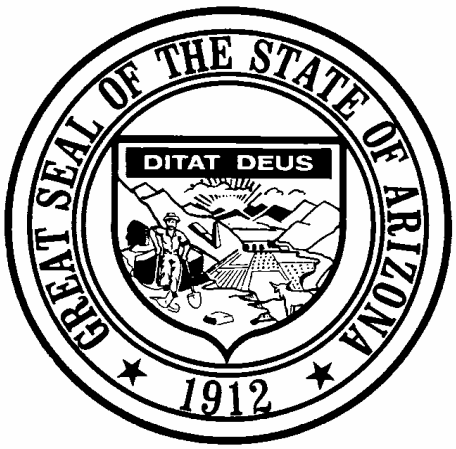
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and 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 made with the State Treasurer for investment purposes.

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
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STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 43,439	$ 43,439
Cash and pooled investments with State Treasurer	-	18,412	298,106	316,518
Short-term investments	-	-	2,353	2,353
Receivables, net of allowances:				
Interest	-	36	267	303
Other	-	-	207	207
Due from others	-	-	90,945	90,945
Custodial securities in safekeeping	2,486,435	-	57,118	2,543,553
Other assets	-	-	3,609	3,609
Total Assets	$ 2,486,435	$ 18,448	$ 496,044	$ 3,000,927
LIABILITIES				
Accounts payable and other current liabilities	$ -	$ 301	$ 159,493	$ 159,794
Accrued liabilities	-	-	5,512	5,512
Due to local governments	-	5,377	741	6,118
Due to others	2,486,435	12,770	330,298	2,829,503
Total Liabilities	$ 2,486,435	$ 18,448	$ 496,044	$ 3,000,927

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

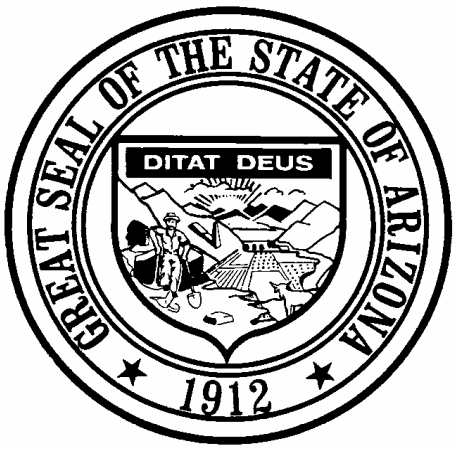
	BALANCE JULY 1, 2004	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2005
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 2,497,736	$ 970,903	$ 982,204	$ 2,486,435
Total Assets	$ 2,497,736	$ 970,903	$ 982,204	$ 2,486,435
Liabilities:				
Due to others	$ 2,497,736	$ 970,903	$ 982,204	$ 2,486,435
Total Liabilities	$ 2,497,736	$ 970,903	$ 982,204	$ 2,486,435
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 24,696	$ 346,489	$ 352,773	$ 18,412
Interest receivable	29	36	29	36
Total Assets	$ 24,725	$ 346,525	$ 352,802	$ 18,448
Liabilities:				
Accounts payable and other current liabilities	$ -	$ 81,612	$ 81,311	$ 301
Due to local governments	11,412	278,554	284,589	5,377
Due to others	13,313	30,697	31,240	12,770
Total Liabilities	$ 24,725	$ 390,863	$ 397,140	$ 18,448

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Thousands)

	BALANCE JULY 1, 2004	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2005
OTHER FUNDS				
Assets:				
Cash	$ 35,661	$ 632,066	$ 624,288	$ 43,439
Cash and pooled investments with State Treasurer	157,488	5,087,803	4,947,185	298,106
Short-term investments	2,127	2,353	2,127	2,353
Receivables, net of allowances:				
Interest	84	263	80	267
Other	1,064	207	1,064	207
Due from others	89,446	90,945	89,446	90,945
Custodial securities in safekeeping	60,214	57,118	60,214	57,118
Other assets	2,089	3,609	2,089	3,609
Total Assets	$ 348,173	$ 5,874,364	$ 5,726,493	$ 496,044
Liabilities:				
Accounts payable and other current liabilities	$ 122,417	$ 6,700,857	$ 6,663,781	$ 159,493
Accrued liabilities	7,412	5,512	7,412	5,512
Due to local governments	831	1,538	1,628	741
Due to others	217,513	1,013,092	900,307	330,298
Total Liabilities	$ 348,173	$ 7,720,999	$ 7,573,128	$ 496,044

COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 35,661	$ 632,066	$ 624,288	$ 43,439
Cash and pooled investments with State Treasurer	182,184	5,434,292	5,299,958	316,518
Short-term investments	2,127	2,353	2,127	2,353
Receivables, net of allowances:				
Interest	113	299	109	303
Other	1,064	207	1,064	207
Due from others	89,446	90,945	89,446	90,945
Custodial securities in safekeeping	2,557,950	1,028,021	1,042,418	2,543,553
Other assets	2,089	3,609	2,089	3,609
Total Assets	$ 2,870,634	$ 7,191,792	$ 7,061,499	$ 3,000,927
Liabilities:				
Accounts payable and other current liabilities	$ 122,417	$ 6,782,469	$ 6,745,092	$ 159,794
Accrued liabilities	7,412	5,512	7,412	5,512
Due to local governments	12,243	280,092	286,217	6,118
Due to others	2,728,562	2,014,692	1,913,751	2,829,503
Total Liabilities	$ 2,870,634	$ 9,082,765	$ 8,952,472	$ 3,000,927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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES

OTHER GOVERNMENTAL FUNDS

BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

OTHER GOVERNMENTAL FUNDS	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Accountancy Board		
Operating Lump Sum Appropriation	$ 2,150,500	$ 1,458,019
Operating Lump Sum Appropriation FY03 - 04	471,690	166,503
Department of Administration		
Administrative Adjustments	356	356
Archives and History Building	1,600,000	1,074,118
Arizona Pioneers' Home Plumbing Renovations	8,919	6,329
Building Renewal Miners' Hospital Fund FY02 - 03	38,655	38,656
Department of Corrections Building Renewal FY01 - 02	7,136	7,136
Department of Corrections Fort Grant Landfill Closure	43,123	0
Department of Corrections Safety Improvements	122,110	122,110
Department of Juvenile Corrections Building Renewal FY01 - 02	463	0
Employee Bus Subsidy	574,100	569,942
Government Building Defibrillators FY01 - 02	50,000	49,984
Government Building Defibrillators FY02 - 03	50,000	49,707
New Prison Complex FY99 - 00	260,698	0
Operating Lump Sum Appropriation	646,700	608,971
Pioneers' Home Plumbing Renovations	359,578	96,621
Prison Planning and Sitting	1,426	0
Radiation Regulatory Agency		
Administrative Adjustments	433	433
MRTB Assistant	11,375	0
Operating Lump Sum Appropriation	247,700	228,424
Attorney General		
Administrative Adjustments	1,315	1,315
Administrative Adjustments	151	151
Administrative Adjustments	47,010	47,010
Administrative Adjustments	164	164
Operating Lump Sum Appropriation	2,906,500	2,605,070
Operating Lump Sum Appropriation	310,000	218,479
Operating Lump Sum Appropriation	4,070,800	3,605,607
Victims' Rights Implementation Fund	3,199,300	2,704,414
Victims' Rights/Non Revert HB2427	303,770	81,320
Department of Agriculture		
Administrative Adjustments	51	51
Administrative Adjustments	811	811
Administrative Adjustments	689	689
Administrative Adjustments	64	64
Administrative Adjustments	73	73
Administrative Adjustments	1,000	1,000
Operating Lump Sum Appropriation	65,600	46,419
Operating Lump Sum Appropriation	411,000	342,567
Operating Lump Sum Appropriation	656,300	524,818
Operating Lump Sum Appropriation	247,100	247,065
Operating Lump Sum Appropriation	21,400	1,400
Operating Lump Sum Appropriation	51,800	34,195
Operating Lump Sum Appropriation	79,400	69,189
Operating Lump Sum Appropriation	263,400	263,087
Operating Lump Sum Appropriation	1,047,500	798,059
Operating Lump Sum Appropriation	9,200	7,405
Operating Lump Sum Appropriation	258,600	141,229
Wine Promotion	54,858	0
Acupuncture Board of Examiners		
Operating Lump Sum Appropriation	86,200	81,464

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation FY03 - 04	23,554	8,607
Appraisal Board		
Operating Lump Sum Appropriation	491,200	486,278
Operating Lump Sum Appropriation FY03 - 04	37,516	37,509
Automobile Theft Authority		
Administrative Adjustments	1,007	1,007
Auto Theft Authority Grants	4,002,000	3,999,358
Operating Lump Sum Appropriation	548,100	548,097
Barber Examiners Board		
Operating Lump Sum Appropriation	234,400	218,697
Operating Lump Sum Appropriation FY03 - 04	17,939	6,563
Board of Behavioral Health Examiners		
Operating Lump Sum Appropriation	840,400	795,540
Operating Lump Sum Appropriation FY03 - 04	30,271	270
Board of Nursing		
Operating Lump Sum Appropriation	2,909,700	2,909,629
Operating Lump Sum Appropriation FY03 - 04	146,321	146,322
Cosmetology Board		
Operating Lump Sum Appropriation	1,570,100	1,555,130
Operating Lump Sum Appropriation FY03 - 04	123,537	123,537
Corporation Commission		
Administrative Adjustments	112,424	112,424
Administrative Adjustments	9,715	9,715
Administrative Adjustments	8,498	8,498
Annual Reversion per ARS 10-122	852,138	852,138
Annual Reversion per ARS 44-3298	702,614	702,614
Corporations Division Staffing Costs	456,206	298,740
Investigation and Prosecution of Security Fraud	165,599	0
Operating Lump Sum Appropriation	11,286,400	11,122,355
Operating Lump Sum Appropriation	62,600	54,240
Operating Lump Sum Appropriation	3,488,300	3,115,643
Operating Lump Sum Appropriation	2,064,200	2,050,756
Operating Lump Sum Appropriation	794,500	793,057
Utility Audits, Studies, Investigations and Rate Hearing FY00 - 01	17,890	17,890
Utility Audits, Studies, Investigations and Rate Hearing FY00 - 01	249,375	147,601
Utility Audits, Studies, Investigations and Rate Hearing FY01 - 02	380,000	10,380
Utility Audits, Studies, Investigations and Rate Hearing FY02 - 03	380,000	0
Utility Audits, Studies, Investigations and Rate Hearing FY03 - 04	380,000	0
Utility Audits, Studies, Investigations and Rate Hearing FY04 - 05	380,000	0
Chiropractic Examiners Board		
Operating Lump Sum Appropriation	464,200	441,328
Operating Lump Sum Appropriation FY03 - 04	57,752	41,912
Department of Corrections		
Administrative Adjustments	299,490	299,490
Administrative Adjustments	356,669	356,669
Drug Treatment Pilot Program	250,000	20,628
Operating Expenses Supplemental	2,500,000	2,500,000
Operating Expenses Supplemental	1,500,000	620,225
Operating Lump Sum Appropriation	28,674,300	28,621,798
Operating Lump Sum Appropriation	449,300	444,077
Operating Lump Sum Appropriation	6,250,000	4,160,855
Operating Lump Sum Appropriation	869,200	491,992
Operating Lump Sum Appropriation	570,000	473,488
Prison Expansion and Additional Beds	699,880	699,880
State Charitable, Penal and Reformatory Land Earnings	220,000	28,775

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Department of Economic Security		
ADM Operating Lump Sum Appropriation	557,200	0
ADM Operating Lump Sum Appropriation	130,000	8,524
ADM Operating Lump Sum Appropriation	86,900	86,900
Administrative Adjustments	1,137,319	1,137,319
Administrative Adjustments	355,476	355,476
Administrative Adjustments	32,138	32,138
Administrative Adjustments	51,003	51,003
Administrative Adjustments	170,122	170,122
Administrative Adjustments	134,115	134,115
Attorney General Legal Services	90,100	32,737
DACS Community and Emergency Services	500,000	287,527
DACS Domestic Violence Prevention	1,700,000	1,571,000
DCYF Child Abuse Prevention	817,500	593,765
DCYF Children Services	750,000	0
DCYF Operating Lump Sum Appropriation	209,600	51,143
DERS Independent Living Rehabilitation Services	1,707,700	1,600,814
DERS Operating Lump Sum Appropriation	85,000	3,224
DERS Operating Lump Sum Appropriation	492,400	318,082
DERS Vocational Rehabilitation Services	204,700	172,048
Jobs	1,500,000	192,738
Public Assistance Collections	237,600	148,844
Commission for the Deaf and Hard of Hearing		
Interpreters for Certification, Licensure	750,000	125,753
Operating Lump Sum Appropriation	5,201,600	4,657,291
Department of Juvenile Corrections		
Operating Lump Sum Appropriation	585,300	585,300
Operating Lump Sum Appropriation	360,000	360,000
Dispensing Opticians Board		
Operating Lump Sum Appropriation	106,700	84,934
Operating Lump Sum Appropriation FY03 - 04	20,324	481
Board of Dental Examiners		
Operating Lump Sum Appropriation	923,800	917,666
Department of Education		
Achievement Testing	2,340,300	0
Additional School Days	66,957,200	66,957,200
Additional School Days- Prop 301	1,275,492	0
Additional School Days- Prop 301	2,267,304	0
Basic State Aid Entitlement	46,509,100	46,509,100
Failing School Tutoring Fund	1,500,000	120,750
Failing School Tutoring Fund FY03 - 04	1,495,780	102,085
Hayden-Winkelman Bond Redemption	3,215,000	3,215,000
School Accountability Fund	4,679,260	3,078,295
School Accountability Fund - Prop 301	649,488	0
School Accountability Fund - Prop 301	1,194,733	0
School Accountability Fund - Proposition 301 FY03 - 04	2,128,129	2,120,650
School Accountability Fund - Proposition 301 School Safety	13,165	13,165
School Accountability Fund-Prop 301	2,890,910	6,943
School Accountability-School Safety Prop301	7,800,000	6,750,550
School Safety - Character Education for FY03 - 04	200,000	200,000
School Safety - Character Education for FY04 - 05	200,000	71,000
Department of Commerce		
Administrative Adjustments	52,278	52,278
Advertising and Promotion	659,200	608,476
Arizona Sonora Economic Development Study	10,000	0

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
CEDC Commission	253,700	245,211
Economic Development Matching Funds	104,000	103,753
International Trade Offices	966,800	942,739
Lottery 1989	5,001	0
Main Street	130,000	123,234
Minority and Women Owned Business	108,000	100,448
National Law Center/Free Trade	200,000	200,000
Oil Overcharge Administration	159,500	117,443
Operating Lump Sum Appropriation	625,600	595,475
REDI Matching Grants	45,000	44,514
Small Business Advocate	107,200	103,439
Williams Gateway Airport Authority	4,000,000	0
Department of Environmental Quality		
Administrative Adjustments	14,669	14,669
Administrative Adjustments	419,331	419,331
Administrative Adjustments	262	262
Administrative Adjustments	165,731	165,731
Administrative Adjustments	35,582	35,582
Administrative Adjustments	561	561
Air Permits Administration Program	5,487,100	4,861,973
Air Quality Program	5,119,600	3,593,473
Air Quality Program - Continuing FY01 - 02	214,052	28,017
Air Quality Program - Continuing FY02 - 03	182,451	0
Department of Administration Travel Reduction Transfer	400,000	400,000
Emissions Cap & Trading Program FY01 -02	70,576	0
Emissions Cap & Trading Program FY02 - 03	266,582	0
Emissions Control - Contractor Payments	31,739,600	29,622,038
Emissions Control Program - Administration	4,018,900	2,263,153
Fuel Formulation	135,000	122,728
General Fund Transfer 1st Regular Session Chapter 263	11,700,000	11,700,000
General Fund Transfer 2nd Regular Session Chapter 275	3,000,000	3,000,000
Hazardous Waste Program	715,000	33,135
Hazardous Waste Reserve FY94 - 95	64,000	0
Hazardous Waste Reserve FY95 - 96	29,273	0
Operating Lump Sum Appropriation	500,000	445,843
Pima County Air Quality Program	165,000	165,000
Political Subdivisions Assistance FY01-02	18,500	0
Roadside Diesel Emissions Testing Program FY01 - 02	200,000	0
Roadside Diesel Emissions Testing Program FY02 - 03	200,000	0
Solid Waste Program	2,105,200	963,870
Solid Waste Program	1,114,700	730,768
Solid Waste Program	132,500	693
Underground Storage Tank Policy Comm. FY00 - 01	1	0
Underground Storage Tank Policy Comm. FY99 - 00	18,857	0
Underground Storage Tank Program	22,000	4,598
Underground Storage Tank Technical Appeals FY00 - 01	7,500	0
Visibility Index Development FY01 - 02	80,589	0
Visibility Index Development FY02 - 03	121,124	111,025
Waste Tire Program	206,600	39,457
Water Quality Program	3,786,500	1,863,214
Funeral Directors and Embalmers		
Operating Lump Sum Appropriation	285,300	264,647
Operating Lump Sum Appropriation FY03 - 04	9,664	7,580
Game and Fish Department		
Administrative Adjustments	42,819	42,819

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Administrative Adjustments	483	483
Bellemont Shooting Range	800,000	0
Building Renewal	343,000	14,442
Building Renewal FY02 - 03	44,885	42,396
Building Renewal FY03 - 04	297,577	218,745
Canyon Creek Hatchery Improvement	355,486	207,419
Facility Improvements FY00 - 01	2,453	0
Facility Improvements FY01 - 02	71,559	667
Facility Improvements FY02 - 03	145,982	0
Facility Improvements FY99 - 00	1	0
Flagstaff Shooting Range Development FY00 - 01	73,859	0
Flagstaff Shooting Range Development FY99 - 00	11,584	0
Flagstaff Shooting Range Planning FY01-02	460,711	0
Flagstaff Shooting Range Planning FY02-03	499,900	0
Flagstaff Shooting Range Planning FY98-99	1	0
Headquarters Expansion and Renovation FY02-03	800,000	0
Headquarters Paving	50,000	746
Headquarters Security System FY03-04	186,720	653
Lake Havasu Shooting Range Development FY03-04	299,945	1,481
Mesa Office Security System	30,000	102
Migration Waterfowl Development FY98-99	6,480	6,480
Migratory Waterfowl Development FY00-01	99,025	0
Migratory Waterfowl Development FY01-02	100,000	20,000
Migratory Waterfowl Development FY02-03	87,378	0
Migratory Waterfowl Development FY03-04	97,486	0
Migratory Waterfowl Development FY99-00	76,900	34,207
Migratory Waterfowl Habitat FY93-94	1,302	0
Operating Lump Sum Appropriation	20,571,000	16,128,775
Operating Lump Sum Appropriation	2,140,600	1,923,490
Operating Lump Sum Appropriation	300,200	154,879
Operating Lump Sum Appropriation	43,400	17,479
Operating Lump Sum Appropriation	16,000	11,702
Performance Based Incentives Program FY00-01	13	0
Performance Based Incentives Program FY01-02	2	0
Performance Based Incentives Program FY02-03	322	0
Performance Based Incentives Program FY97-98	6,571	0
Performance Incentive Pay Program	300,000	300,000
Performance Incentive Pay Program	46,800	46,800
Performance Incentive Pay Program FY03-04	1,076	0
Pinetop Warehouse and Paving FY03-04	304,502	9,841
Pittman - Robertson/Dingell - Johnson Act	2,808,000	1,808,000
Shade Canopies	150,000	510
Shooting Range Development FY01- 02	39,559	13,099
Shooting Range Development FY02 - 03	13,783	0
Shooting Range Development FY99 - 00	2,058	2,058
Shooting Range Development/Grants Program	100,000	2,081
Shooting Range Development/Grants Program FY03-04	80,638	64,550
Sierra Vista Shooting Range	55,000	23,117
Silver Creek Hatchery Improvement	80,000	272
Statewide Preventive Maintenance	30,000	29,641
Tonto Creek Hatchery Improvements	200,000	73
Tri-State Shooting Range Development	300,000	0
Department of Gaming		
Administrative Adjustments	654	654
Administrative Adjustments	25,773	25,773

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Joint Monitoring System FY03 - 04	1,291,500	131,149
Operating Lump Sum Appropriation	1,594,500	1,577,386
Operating Lump Sum Appropriation	8,000,000	6,749,114
Problem Gambling	1,512,800	1,510,488
Problem Gambling	300,000	299,618
Arizona Health Care Cost Containment System		
Administrative Adjustments	25,576	25,576
Capitation	60,069,800	60,069,800
Children's Health Insurance Program - Parents	26,132,300	25,952,660
Children's Health Insurance Program - Services	59,765,600	59,216,096
Kidscare Administration	6,406,300	6,401,675
Prop 204 Capitation	20,541,100	20,541,100
Prop 204 Capitation	18,562,600	18,120,031
Prop 204 County Hold Harmless	4,825,600	4,825,600
Prop 204 Medicare	6,111,700	5,939,994
Department of Housing		
Operating Lump Sum Appropriation	442,500	442,501
Homeopathic Medical Examiners		
Operating Lump Sum Appropriation	77,300	71,383
Operating Lump Sum Appropriation FY03 - 04	12,685	5,877
Department of Health Services		
Administrative Adjustments	462,500	462,500
Administrative Adjustments	187,796	187,796
Administrative Adjustments	28,749	28,749
Administrative Adjustments	28,588	28,588
Administrative Adjustments	14,542	14,542
Administrative Adjustments	24,212	24,212
Alzheimer Disease Research	1,000,000	1,000,000
Assurance and Licensure	38,000	24,485
Attorney General Legal Services	50,000	50,000
Automated External Defibrillators FY01-02	50,000	50,000
Automated External Defibrillators FY02-03	50,000	50,000
Central Medical Direction - EMS FY00-01	100,000	100,000
Child Fatality Review Team	100,000	97,388
County Poison Control Center	125,000	93,750
Emergency Medical Services	2,970,000	2,664,476
General Fund Transfer 2nd Regular Session Chapter 275	500,000	500,000
High Risk Prenatal Services	450,000	379,708
Laboratory Services	845,300	823,349
Loan Repayment Services	100,000	62,617
Mental Health Research Institute Grant	1,484,318	845,542
Newborn Screening Fund - Indirect Costs	478,600	0
Newborn Screening Program	3,258,000	2,938,618
Nursing Care Institution Incentive Grant	600,000	471,526
Operating Lump Sum Appropriation	176,600	159,500
Operating Lump Sum Appropriation	350,000	177,526
Poison Control Center Funding	800,000	600,000
Relief Bill	4,134	4,134
Rural Medical Services FY01-02	71,377	0
Scorpion Anti-venom	150,000	78,930
Seriously Mentally Ill State Match for Title XIX	29,424,800	29,424,800
Statewide Emergency Medical Trauma System	100,000	0
Substance Abuse - Non-Title XIX	2,500,000	2,500,000
Trauma Advisory Board	255,200	125,714

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
University of Arizona Poison Center	1,050,000	787,500
University of Arizona Poison Control Center PS/ERE	225,000	168,750
Industrial Commission		
Administrative Adjustments	12,233	12,233
General Fund Transfer 2nd Regular Session Chapter 275	2,000,000	2,000,000
Operating Lump Sum Appropriation	16,949,900	16,242,419
Criminal Justice Commission		
Crime Victim Compensation Special AG Transfer FY00 - 01	8,202	0
Drug and Gang Prevention Resource Center	266,600	266,600
Operating Lump Sum Appropriation	556,800	554,575
State Aid to County Attorneys	706,500	706,500
State Aid to Indigent Attorneys	670,800	670,800
Victim Compensation and Assistance	3,900,000	3,593,569
Land Department		
Natural Resource Conservation Districts	320,000	319,999
Department of Emergency and Military Affairs		
Emergency Response Fund	132,700	125,987
Medical Examiners Board		
Operating Lump Sum Appropriation	4,933,600	4,719,252
Operating Lump Sum Appropriation FY03 - 04	327,423	67,468
Performance Based Incentive Program	170,960	106,626
Medical Student Loans Board		
Medical Student Loans	283,400	283,400
Board of Massage Therapy		
Operating Lump Sum Appropriation FY03 - 04	9,947	9,947
Naturopathic Board		
Inspections and Evaluation	19,600	19,196
Operating Lump Sum Appropriation	395,300	366,706
Operating Lump Sum Appropriation FY03 - 04	2,271	1,773
Nursing Care Examiners Board		
Operating Lump Sum Appropriation	370,000	332,744
Operating Lump Sum Appropriation FY03 - 04	13,669	303
Optometry Board		
Operating Lump Sum Appropriation	176,000	174,509
Operating Lump Sum Appropriation FY03 - 04	7,050	6,999
Osteopathic Examiners Board		
Operating Lump Sum Appropriation	496,500	476,231
Operating Lump Sum Appropriation FY03 - 04	44,821	35,337
Occupational Therapy Examiners Board		
Operating Lump Sum Appropriation	219,300	176,096
Operating Lump Sum Appropriation FY03 - 04	32,073	1,512
Commission for Post Secondary Education		
Arizona College and Career Guide	21,200	13,882
Arizona Minority Education Policy Analysis Center	150,000	32,692
Family College Savings Program	86,900	18,371
Leveraging Educational Assistance Partnership	2,143,700	1,625,117
Operating Lump Sum Appropriation	342,600	335,394
Twelve Plus Partnership	119,600	99,664
Pioneer's Home		
Equipment	12,000	12,000
Food	202,200	186,632
Other Operating Expenditures	388,911	388,903
Other Operating Expenditures	10,500	10,500
Personal Services/Employee Related Expenses	315,571	315,571
Personal Services/Employee Related Expenses	784,818	784,818

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Personal Services/Employee Related Expenses	384,000	271,515
Personal Services/Employee Related Expenses	945,100	852,455
Prescription Drugs	436,400	279,943
Professional and Outside Services	129,300	71,921
Travel - In State	25,000	22,240
Pharmacy Board		
Operating Lump Sum Appropriation	1,378,800	1,323,813
Operating Lump Sum Appropriation FY03 - 04	88,052	87,753
Podiatry Examiners Board		
Operating Lump Sum Appropriation	107,000	93,939
Operating Lump Sum Appropriation FY03 - 04	13,958	3,063
Parks Board		
FY88 - 89 Pass-Thru Grants	10,436	0
FY89 - 90 Pass-Thru Grants	40,191	0
FY90 - 91 Pass-Thru Grants	2,067,639	0
Land, Buildings and Improvement Control FY89 - 90	4,388	0
Land, Buildings and Improvement Control FY89 - 90	258,697	0
Land, Buildings and Improvement Control FY90 - 91	1,500	0
Land, Buildings and Improvement Control FY90 - 91	19,258	0
Land, Buildings and Improvement Control FY90 - 91	32,684	0
Off-Highway Vehicle Parks Operations	692,100	677,186
Operating Lump Sum Appropriation	460,300	346,641
Operating Lump Sum Appropriation	1,250,000	1,220,269
Department of Public Safety		
Administrative Adjustments	24	24
Administrative Adjustments	28	28
DNA Testing FY02 - 03	1,437,087	13,569
DNA Testing FY03 - 04	995,081	962
Operating Lump Sum Appropriation	30,543,200	30,543,200
Operating Lump Sum Appropriation	20,305,500	20,253,174
Operating Lump Sum Appropriation	1,211,800	1,211,800
Operating Lump Sum Appropriation	3,950,800	3,950,800
Operating Lump Sum Appropriation	2,204,200	2,186,909
Operating Lump Sum Appropriation	2,550,700	2,550,700
Operating Lump Sum Appropriation	51,600,400	51,600,400
Operating Lump Sum Appropriation	2,365,800	2,365,800
Patrol Officers FY02 - 03	41,570	0
Remote Officer Housing	360,000	88,842
Sworn Officer Salary Adjustments	2,136,900	2,136,900
Sworn Officer Salary Adjustments	141,500	141,500
Sworn Officer Salary Adjustments	15,000	15,000
Sworn Officer Salary Adjustments	1,200	1,200
Sworn Officer Salary Adjustments	615,900	615,900
Physical Therapy Examiners Board		
Operating Lump Sum Appropriation	264,600	262,348
Operating Lump Sum Appropriation FY03 - 04	12,047	10,226
Private Post-Secondary Education		
Operating Lump Sum Appropriation	263,500	246,022
Operating Lump Sum Appropriation FY03 - 04	10,069	6,619
Board of Respiratory Care Examiners		
Operating Lump Sum Appropriation	203,500	189,514
Respiratory Care Examiners Appropriation	28,224	2,589
Racing Department		
Operating Lump Sum Appropriation	77,200	77,135
Operating Lump Sum Appropriation	371,400	371,372

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Registrar of Contractors		
Incentive Pay	113,500	113,500
Office of Administrative Hearing	869,500	869,500
Operating Lump Sum Appropriation	8,564,100	8,492,132
Operating Lump Sum Appropriation FY03-04	497,420	495,479
Department of Revenue		
Administrative Adjustments	500	500
Administrative Adjustments	14	14
Administrative Adjustments	78	78
Ladewig vs State of Arizona - Administrative Costs	3,000,000	2,165,890
Operating Lump Sum Appropriation	1,478,900	1,459,247
Operating Lump Sum Appropriation	391,800	360,994
Operating Lump Sum Appropriation	448,500	445,507
Structural Pest Control Board		
Operating Lump Sum Appropriation	1,931,100	1,905,651
Operating Lump Sum Appropriation FY03 - 04	1,479	315
Schools for the Deaf and the Blind		
Administrative Adjustments	131,735	131,735
Operating Lump Sum Appropriation - Administration	1,878,400	1,867,555
Operating Lump Sum Appropriation - Phoenix	263,700	177,385
Operating Lump Sum Appropriation - Phoenix	5,132,300	4,806,636
Operating Lump Sum Appropriation - SW/Admin	677,300	430,791
Operating Lump Sum Appropriation - Tucson	1,047,500	658,857
Operating Lump Sum Appropriation - Tucson	5,730,000	5,076,237
Voucher Fund Adjustment	511,500	511,500
School Facilities Board		
Building Inspections	400,000	0
General Fund Transfer 2nd Regular Session Chapter 275	1,756,500	1,756,500
General Fund Transfer 2nd Regular Session Chapter 275	278,000	236,834
Supreme Court		
Administrative Adjustments	94	94
Administrative Adjustments	39,991	39,991
Case Processing - State Aid	3,035,800	1,420,039
Community Punishment	1,830,400	600,000
Confidential Intermediary FY01- 02	52,813	52,813
Confidential Intermediary FY02 - 03	297,076	121,332
Court Appointed Special Advocate	2,704,600	2,431,633
Drug Study	38,514	0
Foster Care Review Board	235,700	232,866
Juvenile Crime Reduction	5,144,000	3,167,194
Model Court	514,300	463,936
Operating Lump Sum Appropriation	433,600	116,442
State Aid to the Courts	1,840,400	1,840,399
Psychologist Examiners Board		
Operating Lump Sum Appropriation	326,100	265,406
Operating Lump Sum Appropriation FY03 - 04	51,702	1,300
Technical Registration Board		
Operating Lump Sum Appropriation	1,370,000	1,255,369
Operating Lump Sum Appropriation FY03 - 04	57,548	34,647
Residential Utilities Consumer's Office		
Operating Lump Sum Appropriation	1,023,200	984,279
Professional Witnesses	145,000	7,909
Professional Witnesses FY00 - 01	2,270	0
Professional Witnesses FY01 - 02	62,996	30,704
Professional Witnesses FY02 - 03	17,047	7,104

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Professional Witnesses FY03 - 04	100,694	60,130
Professional Witnesses FY97 - 98	10,604	0
Professional Witnesses FY98 - 99	11,977	0
Professional Witnesses FY99 - 00	49,324	0
Veteran's Services Department		
Administrative Adjustments	161	161
Operating Lump Sum Appropriation	625,800	589,723
Veterinary Medical Examiners Board		
Operating Lump Sum Appropriation	400,900	384,169
Operating Lump Sum Appropriation FY03 - 04	24,862	10,418
Water Resources Department		
General Fund Transfer 2nd Regular Session Chapter 275	2,000,000	2,000,000
Weights and Measures Department		
Administrative Adjustments	22,045	22,045
Oxygenated Fuel - Operating Lump Sum Appropriation	783,539	780,600
Vapor Recovery - Operating Lump Sum Appropriation	496,561	485,570
Total Other Governmental Funds Budgetary Expenditures	$ 863,892,545	$ 779,067,064