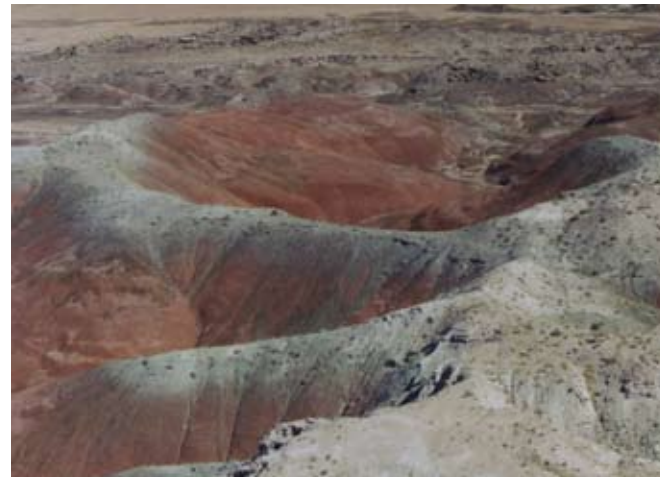


# Public Safety Personnel Retirement System



## 39th COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF ARIZONA



*For the Fiscal Year ended June 30, 2007*

# Our Vision, Mission & Values

## Vision

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Invest, secure and manage responsibly the retirement funds of its members in accordance with all legal, investment and financial requirements and in a manner consistent with the quality to which its members have become accustomed.

## Mission

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- To be a low cost, highly personalized quality service provider of funds management and benefit services
- To manage long-term investments with the goal of consistently outperforming over time the composite weighted market return benchmark net of all investment-related costs so as to assure the financial integrity of the funds and the security of the benefits these funds provide

## Values

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- Do what's best for our members and financial health and integrity of the System
- Proactive
- Committed to high quality, uniform, sustainable service
- Innovative and cost effective in Plan administration and services
- Use best practices in Human Resource management

# **Public Safety Personnel Retirement System**

**A Pension Trust Fund of the State of Arizona**

## **Thirty Ninth Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2007**

**Prepared by the Staff of PSPRS**

Public Safety Personnel Retirement System  
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Phoenix, Arizona 85016  
Phone 602-255-5575 Fax 602-255-5572 [www.psprs.com](http://www.psprs.com)

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Arizona Public Safety Personnel Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President

Executive Director



PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
CORRECTIONS OFFICER RETIREMENT PLAN**Carter Olson**  
*Fund Manager Chairman***Billy Shields**  
*Fund Manager Vice Chairman***Fritz Beesemyer**  
*Fund Manager Member***Brian Delfs**  
*Fund Manager Advisor***Mike Galloway**  
*Fund Manager Member***James Gentner**  
*Fund Manager Advisor*ELECTED OFFICIALS' RETIREMENT PLAN  
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FAX: (602) 255-5572**James M Hacking**  
*Administrator***Ryan Parham**      **Tracey D. Peterson**  
*Interim CIO*      *Assistant Administrator-COO*

February 8, 2008

The Honorable Janet Napolitano  
Governor of the State of Arizona  
State Capitol  
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Fund Manager of the Public Safety Personnel Retirement System (PSPRS) respectfully submits the Thirty-Ninth Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007 (FY'07), in accordance with the provisions of A.R.S. Section 38-848.

**The PSPRS Plan's Funding Ratio**

As of fiscal year-end, we must report that the financial status of the PSPRS Plan, as reflected in its funding ratio, has declined markedly relative to what it was one year earlier. At June 30, 2006 that funding ratio was 77.6 %; at June 30, 2007, it was down to 66.4%. But before summarizing the Plan's fiscal year-end funding situation and the factors that occurred during the fiscal year that led to the year-end results, we must first provide some historical perspective.

As you recall, during the 1990s, PSPRS annually generated investment returns well in excess of the System's actuarially assumed rate of 9%. As a result, throughout the decade and through FY'03, the System was more than 100% funded. It appeared that all was well. In reality, however, that was not the case. The financial health of the Plan was increasingly predicated on an investment strategy that entailed an extraordinary degree of risk.

During the last half of the 1990's, the Plan's portfolios were increasingly concentrated and invested in "high tech" securities. But in March, 2000, the "tech" bubble began to deflate. From June 30, 2000 to June 30, 2002, the asset value of the PSPRS Plan declined from \$4.5 billion to \$3.2 billion - an asset value loss of nearly 30%. Not until June 30, 2006 was the Plan's market value of assets roughly back to where it had been at the end of fiscal year 2000. But by that time, the Plan's liabilities for present and promised future benefits had increased 89%.

Since the System uses a seven year averaging process to determine its fiscal year-end actuarial value of assets, the effects of the 2000-2002 asset value loss will not be fully reflected in the Plan's funding ratio until the end of FY'09.

Although the 2000-2002 asset value loss has been by far the major cause of the Plan's funding ratio erosion, other factors also contributed. Some of these include: the less favorable investment environment that caused us to reduce the actuarial expected rate of return on assets from 9.0% to 8.5%; the statutory provisions that require us to divert 50% of investment returns in excess of 9% into the Plan's Benefit Increase Reserve such that the Reserve assets are not taken into account for funding ratio and employer contribution rate calculations; and the increased liability associated with legislated benefit increases, including the PSPRS Deferred Retirement Option Plan (DROF).

Still another factor contributed to the significant funding ratio deterioration from FY'06 to FY'07. In this most recently completed fiscal year, the System was required to make a variety of changes in actuarial technique and demographic assumptions. These changes significantly increased the Plan's unfunded liability. Roughly one-half of the Plan's funding ratio decline from the end of FY'06 through FY'07 was attributable to these changes

# Introductory Section

that came out of actuarial audits conducted by the Legislature's actuarial auditing firm, Segal & Co. and by the System's actuarial auditing firm, Milliman Consultants and Actuaries.

## Employer Contribution Rates

When times were good and the PSPRS Plan was over-funded, the PSPRS employers' contribution rates were abnormally low. For example, early in the decade the computed aggregate employer contribution was only 3.75%.

But with the rapid decline in the Plan's funding ratio, the employer contribution requirements have been increasing in large year-over-year increments. The current aggregate PSPRS employer contribution requirement is 16.52%. But as a result of the Plan's FY'07 lower funding ratio, that aggregate rate will increase to 21.72%, effective July 1, 2008. Approximately 2.8% of the 5.2% contribution rate increase is attributable to the actuarial changes referred to above. Most of the rest is attributable to the effects of the asset value losses that are still being taken into account in the Plan's funding ratio calculation.

As we move into the new fiscal year, the System's Administrator will undertake consultations with representatives of the Plans' constituency groups and the contributing employers to determine whether a consensus exists with respect to any of a variety of options that could be employed to limit, in the short term, the degree to which the employer rates will increase next July 1st.

## FY'07 Investment Results

The FY'07 rate of return on the invested assets of the PSPRS Plan was 17.06% -- a rate of return that compares favorably with the 15.1% weighted composite rate of return benchmark for the Plan and with its 8.5% actuarial assumed rate of return. In addition, since the return was in excess of 9%, significant new assets flowed into the Plan's Reserve for Future Benefit Increases. However, when compared to the median returns of a variety of large public pension fund "peer groups" for the same time period, the PSPRS Plan's investment results were only 3rd quartile. This less-than-median-return result underscores the continuing need to move ahead with the restructuring of the System's asset management function that began during this last fiscal year.

The very disappointing FY'06 rate of return results (i.e., 8.3%) brought us to the realization that we could not reasonably expect to achieve our long-term rate of return objectives if we simply continued to manage the Plan's assets as has been done in the past. The past practice of managing all the System's publicly traded portfolios internally has severely limited the Plan's asset diversification and caused the Plan to underperform its public retirement system "peer" groups. In order to better position the Plan to achieve its rate of return expectations, enhance returns, control risk and diversify the Plan's assets through exposure to a wider mix of financial markets, we began in FY'07 an asset management restructuring. During the fiscal year, the following was accomplished:

- A new independent investment consulting firm (Ennis, Knupp & Associates) was retained in December, 2006;
- A new and more diversified asset allocation was adopted in February;
- A plan for implementing the new asset allocation was adopted in May;
- The Fund Manager accepted the retirement resignation of the System's CIO and authorized a nation-wide search for a new CIO using an executive search firm;
- A new custodian bank (BNY Mellon Bank) was hired in August (effective October 1st); and
- Barclay Global Investors (BGI) was approved in May to manage the transition of the System's equity assets into U.S. and non-U.S index accounts at BGI with the asset transfer expected to occur right after the 2007 holiday season.

Had the Plan had its new asset allocation fully implemented throughout FY'07, and had it just gotten market returns for the various asset classes reflected in the new allocation, the Plan's rate of return would have been 19.25%, as opposed to the 17% the Plan actually received. Certainly, given the Plan's financial status, we can ill afford to miss out on such additional investment return potential.

As FY'08 proceeds, the asset management restructuring plan contemplates the following:

- Completing the contract negotiations with BGI;
- Transitioning the System's equity assets into index accounts at BGI;

- Completing the CIO search and selection process;
- Modifying the System's asset allocation to incorporate asset types that have relatively low correlations to equities;
- Conducting searches for portfolio managers that can actively manage equity portfolios with global mandates and for managers that can construct portfolios that have relatively low correlations to equity portfolios;
- Reviewing the internally managed bond portfolio and making changes as appropriate; and
- Increasing commitments to real estate and private equity to achieve greater diversification in those areas.

### **Expectations for the Financial Status of the PSPRS Plan in the Future**

The funding ratio for the Plan should begin to improve and the employer contribution rates should begin to decline once the 2000-2002 asset value losses drop out of the calculation of the actuarial value of assets (i.e., after the close of Plan FY'09). The fact that, for the first time since June 30, 2000, the Plans had a market value of assets greater than the actuarial value of assets at June 30, 2007 would seem to be a harbinger of an improving trend. The implementation of the System's new asset allocation and the achievement of better-than-expected rates of return on invested assets would serve to accelerate and magnify the expected improving trend.

However, there are two things that could delay the expected improvement:

- A sharp and sustained downturn in the U.S. and global economies and financial markets; and
- Having to reduce the System's actuarial rate of return assumption from 8.5% to 8.0% as was recommended by the actuarial auditing firms, Segal & Co. and Milliman Consultants and Actuaries.

### **System Governance, Administrative and Internal Control Changes**

Developments during the twelve months ending June 30, 2007 that strengthened System governance, increased administrative efficiency and productivity or improved internal controls were as follows:

First, a search process was conducted for a new external audit firm to do a very thorough audit of all aspects of System operations. That process resulted in the selection of the certified public accounting firm of Heinfeld, Meech & Co. P.C., for the external audit role, replacing the firm of Barrows & Schatza.

Second, the Board's Governance Policies were reviewed for compliance once again by Cortex Applied Research. Only a few minor variations were identified; some of these may require amendments to the policies.

Third, the System's Compliance Officer/Internal Auditor initiated a project, the object of which is the development of detailed written procedures for all of the System's processes, including those that relate to asset management as well as benefit determination.

Fourth, the firm of Cost Effective Measurement (CEM) was retained to do an evaluation of the System's historical asset management cost effectiveness in relation to the System's peer group. The report will be made public in December.

Fifth, as indicated above, the System carried out its first actuarial audit and implemented all the immediately necessary changes in actuarial technique and demographic assumptions. These are reflected in the Plan's FY'07 actuarial valuation results.

Sixth, as indicated above, the Board retained a new investment consulting firm, Ennis, Knupp & Associates, to provide the Board with advice and analysis with respect to the management of the System's assets that is independent of that received from the System's professional investment staff.

Seventh, the management staff conducted a search process for a firm to do an independent IT assessment. The staff search committee created for that purpose recommended, and the Board approved, the selection of the Torus Business Group for this assignment. The IT assessment will include, among other things, a focus on the options available for improving the System's position with respect to business continuity and disaster recovery.

Finally, the System implemented a new web site to enable PSPRS contributing employers to transmit electronically payroll deduction records to accelerate the process and improve efficiency; to date, ninety-six employers are using the new site.


# Introductory Section

## Conclusion

As a Board, we intend to continue our commitment to make the changes that are necessary to improve the financial status of the PSPRS Plan, moderate the required contributions of the Plan's participating employers and faithfully serve the interests of the Plan's participants and beneficiaries.


We appreciate having the opportunity to serve the State of Arizona, its political subdivisions and its PSPRS stakeholders and we look forward to continuing to serve as members of the Fund Manager for this System.

Respectfully submitted,



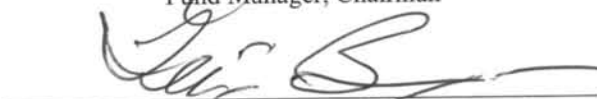
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**Carter Olson**  
Fund Manager, Chairman



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**Billy Shields**  
Fund Manager, Vice Chairman



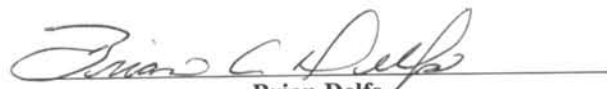
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**Fritz Beesemyer**  
Fund Manager, Member



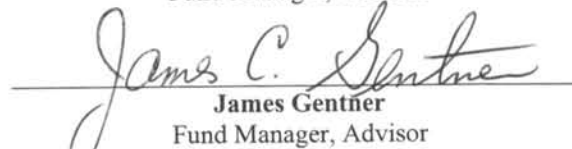
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**Mike Galloway**  
Fund Manager, Member



---

**Brian Delfs**  
Fund Manager, Advisor



---

**James C. Gentner**  
Fund Manager, Advisor

**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**  
**CORRECTIONS OFFICER RETIREMENT PLAN**  
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**Carter Olson**  
*Fund Manager Chairman*

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*Fund Manager Advisor*

**James Gentner**  
*Fund Manager Advisor*

**Ryan Parham**  
*Interim CIO*

**Tracey D. Peterson**  
*Assistant Administrator-COO*

February 8, 2008

The Fund Manager  
Public Safety Personnel Retirement System  
State of Arizona  
Phoenix, Arizona

Gentlemen:

There is presented, herewith, the Thirty-Ninth Comprehensive Annual Financial Report (CAFR) of the operations and financial conditions of the Public Safety Personnel Retirement System (PSPRS) Plan, State of Arizona, for the fiscal year ended June 30, 2007. The Plan was created on July 1, 1968 to provide a uniform statewide retirement system for public safety personnel. The System provides a normal retirement benefit following the completion of twenty years of service and also provides disability benefits, survivor benefits for spouses and children, post-retirement increases and health insurance subsidies.

Arizona Revised Statutes Title 38 requires the Fund Manager to transmit to the Governor and the Legislature this annual report within six months of the close of each fiscal year. Incorporated in this report are the audited financial statements, management's discussion and analysis, and other financial data from the June 30, 2007 report of Heinfeld, Meech & Co. P.C., Certified Public Accountants and auditors for the System. Also included are the actuarial certification statement and the actuarial balance sheet from the June 30, 2007 actuarial valuation prepared by the System's actuary, Rodwan Consulting Company.

#### **FINANCIAL INFORMATION**

The primary responsibility for the integrity and objectivity of the financial statements and related financial data rests with the management of the System. The financial statements were prepared in conformity with generally accepted accounting principles appropriate for government-sponsored defined benefit pension plans. Management believes that all other financial information included in this annual report is consistent with those financial statements.

It is the System's policy to have and maintain an effective system of accounting controls. We believe our controls are adequate to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and to produce the records necessary for the preparation of financial information. There are limits inherent in all systems of internal control based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes the System's controls provide this appropriate balance.

The System uses the accrual basis of accounting for both revenues and expenses. Contributions to the System are based on principles of level-cost financing with current service financed as a level percent of payroll on a current basis and prior service amortized as a level percent of payroll over a period of at least twenty but not more than thirty years.

#### **REVENUES**

Revenues to the System are derived from four sources: member contributions, employer contributions, fire insurance premium tax revenues and returns on the invested assets of the Plan. As shown by the Schedule of Revenues by Source included in the Statistical Section later in this report, the System had a positive investment return this fiscal year that was further enhanced by member contributions, direct employer contributions, and insurance premium taxes. Please refer to the Statistical Section for a ten-year history of revenues and expenses.

# Introductory Section

## ADMINISTRATIVE AND INVESTMENT EXPENSES

The PSPRS Plan's FY'07 administrative and investment-related expenses totaled \$5.4 million, up from the \$3.8 million during the prior year. Administrative and investment expenses were approximately 10 basis points of the total assets managed. This is very low compared with other public retirement systems. A dedicated staff and constantly improving internal expertise has enabled management to keep costs relatively low even though assets managed have increased substantially over the years and service needs have escalated due to increasing numbers of participants and beneficiaries.

## INVESTMENTS

The total rate of return on the PSPRS Plan assets for the fiscal year was 17.06%. The Investment Section of this Report contains graphs depicting the Plan's performance, a detailed summary of the investment portfolio, all investment transactions, and commissions paid to investment professionals who provide services to PSPRS. All Plan investments were held in trust by the Arizona subsidiary of Wells Fargo, the System's custodian bank.

## SYSTEM FINANCIAL OUTLOOK

The following is a summary of the principal trends, and the reasons for those trends, with respect to the financial status of the PSPRS Plan.

### Financial Trends With Respect to Funding Ratios and Employer Contribution Requirements

As Table 1 below shows, the funding ratio of the PSPRS Plan has declined steadily over the past ten years. During that time, the Plan has gone from an overfunded to an underfunded situation. Table 1 shows the funding ratio calculated using fiscal year-end actuarial value of assets (i.e., an average of the market value of assets over the four years ending June 30th through June 30, 2004 and over the seven years ending June 30th for subsequent fiscal years) and also fiscal year-end market value of assets.

**Table 1 – Funding Ratios of the PSPRS Plan (Actuarial Value & Market Value)**

| Fiscal Year | Actuarial Value |        |        |        |        |        |       |       |       |       |
|-------------|-----------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
|             | 1998            | 1999   | 2000   | 2001   | 2002   | 2003   | 2004  | 2005  | 2006  | 2007  |
| PSPRS       | 116.3%          | 120.3% | 124.7% | 126.9% | 113.0% | 100.9% | 92.4% | 83.2% | 77.6% | 66.4% |

| Fiscal Year | Market Value |        |        |        |       |       |       |       |       |       |
|-------------|--------------|--------|--------|--------|-------|-------|-------|-------|-------|-------|
|             | 1998         | 1999   | 2000   | 2001   | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
| PSPRS       | 132.2%       | 132.9% | 132.2% | 102.3% | 77.1% | 71.0% | 72.4% | 69.3% | 68.5% | 69.9% |

As the funding ratio of the Plan has declined, the aggregate employer contribution rate has escalated, as Table 2 illustrates. (The employee rate is fixed by statute and is currently 7.65%.)

**Table 2 – Aggregate Employer Contribution Rate By Employer Fiscal Year**

| Fiscal Year | 2003  | 2004  | 2005   | 2006   | 2007   | 2008   | 2009   |
|-------------|-------|-------|--------|--------|--------|--------|--------|
| PSPRS Rate  | 3.75% | 7.66% | 10.05% | 12.80% | 13.83% | 16.52% | 21.72% |

### Reasons for the Funding Ratio Decline and the Contribution Rate Increase

The principal reasons for the Plan's funding ratio decline and the employer contribution rate increase are:

- The \$1.3 billion asset value loss sustained by the Plan during fiscal years 2001 and 2002;
- The expected less favorable investment environment that caused the System to reduce the actuarial expected rate of return on assets from 9.0% to 8.5%;
- The statutorily required allocation of 50% of investment returns in excess of 9% to the Plan's Benefit Increase Reserve and the fact that the Reserve assets are not taken into account for funding ratio and employer contribution rate calculations;

- The increased liability associated with legislated benefit increases, including the PSPRS Deferred Retirement Option Plan (DROP); and
- The net increase in liability resulting from the System’s having to make a variety of changes in actuarial technique and demographic assumptions as recommended by the State Legislature’s actuarial auditing firm, Segal & Co. and by the System’s actuarial auditing firm, Milliman Consultants and Actuaries.

### Rates of Return on Investments

Table 3 below shows the rates of return of the PSPRS Plan over the one year ending June 30, 2007 and the annual average returns over the three, five and ten years ending June 30, 2007 relative to the Plan’s weighted composite market return benchmarks for the same periods.

**Table 3 – Investment Portfolio Returns**

|            | 1 Year | 3 Year | 5 Year | 10 Year |
|------------|--------|--------|--------|---------|
| PSPRS      | 17.06% | 11.41% | 11.14% | 6.81%   |
| Benchmark* | 15.13% | 9.89%  | 9.55%  | 8.03%   |

\*Benchmark 50% S&P 500, 10% S&P 400, 5% S&P 600, 20% Lehman Gov/Credit, 10% Alternative Investments and 5% 91-Day T-Bill.

### PSPRS Asset Management Restructuring

The past practice of managing all the Plan’s publicly traded portfolios internally has severely limited its asset diversification and caused the Plan to underperform its public retirement system “peer” group. In order to better position the Plan to achieve its rate of return objectives, enhance returns and limit risk through diversification of its assets across a wider mix of financial markets, the System has begun an asset management restructuring. To date the following has occurred:

- A new independent investment consulting firm (Ennis, Knupp & Associates) was retained last December;
- A new and more diversified asset allocation was adopted in February;
- A plan for implementing the new asset allocation was adopted in May;
- The governing Board (i.e., the “Fund Manager”) accepted the retirement resignation of the System’s CIO and authorized a nation-wide search for a new CIO using an executive search firm;
- A new custodian bank (BNY Mellon Bank) was hired in August (effective October 1st); and
- Barclay Global Investors (BGI) was approved in May to manage the transition of the Plan’s equity assets into U.S. and non-U.S index accounts at BGI.

Future steps in the restructuring process include:

- Completing the contract negotiations with BGI;
- Transitioning the System’s equity assets into index accounts at BGI;
- Completing the CIO search and selection process;
- Further modifying the asset allocation to incorporate asset class portfolios that have relatively low correlations with equities;
- Commencing searches for portfolio managers that can actively manage equity portfolios with global mandates and for managers that can manage portfolios that have relatively low correlations with equities;
- Reviewing the internally managed bond portfolio and making changes as appropriate;
- Increasing commitments to real estate and private equities to achieve greater diversification in those areas.

### ENACTED LEGISLATION

The only significant legislation enacted during the 2007 session of the Arizona Legislature that impacted the PSPRS System expanded the Firefighter Cancer Insurance Program to include all peace officers who participate in the PSPRS Plan. One other minor bill that was enacted defines a qualified domestic relations order (DROs) and establishes a specific procedure for processing such DROs.

# Introductory Section

## ACTUARIAL AND FUNDING INFORMATION

Funding a retirement system on a sound actuarial reserve basis involves the accumulation of substantial reserves to guarantee the payment of promised benefits. These reserves are invested and the rate of investment earnings, over time, is a major factor in determining the employer contribution requirement to meet the calculated level cost of the System.

The System is funded through a statutory member contribution of 7.65% of gross payroll, an employer contribution that is expressed as a level percent of gross payroll and reset annually, depending on the results of the Plan's actuarial valuation, fire insurance premium tax revenues and the realized and unrealized returns on the invested assets of the Plan. The firefighter groups and the Department of Public Safety receive a percentage of the fire insurance premium tax revenues, which underwrites a large portion of their employer contributions.

While each employer has a different contribution rate, depending on the liability for its group of participating employees, the aggregate rate for the contributing employers that will take effect as of July 1, 2008 and that results from the Plan's FY'07 valuation is 21.72%. This rate represents a substantial increase over the 16.52% aggregate rate that is currently in effect.

There is no single all-encompassing test to measure a retirement system's funding progress and current status. A traditional measure is the ratio of the actuarial value of assets to actuarial accrued liability, often referred to as the "percent funded." The percent funded for the PSPRS Plan has been declining for several years and was 66.4% as of June 30, 2007. This funding ratio is substantially less than the 77.6% ratio for the Plan as of June 30, 2006.

The reasons for the continuing erosion in the Plan's funding ratio are set forth in the "System Financial Outlook" section above. However, the two factors that are principally responsible for the large decline in the ratio from FY'06 to FY'07 are: 1) the \$1.3 billion asset value loss that the Plan sustained during the 2001-2002 fiscal year timeframe (the effects of which will not be fully reflected until the end of Plan year 2009 because of the seven year averaging method that is used in calculating the actuarial value of assets); and 2) the additional unfunded liability that resulted from the changes in actuarial technique and demographic assumptions necessitated by the recommendations from the Legislature's actuarial audit firm, Segal & Co. and from the System's actuarial audit firm, Milliman Consultants and Actuaries.

## POST RETIREMENT BENEFIT INCREASES

State law provides for an annual benefit increase for retirees or their survivors two years after retirement, regardless of age, or when the retiree or survivor attains age 55 and has been retired for a year. These increases are limited to four percent of the average benefit being paid at the end of the prior fiscal year. A benefit increase schedule can be found in the Statistical Section of this CAFR.

These post retirement increases are funded from a portion of the investment returns in excess of 9% that are accumulated in the Plan's Reserve for Future Benefit Increases. These reserves are invested along with all other assets of the Plan. The reserve balance, after subtracting the \$101.7 million needed to fund the July 1, 2007 post retirement increase, was \$662.9 million. The reserve balance reflects a significant increase over the prior year's balance of \$490.7 million. The increase is the result of the Plan's FY'07 17.06% investment return.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for the PSPRS Plan's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the Plan has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our FY'07 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

## STRATEGIC INITIATIVES

During this past fiscal year, the PSPRS Plan's governing board (i.e., the Fund Manager) undertook a category of strategic initiatives that will change the way in which the Plan's assets are managed and invested. (See the



“System Financial Outlook” section above for details.) In addition, the System’s management implemented a number of initiatives to increase the level of service and resources available to meet the growing needs of the PSPRS stakeholders. These initiatives fall into the following four categories:

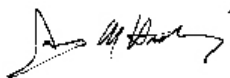
- **Financial Performance:** Initiatives in this category are intended to enable the PSPRS Plan to achieve its rate of return objectives consistently over time. They include the approval of a new and more diversified asset allocation and a plan to transition the Plan’s equity assets to external investment managers and the commencement of the process to retain a new Chief Investment Officer to lead the asset management change agenda.
- **Customer Service:** Implemented initiatives in this category included the augmentation of staffing levels in the Member Services Division and Information Technology Departments to improve the quality, level and timeliness of customer service and provide more “in-person” training opportunities for the members of PSPRS Local Boards.
- **Product, Process and Service Improvement:** Initiatives in this category included a continuation of the System’s document imaging process, the implementation of new safeguards to protect participant records and data, an IT data base conversion, the automation of the System’s payroll process, the addition of a new employer web site to facilitate the transmission of participant contribution deductions and the creation of interactive video conference capability to augment the System’s means for providing training for members of PSPRS Local Boards.
- **Learning and Growth:** Initiatives in this category, which includes a new staff orientation training program, address the need to attract and retain highly qualified employees who are committed to continuously increasing their ability and desire to produce required results, developing and sustaining effective leadership, and fostering a capable and motivated workforce.

### SUMMARY

This report is a product of the collective efforts of PSPRS’ staff, under the direction of the PSPRS Fund Manager. It is intended to provide complete and reliable information that will facilitate the management decision process and it serves as a means for determining compliance with the System’s governance and investment policies and legal requirements. Copies of this report are provided to the Governor, State Auditor, Legislature and all our member constituency groups. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to the members of the Fund Manager, the staff, the System’s advisors, and all others who have worked so diligently to assure the continued successful operation of the System. I look forward to the challenge of moving the System forward with a program of constructive and comprehensive change that will maintain high quality customer service and restore the PSPRS Plan to a path of improving financial status.

Respectfully submitted,



James M. Hacking  
Administrator

# Introductory Section

## Fund Manager



**Carter Olson**  
*Chairman*



**Billy Shields**  
*Vice Chairman*



**Fritz Beesemyer**  
*Member*



**Mike Galloway**  
*Member*



**Brian Delfs**  
*Advisor*



**James Gentner**  
*Advisor*

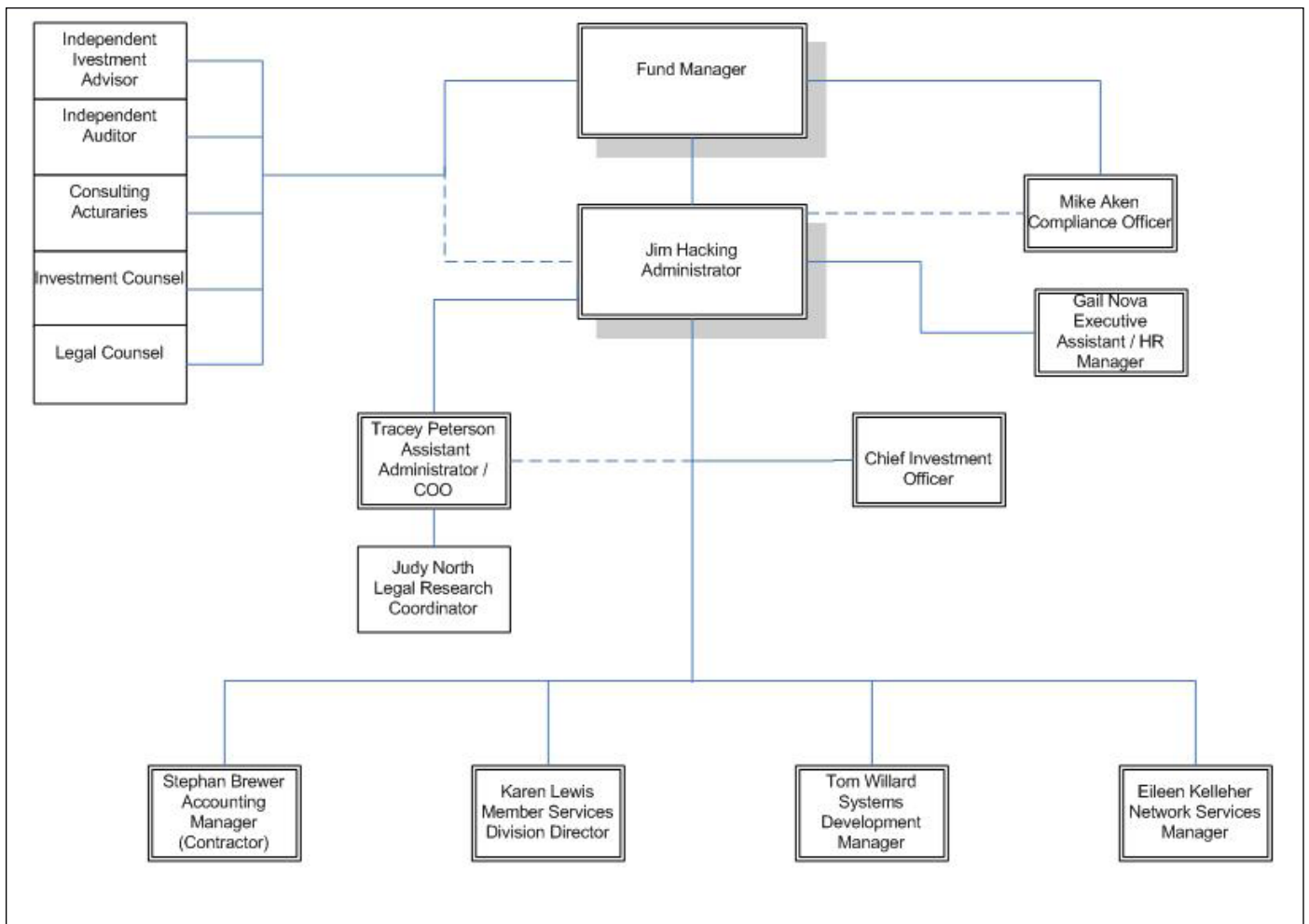
Executive Staff and Organizational Chart



**James M. Hacking**  
*Administrator*



**Tracey D. Peterson**  
*Assistant Administrator  
Chief Operations Officer*



### Professional Advisors

Cortex Applied Research

Ennis Knupp & Associates

Heinfeld Meech & Co, P.C.

Kutak Rock, LLP

McLagan Partners, Inc

Rodwan Consulting Group

Rose & Allyn Public Relations

Standard & Poor's Investment Advisory Services LLC

Wells Fargo Bank

Governance Consultant

Investment Advisor

Independent Auditors

General Counsel

Human Resource Consultant

Actuary

Communications Consultant

Investment Consultant

Custodian

A schedule of Administrative Consultant fees may be found in the Financial Section. A schedule of Investment Consultant fees, Brokerage Commissions and Research Expense may be found in the Investments Section.

# Financial Section

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HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Fund Manager  
Public Safety Personnel Retirement System  
State of Arizona  
Phoenix, Arizona:

We have audited the accompanying Statement of Plan Net Assets of the Public Safety Personnel Retirement System (PSPRS) as of and for the year ended June 30, 2007, and the related Statement of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of PSPRS's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals as of and for the year ended June 30, 2006, presented in the basic financial statements were audited by other accountants and are included for additional analysis only. Neither we nor the other accountants have performed any auditing procedures on this information since the date of their report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Public Safety Personnel Retirement System, as of June 30, 2007, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2008, on our consideration of the Public Safety Personnel Retirement System'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. 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.

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The Management's Discussion and Analysis on pages 24 through 28 and the Schedule of Funding Progress and Schedule of Employer Contributions on pages 45 and 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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 did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PSPRS's basic financial statements. The Introductory Section, Supporting Schedules, Other Supplemental Information, Investment Section, Actuarial Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supporting Schedules, as listed in the table of contents under the Financial Section, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, Other Supplemental Information, Investment Section, Actuarial Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

February 4, 2008

# Management Discussion and Analysis

The Public Safety Personnel Retirement System's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the System's financial activity, identify changes in the System's financial position and identify any issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it is intended to be read in conjunction with the Transmittal Letter, Financial Statements and Notes to the Financial Statements.

## Financial Highlights

Key financial highlights for 2007 are as follows:

- The Public Safety Personnel Retirement System (PSPRS) had a total rate of return of 17.05% this year. Our equity portfolio had a return of 20.60%, which outperformed the stock index by 65 basis points. Our fixed income portfolio had a return of 6.91%, which outperformed the index by 89 basis points.
- As of the close of the fiscal year 2007, the Future Benefit Increase Reserve was \$662.9 million. This will enable another post-retirement adjustment of \$134.34 for qualifying retirees or their survivors for the twenty-fourth consecutive year.
- Retirement benefits paid totaled \$439.3 million for the current year, compared to \$284.0 for the previous year. This represents a 55% increase from the prior year. The majority of this increase is the result of the maturation of the DROP program. It has been five years since the inception of this deferred retirement option plan. Over 500 members that took advantage of this option program retired during the fiscal year.

## Overview of the Financial Statements

### Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the System as an operating entity. The statements and notes then proceed to provide an increasingly detailed look at specific financial activities.

### The Statement of Plan Net Assets and The Statement of Changes in Plan Net Assets

These statements include all assets and liabilities of the System using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the System's *net assets* and changes in them. *Net assets* are the difference between assets and liabilities, one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of the *financial health* of the Plan.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following *The Statement of Plan Net Assets* and *The Statement of Changes in Plan Net Assets*.

### Required Supplemental Information

The basic financial statements are followed by a section of required supplemental information. This section includes the Schedule of Funding Progress and the Schedule of Employer Contributions.

*The Schedule of Funding Progress* shows the ratio of assets as a percentage of the actuarial accrued liability (funding ratio) and the ratio of unfunded actuarial accrued liabilities to member payroll. The trend in these two ratios provides information about the *financial strength* of the Plan. Improvement is indicated when the funding ratio is increasing and the ratio of the unfunded actuarial accrued liability to payroll is decreasing.



The Schedule of Employer Contributions shows the Annual Required Contributions by fiscal year. The purpose of this schedule is to provide information about the required contributions of the employers and the extent to which those contributions are being made. The information should assist users in understanding the changes and possible reasons for the changes in the Plan’s funding status over time.

**Supporting Schedules and Supplemental Information**

The Supporting Schedules and Supplemental Information Section includes the Supporting Schedule of Changes in Fund Balance Reserves, Supporting Schedule of Administrative Expenses and Payments to Consultants, and the Supplemental Schedule of Cash Receipts and Cash Disbursements and the Agency Fund Statement of Changes in Assets and Liabilities (see Note 7). The total columns and information provided on these schedules carry forward to the applicable financial statement.

**Financial Analysis of the System**

Comparative Statements are included to provide additional analysis of the changes noted on those schedules.

**Summary Statement of Plan Net Assets**

|                                 | As of<br>06/30/07      | As of<br>06/30/06       | Amount of<br>Change  | % Change      |
|---------------------------------|------------------------|-------------------------|----------------------|---------------|
| Cash and short term investments | \$5,042,054            | \$584,254               | \$4,457,800          | 762.99%       |
| Receivables                     | 44,384,952             | 26,343,289              | 18,041,663           | 68.49%        |
| Investments                     | 5,542,614,718          | 4,876,043,133           | 666,571,585          | 13.67%        |
| Securities on Loan              | 1,330,488,280          | 912,038,799             | 418,449,481          | 45.88%        |
| Capital Assets                  | 4,126,088              | 3,580,997               | 545,091              | 15.22%        |
| <b>Total Assets</b>             | <b>6,926,656,092</b>   | <b>5,818,590,472</b>    | <b>1,108,065,620</b> | <b>19.04%</b> |
| Accrued Accounts Payable        | 219,513                | 153,146                 | 66,367               | 43.34%        |
| Investment Purchases Payable    | 64,154,592             | -                       | 64,154,592           |               |
| Securities Lending Collateral   | 1,330,488,280          | 912,038,799             | 418,449,481          | 45.88%        |
| <b>Total Liabilities</b>        | <b>1,394,862,384</b>   | <b>912,191,945</b>      | <b>482,670,440</b>   | <b>52.91%</b> |
| <b>Net Assets</b>               | <b>\$5,531,793,708</b> | <b>\$ 4,906,398,526</b> | <b>\$625,395,182</b> | <b>12.75%</b> |

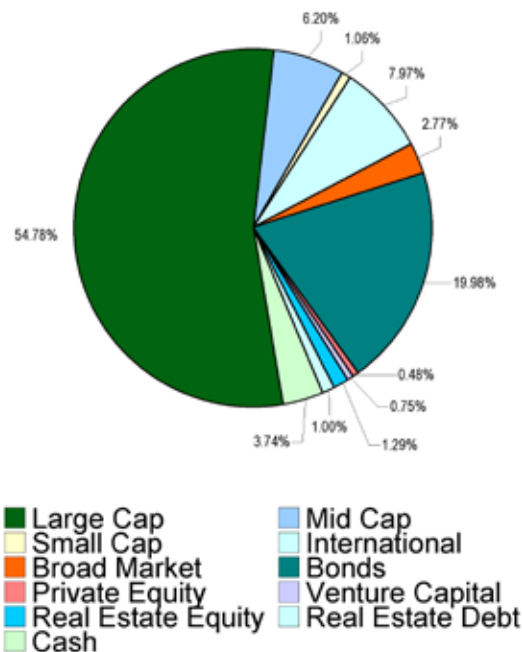
The total plan net assets held in trust for benefits at June 30, 2007 were \$5.5 billion, a 12.75% increase from \$4.9 billion at June 30, 2006. The increase in net assets is primarily due to an increase in the financial markets during the fiscal year. The increase in cash and receivables is attributable to normal fluctuations in investment income receivables during the year. PSPRS is fully deploying cash in other investments vehicles like exchange traded funds, equities, fixed income and private equity. Detailed information regarding the System’s investment portfolio is included in the investment section of this report. The increase in security lending collateral is due to normal fluctuations in the lending program. The investment of the collateral fluctuated in a similar manner and benefited from the market gains as well.

### Summary Statement of Changes in Plan Net Assets

|                               | As of<br>06/30/07       | As of<br>06/30/06       | Amount<br>of Change   | % Change      |
|-------------------------------|-------------------------|-------------------------|-----------------------|---------------|
| <b>ADDITIONS</b>              |                         |                         |                       |               |
| Total Contributions           | \$260,367,694           | \$212,243,508           | \$48,124,186          | 22.67%        |
| Net Investment Income         | 815,524,366             | 379,512,078             | 436,012,287           | 114.89%       |
| Miscellaneous Income          | 1,639,658               | 1,125,085               | 514,573               | 45.74%        |
| <b>Total Additions</b>        | <b>1,077,531,718</b>    | <b>592,880,671</b>      | <b>484,651,047</b>    | <b>81.74%</b> |
| <b>DEDUCTIONS</b>             |                         |                         |                       |               |
| Benefits                      | 439,336,160             | 284,027,642             | 155,308,518           | 54.68%        |
| Service Transfers and Refunds | 8,829,040               | 7,516,881               | 1,312,158             | 17.46%        |
| Administrative Expenses       | 3,971,338               | 2,979,511               | 991,827               | 33.29%        |
| <b>Total Deductions</b>       | <b>452,136,537</b>      | <b>294,524,034</b>      | <b>157,612,503</b>    | <b>53.51%</b> |
| Net (Decrease) Increase       | 625,395,180             | 298,356,637             | 327,038,543           | 109.61%       |
| Beginning of Year - July 1    | 4,906,398,526           | 4,608,041,889           | 298,356,638           | 6.47%         |
| <b>End of Year - June 30</b>  | <b>\$ 5,531,793,708</b> | <b>\$ 4,906,398,526</b> | <b>\$ 625,395,182</b> | <b>12.75%</b> |

Employer and employee contributions increased \$48.1 million due to an increase in the employer contribution rates from 12.80% to 13.83%. The governing board adopted a number of actuarial changes that included extending the period over which unfunded liabilities could be amortized from 20 to 30 years, reducing the salary growth assumption from 6% to 5% and changing the method for calculating the accrued liability from entry age normal method to the projected unit credit method. The combination of these actuarial assumption changes resulted in a slight increase of the employer contribution rate for FY 2007. For FY 2007, PSPRS recognized net investment income of \$815.5 million which compares to \$379.5 million in the previous year. This 114.89% increase was due to the positive returns in the financial markets during the fiscal year. Deductions from the PSPRS net assets held in trust for benefits consist primarily of pension, disability, health insurance subsidies, survivor benefits, member refunds and administrative expenses. For FY 2007, these deductions totaled \$452.1 million, an increase of 53.51% from the \$294.5 million paid during FY 2006. As mentioned earlier, this increase is due to the maturation of the DROP program. Over 500 members in the DROP program retired during the fiscal year.

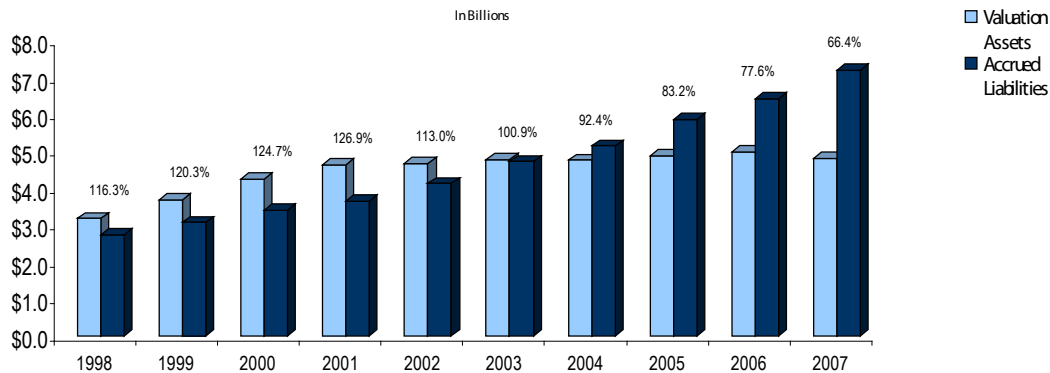
### Investment Activities



During FY 2007, the Fund Manager adopted a more diversified asset allocation policy which resulted in an investment total rate of return of 17.05%. At June 30, 2007, PSPRS held \$4.0 billion in equities. The FY 2007 rate of return for PSPRS equities was 20.60% versus a benchmark rate of return of 19.95%. At June 30, 2007, PSPRS held \$1.5 billion in fixed income securities. The FY 2007 rate of return for PSPRS fixed income securities was 6.91% versus a benchmark rate of return of 6.02%. The benchmarks for both equities and fixed income securities are representative of the returns that could be expected in a similar investing environment. More detailed information regarding the System’s investment portfolio can be found in the investment section of this report. Additionally, a more thorough discussion of the diversification of the asset allocation policy can be found in the Introductory section of this report in the transmittal letter.

PSPRS earns additional income by lending investment securities to brokers. This is done on a pooled basis by our custodial bank, Wells Fargo. The brokers provide collateral and generally use the borrowed securities to cover short trades and failed trades.

**Historical Trends**



Accounting standards require that the “Statement of Plan Assets” reflect investment asset values at fair market value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the plan is provided in the “Schedule of Funding Progress.” The asset value stated in the “Schedule of Funding Progress” is the actuarial value of assets as determined by calculating the ratio of the market value to book value of assets and the actuarial gains/losses smoothed over a seven year period. Actuarial valuations of the PSPRS assets and benefit obligations for the retirement plan are performed annually. The most recent actuarial valuation available is as of June 30, 2007.

At June 30, 2007, the total funded status of the PSPRS decreased to 66.4% from 77.6% at FYE 2006. This decrease in funded status is related primarily to recognition of investment losses in fiscal years 2001 and 2002. These losses should be fully reflected by FYE 2009. A more detailed discussion of the funding status can be found in the Administrator’s Letter of Transmittal in the Introductory section of this report.

**Implementation of GASB No. 43**

Historically, the contributions, pension benefits, including the health insurance premium subsidy payments, actuarial accrued liabilities and the funded ratio were reported by the System as a single, combined pension benefit. However, for FY ’07, the system was required to implement Government Accounting Standards Board (GASB) Statement No. 43. This statement requires that the system separately report the assets and liabilities associated with the health insurance premium subsidy by discretely presenting the assets and the liabilities separately from the retirement plan.

The System is not statutorily authorized to separately account for the assets, income and/or benefit payments of a supplemental health care benefit. Additionally, the System does not administer the health insurance premium subsidy through a separate health care plan as defined by the Internal Revenue Code §401 (h). As mentioned earlier, the System has always recognized, reported and funded the actuarial accrued liability for the health insurance premium benefit as another form of postemployment benefit, similar to the disability

## Financial Section

benefit. Assets and liabilities are not discretely presented for the disability benefits or any other benefits provided under the plan.

The characteristics of the plan have resulted in unique and unusual reporting of the benefit under the requirements of GASB Statement No. 43. Complying with this new statement will result in the following changes to the financial statements and actuarial disclosures for the System's pension benefits:

- Contributions and benefits paid totaling \$11,009,305 for the health insurance premium subsidy will no longer be reported on the Statement of Changes in Plan Net Assets with the financial information for the retirement plan. This information will be reported separately as an "Agency Fund" (unaudited) and can be found in the Statement of Changes in Assets & Liabilities in the Other Supplemental Information section included in the Financial Section of the report.
- The Schedule of Funding Progress will no longer include the liability for the health insurance premium subsidy. This will increase the System's funded ratio. The funded ratio without the health insurance premium subsidy liability is calculated as 68.9%. If the liability associated with the health insurance premium subsidy were to be included, the funded ratio is calculated as 66.4%.
- The Schedule of Employer Contributions will include the annual required employer contributions for the retirement plan plus the difference between the annual required contributions calculated for the health insurance premium subsidy and the benefits paid. For FY '07, this amounted to a difference of \$10,788,440 added back to the employer contributions, which gives the "appearance" that the contributions for the retirement plan were over funded and the contributions for the health insurance premium subsidy were under funded. If a portion of the system assets were allocated to both the retirement and health insurance subsidy benefits, the percentage contributed for both benefits would be 100% funded.
- Beginning FY '08, the participating employer groups will implement GASB Statement No. 45. This statement will require the participating employers to report the liabilities associated with the health insurance premium subsidy as well as any other supplemental healthcare benefits provided to the retiree under the healthcare plans that they administer (sponsor).

The management of the System maintains that the reporting described above has limitations and decreases the reporting transparency of the health insurance premium subsidy. Management will continue to evaluate options to enhance the reporting of the health insurance premium subsidy benefit payments, employer contributions, and actuarial required disclosures.

### Request for Information

This report is designed to provide a general overview of the Public Safety Personnel Retirement System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016.

**STATEMENT OF PLAN NET ASSETS**  
**AT JUNE 30, 2007 WITH COMPARATIVE TOTALS FOR 2006**

|                                                      | Retirement Plan<br>2007 | Retirement Plan<br>2006 |
|------------------------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                        |                         |                         |
| Cash and short term investments                      | \$5,042,054             | \$584,254               |
| <b>Receivables</b>                                   |                         |                         |
| Members' Contributions                               | 1,710,413               | 2,154,336               |
| Employers' Contributions                             | 3,575,246               | 3,995,254               |
| Interest and Dividends                               | 19,684,356              | 19,980,118              |
| Investment Sales                                     | 18,047,759              | -                       |
| Due from other Plans                                 | 1,367,178               | 213,580                 |
| <b>Total Receivables</b>                             | <b>44,384,952</b>       | <b>26,343,288</b>       |
| <b>Investments at Fair Value (Notes 2 and 3)</b>     |                         |                         |
| U.S. Government Securities                           | 560,685,292             | 449,167,514             |
| Corporate Bonds                                      | 547,311,867             | 592,358,170             |
| Corporate Notes                                      | 202,010,757             | 235,731,138             |
| Equities                                             | 4,037,779,164           | 3,436,622,445           |
| Alternative Investments                              | 194,827,638             | 162,163,866             |
| <b>Total Investments</b>                             | <b>5,542,614,718</b>    | <b>4,876,043,133</b>    |
| Securities Lending Collateral                        | 1,330,488,280           | 912,038,799             |
| <b>Capital Assets (Note 4)</b>                       |                         |                         |
| Land                                                 | 495,434                 | 495,434                 |
| Building and improvements                            | 3,240,319               | 3,020,815               |
| Furniture and equipment                              | 777,275                 | 277,518                 |
| <b>Total Capital Assets</b>                          | <b>4,513,029</b>        | <b>3,793,767</b>        |
| Accumulated Depreciation                             | (386,940)               | (212,770)               |
| <b>Net Capital Assets</b>                            | <b>4,126,088</b>        | <b>3,580,997</b>        |
| <b>Total System Assets</b>                           | <b>6,926,656,092</b>    | <b>5,818,590,471</b>    |
| <b>LIABILITIES</b>                                   |                         |                         |
| Accrued Accounts Payable                             | 219,513                 | 153,146                 |
| Investment Purchases Payable                         | 64,154,592              |                         |
| Securities Lending Collateral                        | 1,330,488,280           | 912,038,799             |
| Total Plan Liabilities                               | 1,394,862,384           | 912,191,945             |
| <b>Net Assets Held in Trust for Pension Benefits</b> | <b>\$5,531,793,708</b>  | <b>\$4,906,398,526</b>  |
| <b>Net Asset Reserves</b>                            |                         |                         |
| Refundable Members' Reserve                          | \$730,928,615           | \$698,024,851           |
| Employers' Reserve                                   | 4,137,933,743           | 3,717,658,934           |
| Future Benefit Increase Reserve                      | 662,931,350             | 490,714,741             |
| <b>Total Net Asset Reserves</b>                      | <b>\$5,531,793,708</b>  | <b>\$4,906,398,526</b>  |

*A schedule of funding progress is presented immediately following the notes to the financial statements.  
The accompanying notes are an integral part of these financial statements.*

**STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED  
JUNE 30, 2007 WITH COMPARATIVE TOTALS FOR 2006**

|                                                                      | <u>Retirement Plan<br/>2007</u> | <u>Retirement Plan<br/>2006</u> |
|----------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Additions</b>                                                     |                                 |                                 |
| <b>Contributions</b>                                                 |                                 |                                 |
| Members' Contributions (Notes 2 and 5)                               | \$84,629,709                    | \$75,616,322                    |
| Employers' Contributions (Notes 2 and 5)                             | 166,578,202                     | 127,218,686                     |
| Member Service Purchase                                              | 9,159,784                       | 9,408,500                       |
| <b>Total Contributions</b>                                           | <u>260,367,694</u>              | <u>212,243,508</u>              |
| Net (Depreciation) Appreciation                                      |                                 |                                 |
| in Fair Value of Investments (Notes 1 and 3)                         | 649,745,992                     | 237,364,959                     |
| Interest                                                             | 89,694,831                      | 86,613,249                      |
| Dividends                                                            | 75,156,795                      | 55,502,470                      |
| Securities Lending Activities                                        |                                 |                                 |
| Securities Lending Income                                            | \$64,286,063                    | \$41,370,164                    |
| Borrower Rebates                                                     | (60,924,934)                    | (39,981,850)                    |
| Agents Share of Income                                               | (1,008,292)                     | (416,449)                       |
| Net Securities Lending Income (Note 2)                               | <u>\$2,352,837</u>              | <u>\$971,865</u>                |
| Investment Income                                                    | 816,950,454                     | 380,326,159                     |
| Less Investment Expense                                              | (1,426,088)                     | (814,081)                       |
| Net Investment Income                                                | <u>815,524,366</u>              | <u>379,512,078</u>              |
| Amounts Transferred from Other State-<br>Sponsored Pension Plans and | 1,639,658                       | 1,125,085                       |
| <b>Total Additions</b>                                               | <u>1,077,531,718</u>            | <u>592,880,671</u>              |
| <b>Deductions</b>                                                    |                                 |                                 |
| Retirement Benefits (Note 2)                                         | 287,376,440                     | 261,188,522                     |
| Refunds to Terminated Members (Note 2)                               | 8,708,528                       | 7,225,720                       |
| Drop Benefits                                                        | 151,959,720                     | 22,839,120                      |
| Administrative Expenses                                              | 3,971,338                       | 2,979,511                       |
| Amounts Transferred to Other State-<br>Sponsored Pension Plans       | 120,511                         | 291,162                         |
| <b>Total Deductions</b>                                              | <u>452,136,536</u>              | <u>294,524,034</u>              |
| Net (Decrease) Increase                                              | 625,395,182                     | 298,356,637                     |
| <b>Net Assets Held In Trust for Pension Benefits</b>                 |                                 |                                 |
| Beginning of Year - July 1                                           | <u>4,906,398,526</u>            | <u>4,608,041,889</u>            |
| End of Year - June 30                                                | <u>\$5,531,793,708</u>          | <u>\$4,906,398,526</u>          |

*The accompanying notes are an integral part of these financial statements.*

## Notes to the Financial Statements

### Note 1-Plan Description:

**Organization**-The Public Safety Personnel Retirement System (PSPRS), a pension trust fund of the State of Arizona, is an agent multiple-employer public employee retirement plan established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes, to provide benefits for public safety employees of certain state and local governments. The Fund Manager and 219 local boards jointly administer the System.

The Fund Manager is a five member board. Effective August 6, 1999, it became the Governor's responsibility to appoint all members of the Fund Manager, who serve a fixed three-year term. The Fund Manager is responsible for the investment of the Plan's assets, setting employer contribution rates in accordance with an actuarial study, adopting a budget, hiring personnel to administer the Plan, setting up records, setting up accounts for each member, paying benefits and the general protection and administration of the System. Senate Bill 1378, which was enacted August 12, 2005, requires substantial investment experience for the member of the Fund Manager that represents the state as an employer and the public member of the Fund Manager.

Each eligible group participating in the System has a five-member local board. The chief elected official of the organization appoints three members and two members are elected by the active members of the eligible group. In general, each member serves a fixed four-year term. Each local board is responsible for determining eligibility for membership, service credits, eligibility for benefits, the timing of benefit payments, and the amount of benefits for its eligible group of employees. The various governing bodies pay all costs associated with the administration of the local boards.

The addition or deletion of eligible groups does not require the approval of the other participating employers. The Fund Manager approves new eligible groups for participation. The PSPRS is reported as a component unit of the State of Arizona.

The Fund Manager of the PSPRS is also responsible for the investment and general administration of two other statewide retirement plans-the Corrections Officer Retirement Plan and the Elected Officials' Retirement Plan. The investments and expenses of these plans are held and accounted for separately from those of the PSPRS.

Since none of the plans have the authority to impose their will on any of the other plans, each plan is reported as its own stand-alone government.

At June 30, 2007 and 2006, the number of participating local government employer groups was 219 and 212, respectively.

Any state, county or city in the State of Arizona may elect to have its paid, full-time eligible employees (generally, firefighters and police officers in hazardous duty positions) covered by PSPRS. At June 30, 2007 and 2006, statewide PSPRS membership consisted of:

|                             | Retirement Plan |        | Health Insurance Subsidy |       |
|-----------------------------|-----------------|--------|--------------------------|-------|
|                             | 2007            | 2006   | 2007                     | 2006  |
| Retirees                    | 7,633           | 6,974  | 5,165                    | 4,587 |
| Terminated vested employees | 212             | 226    |                          |       |
| Current Employees:          |                 |        |                          |       |
| Vested                      | 11,956          | 11,347 |                          |       |
| Non-vested                  | 6,668           | 5,977  |                          |       |
| Total Members               | 26,469          | 24,524 | 5,165                    | 4,587 |

PSPRS provides retirement benefits as well as health insurance subsidy, death and disability benefits. Generally, all benefits vest after five years of credited service.

## **Financial Section**

A summary of benefit and plan provisions follows:

### **Summary of Benefits:**

#### **Purpose (A.R.S. §38-841)**

To provide a uniform, consistent and equitable statewide program for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona, or a political subdivision of this State. Membership consists of those eligible employees who are employed by an employer who entered the system in 1968 or who has entered into an agreement to join the System on behalf of an eligible group.

#### **Eligibility (A.R.S. §38-842.14)**

Full-time paid firefighters, whose customary employment is at least 40 hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a firefighter and full-time paid certified peace officers, whose customary employment is at least 40 hours per week, of a participating employer who is or was regularly assigned to hazardous duty of the type normally expected of a certified peace officer.

#### **Contributions (A.R.S. §38-843)**

Each member shall contribute 7.65% of compensation to the system on a pre-tax basis by payroll deduction. Each employer shall contribute a level percent of compensation as determined by actuarial valuation to ensure proper funding for the system. Beginning July 1, 2006, the minimum employer contribution rate shall not be less than 8% of compensation. For any employer whose actual contribution rate is less than 8% of compensation for fiscal year 2006-2007, that employer's contribution rate is not subject to the 8% minimum but, for fiscal year 2006-2007 and each year thereafter, shall be at least 5% and not more than the employer's actual contribution rate.

#### **Credited Service (A.R.S. §38-842.9)**

The member's total period of service before the member's effective date of participation, plus those compensated periods of the member's service thereafter for which the member made contributions to the fund.

#### **Average Monthly Compensation (A.R.S. §38-842.4)**

One thirty-sixth of total compensation paid a member during the highest three consecutive years out of the last 20 years of credited service.

#### **Compensation (A.R.S. §38-842.8)**

For purposes of computing retirement benefits, base salary, overtime pay, shift differential pay and holiday pay paid to an employee by the employer on a regular monthly, semimonthly or bi-weekly payroll basis and longevity pay paid to an employee at least every six months for which contributions are made to the System. Compensation does not include payments for unused sick leave, payment in lieu of vacation payment for compensatory time or payment for any fringe benefits. For the purposes of this paragraph, "base salary" means the amount of compensation each employee is regularly paid for personal services rendered to an employer before the addition of any extra monies, including overtime pay, shift differential pay, holiday pay, longevity pay, fringe benefit pay and similar extra payments.

#### **Normal Retirement Date (A.R.S. §38-842.21)**

First day of month immediately following completion of 20 years of service, or following 62nd birthday and completion of 15 years of service. The amount of monthly normal pension is based on credited service and average monthly compensation as follows:

For retirement with 20 years of credited service but less than 25 years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2% of average monthly compensation for each year of credited service between 20 and 25. (A.R.S. §38-845.A.2)

For retirement with 20 years of service, but less than 20 years of credited service, the pension is reduced by a rate of 4% per year for each year of credited service under 20 years. (A.R.S. §38-845.A.1)



For retirement with 25 or more years of credited service, 50% of average monthly compensation for the first 20 years of credited service, plus 2-1/2% of average monthly compensation for each year of credited service above 20 years, up to a maximum of 80% of average monthly compensation. (A.R.S. §38-845.A.2)

**Deferred Retirement Option Plan (DROP) (A.R.S. §§38-844.02 through 38-844.09)**

A member with 20 or more years of credited service under the System may enter into the DROP program with his employer. Under the DROP program, the member must voluntarily and irrevocably elect to enter into the program with his employer for a period of up to 60 months. During the DROP period, the member remains in the employ of the employer as a full-time paid firefighter or full-time paid certified peace officer but no member or employer contributions are made to the System, therefore no additional years of credited service are accrued on the member's behalf. The member's monthly pension is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period. This monthly pension amount is credited to a DROP participation account with interest at the rate of 8.5% annually, but credited monthly to the account. At the end of the DROP period or prior to that time if the member terminates employment, the monies in the DROP participation account will be either paid to the member in a lump-sum amount or paid in a lump sum distribution to an eligible retirement plan or individual retirement account. The member will then begin receiving the monthly pension amount directly from the System in the same amount as was being credited to the DROP participation account.

**Reverse DROP (A.R.S. § 38-844.10)**

A member with 20 or more years of credited service under the System, who has not elected to participate in the DROP, may elect to participate in the Reverse DROP. Under the Reverse DROP, the member must voluntarily and irrevocably elect to terminate employment and receive a normal retirement upon participation in the Reverse DROP. The member elects a "Reverse DROP Date" that is the first day of the month immediately following completion of 20 years of credited service or a date not more than 60 consecutive months before the date the member elects to participate in the Reverse DROP, whichever is later. The member's pension will be calculated using the factors of credited service and average monthly benefit compensation in effect on the Reverse DROP Date. In addition, a lump sum distribution reflecting an amount that is credited as though accrued monthly from the Reverse DROP Date to the date the member elected to participate in the Reverse DROP is paid out. This amount is credited with an interest rate of 3.5% annually, as opposed to the current DROP interest rate of 8.5%, and can either be paid to the member or paid to an eligible retirement plan or individual retirement account.

Neither the member, nor the employer, is entitled to a refund of contributions made between the Reverse DROP Date and the date the member elects to participate in the Reverse DROP.

**Deferred Retirement (A.R.S. §38-846.01)**

A member with at least 10 years of credited service, who terminates employment, may elect to leave their contributions in the System and receive a deferred retirement allowance, commencing at age 62. Pension is a lifetime monthly annuity, based on twice the amount of the member's contributions. Under this option, there is no survivor benefit payable. The benefit is forfeited if the member elects a refund of their contributions.

**Accidental Disability Retirement (Service Connected) (A.R.S. §38-842.1, §38-845.B and §38-844.B)**

Total and permanent disability incurred in performance of duty, preventing performance of a reasonable range of duties within the employee's job classification. No credited service requirement. The pension is 50% of average monthly compensation or normal pension amount, whichever is greater.

**Catastrophic Disability Retirement (Service Connected) (A.R.S. §38-842.5, §38-845.E, §38-844.C and F)**

Physical, and not a psychological, condition incurred in performance of duty, which totally and permanently prevents engaging in any gainful employment. No credited service requirement. The pension is 90% of average monthly compensation for first 60 months, then reduced to either 62.5% of average monthly compensation or normal pension amount, whichever is greater.

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### **Ordinary Disability Retirement (Not Service Connected) (A.R.S. §38-842.22, §38-845.C and §38-844.B)**

Physical condition: Total and permanent disability preventing performance of a reasonable range of duties within the employee's department, prior to normal retirement date. Mental condition: Total and permanent disability preventing any substantial gainful activity, prior to normal retirement date. Benefit is a percentage of normal retirement. The percentage is computed based on the employee's years of credited service divided by 20.

### **Offset Of Ordinary Disability Pension (A.R.S. §38-844.H)**

Before the member's normal retirement date, an ordinary disability pension will be reduced if the retiree engages in any employment and the income from this employment is greater than the retiree's pension. The reduction is equal to the difference between the retiree's income from employment and the retiree's pension.

### **Temporary Disability (Service Connected) (A.R.S. §38-844.J and §38-842.29)**

Total and presumably temporary disability, incurred in performance of duty, prior to normal retirement, preventing performance of a reasonable range of duties within the employee's department. No credited service requirement. Monthly pension is one-twelfth of 50% of annual compensation at time of disability. Payments terminate after 12 months or return to work. Member must terminate employment to receive this benefit.

### **Survivor Pension (A.R.S. §38-846)**

The survivors of members, who die in service, or after retirement, are eligible for benefits as follows: No credited service requirement. Spouse's Pension – Four-fifths (80%) of the pension the deceased active member would have been paid for accidental disability retirement, or in the case of retired member, four-fifths (80%) of retired member's pension. Requires two years of marriage for a retired member's spouse. Terminates on death. For a member killed in the line of duty, the spouse's pension is 100% of deceased member's average monthly benefit compensation, less any amount payable for an eligible child. (A.R.S. §38-846.A and B)

Child's Pension - One-tenth of pension deceased active member would have been paid for accidental disability retirement (equal shares of two-tenths if more than two children), or, in the case of a retired member, one-tenth of the retired member's pension (equal shares of two-tenths if more than two children). Eligible child must be unmarried, a dependent of the surviving spouse or guardian and either under the age of 18 or a full-time student under the age of 23 or under a disability which began before the age of 23. (A.R.S. §38-842.13 and 38-846.E)

Guardian's Pension - Same amount as spouse's pension. Payable only during periods no spouse is being paid and there is at least one eligible child. (A.R.S. §38-846.C and D)

### **Death Benefit (A.R.S. §38-846.F)**

If a member has accumulated contributions remaining in the System at the date of death of the last pension recipient the remaining accumulated contributions are payable to the beneficiary named by the member.

### **Termination Refund (A.R.S. §38-846.02)**

Upon termination of employment, for any reason other than death or retirement, a member shall, within 20 days after filing an application with the Fund Manager, receive a lump-sum payment, equal to his accumulated contributions, as of the date of termination, less any benefits paid or any amounts owed to the System. A member forfeits all membership rights and credited service in the System upon receipt of refund of contributions. If the member has five or more years of credited service upon termination they shall receive an additional amount according to the schedule below:

5 to 5.9—25% of member contributions deducted from the member's salary pursuant to ARS 38843.C

6 to 6.9—40% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

7 to 7.9—55% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

8 to 8.9—70% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

9 to 9.9—85% of member contributions deducted from the member's salary pursuant to ARS 38-843.C

10 or more—100% of member contributions deducted from the member's salary pursuant to ARS 38-843.C plus interest at 3% if left on deposit after 30 days.

**Transfer Of Contributions To Another Employer (A.R.S. §38-853) (Use Form P1A)**

A member who terminates employment with an employer and accepts, within two years, a position with the same, or another employer participating in the System, shall have the credited service transferred to the member's record with the new employer, provided the member leaves the accumulated contributions on deposit with the Fund. The termination of employment shall not constitute a break in service; however, the period not employed shall not be considered as service.

**Reemployment and Repayment Of Contributions (A.R.S. §38-849.C) (Use form P1B)**

Members who terminate and take a refund of their contributions may elect, only upon reemployment with the same employer, to recover their prior service. To recover this prior service, their re-employment must be within two years from date of termination and they sign a written election within 90 days after re-employment to reimburse the Fund within one year the amount of monies refunded plus interest at the rate of 9%.

**Reemployment After Retirement (A.R.S. §38-849.D)**

A retired member who is reemployed by an employer shall not make contributions nor accrue credited service during the period of reemployment. However, if the employer from which the member retired reemploys the retired member in the same position, the retired member's pension is suspended during the period of reemployment.

**Transfer Into Or Out Of System (A.R.S. §38-855)**

A member who changes employment or transfers or is assigned to a non-eligible position because of a change in duties or otherwise may elect one of the following options:

1. Transfer all service credits to the Arizona retirement system or plan applicable to the new position pursuant to the requirements for transfer between Arizona state retirement systems. .
2. Leave service credits and contributions on account with the PSPRS, except that after two years, the member must request a refund of his accumulated contributions or transfer his credited service to another state retirement plan or system

A member who begins employment with a participating employer in this System and who has credited service from a different Arizona state retirement system may transfer or redeem his prior service to this System pursuant to the requirements for transfer between Arizona state retirement systems.

**Redemption Of Prior Service (A.R.S. §38-853.01.A) (Use Form P2)**

Active members who had previous service in this state in a covered position with an employer now participating in the system or had previous service as a full-time paid fire-fighter or full-time paid certified peace officer with an agency of the U.S. Government, a state of the U.S. or a political subdivision of a state of the U.S., may elect to redeem any part of the prior service by paying into the system the amounts required in A.R.S. §38-853.01.B., if the prior service is not on account with any other retirement system.

**Purchase Of Prior Active Military Service (A.R.S. §38-858) (Use Form 18)**

A member may purchase up to four years of prior active military time even if the member will receive a military pension. The member must pay the actuarial present value of the increase of credited service resulting from this purchase.

**Transfer Between State Retirement Systems (A.R.S. §38-921, §38-922) (Use Form U2)**

Members of any of the four Arizona state retirement systems or plans who have credited service under another Arizona state retirement system or plan may transfer or redeem the credited service to their current Arizona state retirement system or plan by paying or transferring the actuarial present value of the credited service into their current Arizona retirement system or plan to the extent funded on a market value basis

## **Financial Section**

as of the most recent actuarial valuation with approval of the Fund Manager or retirement boards involved. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan to the extent funded on a market value basis as of the most recent actuarial valuation.

### **Transfer of Service Credits Between Municipal Retirement Systems and Special Retirement Plans; definitions (A.R.S. § 38-923, § 38-924).**

An active or inactive member of a retirement system or plan of a municipality of this state or the PSPRS or CORP may transfer the credited service to their current retirement system or plan. A reduced credited service amount may be transferred based on the transfer of the actuarial present value of the credited service under the prior Arizona state system or plan.

### **Cola Benefit Increases (A.R.S. §38-856)**

Effective July 1 of each year, each retired member or survivor of a retired member may be entitled to a permanent benefit increase in their base benefit. The maximum amount of the increase is four percent (4%) of the average normal PSPRS benefit being received on the preceding June 30 and is contingent upon sufficient excess investment earnings for the fund. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and was receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if they were receiving benefits on or before July 31 of the two previous years regardless of age.

### **Health Insurance Premium Subsidy (A.R.S. §38-857) (See Note 7)**

For PSPRS retirees or survivors who have elected group health and accident insurance coverage provided and administered by this state or another PSPRS employer, the PSPRS will pay up to the following amounts:

#### **Single:**

Not Medicare Eligible \$150.00

Medicare Eligible \$100.00

#### **Family:**

All Medicare Eligible \$170.00

One with Medicare \$215.00

All Not Medicare Eligible \$260.00

### **State Taxation Of PSPRS Benefits (A.R.S. §38-852 and §43-1022)**

Effective tax year commencing January 1, 1989, all PSPRS retirement benefits in excess of \$2,500 annually will be subject to Arizona state tax.

### **Purchase Of Handgun Or Shotgun (A.R.S. §38-845)**

A PSPRS retiree has the ability to purchase the handgun or shotgun issued by the employer to the member at less than fair market value, subject to approval of the employer.

## **Note 2-Summary of Significant Accounting Policies and Plan Asset Matters:**

### **Basis of Accounting**

PSPRS financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension and health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the System. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Furniture, fixtures and equipment purchases costing \$5,000 or more, when acquired, are capitalized at cost.

Improvements, which increase the useful life of the property, are also capitalized. Investment income net of administrative and investment expenses are allocated to each employer group based on the average relative fund size for each employer group for that year.

By state statute, the System is required to provide information in the financial statements used to calculate Net Effective Yield. Net Effective Yield includes only realized gains and losses. The Net Realized Gains (Losses) used in this calculation totaled \$362,424,876 for FYE 2007 and \$302,495,741 for FYE 2006. This calculation is independent of the calculation of the change in the fair value of investments and may include unrealized amounts from prior periods.

**Note 3-Cash and Investments**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System’s deposits may not be returned. The deposits are held in one financial institution with a balance of up to \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). The System mitigates custodial credit risk for deposits by requiring the financial institution to pledge securities from an acceptable list in an amount at least equal to 102% of the aggregate amount of the deposits on a daily basis.

In addition to the FDIC insurance coverage on the operating and money market accounts of PSPRS, Wells Fargo pledged the following securities to PSPRS, the Corrections Officer Retirement Plan and the Elected Officials’ Retirement Plan on June 30, 2007, as collateral:

- \$24,638,000 FNIONP878442 6.00% Maturity Date 07/01/36
- \$3,135,000 FNIONP256327 6.00% Maturity Date 7/01/36
- \$670,000 FNIONP256327 6.00% Maturity Date 7/01/36

All monies shall be secured by the depository in which they are deposited and held to the same extent and in the same manner as required by the general depository law of the state.

Cash balances represent both operating and cash accounts held by the bank and investment cash on deposit with the investment custodian. All deposits are carried at cost plus accrued interest. The following table is a schedule of the aggregate book and bank balances of all cash accounts as of June 30, 2007:

|                       | <b>Reported<br/>Amount</b> | <b>Bank<br/>Balance</b> |
|-----------------------|----------------------------|-------------------------|
| Collateralized        | \$5,042,054                | \$4,871,590             |
| Uncollateralized      | -0-                        | -0-                     |
| <b>Total Deposits</b> | <b>\$5,042,054</b>         | <b>\$4,871,590</b>      |

The difference between the reported balance and the bank balance is a dividend payment recorded by PSPRS on June 29, 2007; the cash was received by Wells Fargo on July 2, 2007.

**Investments**

PSPRS investments are reported at Fair Value. 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. Directed real estate and venture capital investments are reported at cost. Investment income is recognized as earned.

Statutes enacted by the Arizona Legislature authorize the Fund Manager to make investments in accordance with the “Prudent Man” rule. The Fund Manager is not limited to so-called “Legal Investments for Trustees.”

In making every investment, the Fund Manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management

## Financial Section

of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

1. That not more than seventy percent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.
2. That not more than five percent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States Government.
3. That not more than five percent of the voting stock of any one corporation shall be owned.
4. That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:
  - A) Listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended (15 United States Code §78a through §7811);
  - B) 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 (15 United States Code §78a through §7811)
  - C) Listed or approved on issuance for listing on an exchange registered under the laws of this [Arizona] state or any other state; or
  - D) Listed or approved on issuance for listing on an exchange registered of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten percent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation. A.R.S. §38-848.

### **Custodial Credit Risk**

Custodial Credit Risk is the risk that PSPRS will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterpart to the investment or deposit transaction fails. As of June 30, 2007, PSPRS has no fund or deposits that were not covered by depository insurance or collateralized with securities held by Wells Fargo Bank's trust department or agent. Nor does PSPRS have any investments that are not registered in the name of PSPRS and are either held by the counterpart or the counterpart's trust department or agent.

### **Credit Risk**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2007, the System's fixed income assets that were not government guaranteed represented 93% of the fixed income portfolio.

Each portfolio is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. According to those guidelines, the fixed income portfolio must have a minimum weighted average quality rating of A3/A-. Fixed income securities must have a minimum quality rating of Baa3/BBB- at the time purchase. The portion of the bond portfolio in securities rated Baa3/BBB- through Baa1/BBB+ must be 20% or less of the fair value of the fixed income portfolio.

Included in the fixed income portfolio are cash equivalents or commercial paper.

Commercial Paper must have a minimum quality rating of A-1/P-1 at the time of purchase.

Investments in derivatives are limited to collateralized mortgage obligations (CMO), collateralized bond obligations (CBO), collateralized debt obligations (CDO), and asset-backed securities (ABS).

In preparing this report, collateral for securities lending has been excluded because it is invested in a securities lending collateral investment pool.

The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities.

### Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

| Fixed Security Type | Fair Value<br>June 30, 2007 | % of all Fixed<br>Income Assets | Weighted<br>Avg. Credit | Dispersion<br>Requiring<br>Further Exposure |
|---------------------|-----------------------------|---------------------------------|-------------------------|---------------------------------------------|
| Corporate Bonds     | \$492,406,500               | 38%                             | A                       | See below                                   |
| Mortgages           | 9,498,126                   | 1%                              | AA                      | None                                        |
| Agencies            | 459,312,144                 | 35%                             | AAA                     | None                                        |
| CBO                 | 36,356,963                  | 2%                              | A                       | See below                                   |
| CDO                 | 9,050,278                   | 1%                              | A                       | See below                                   |
| Commercial Paper    | 202,010,757                 | 16%                             | A1P1                    | See below                                   |
| Total               | \$1,208,634,769             | 93%                             |                         |                                             |

### Ratings Dispersion Detail

| Credit Rating Level | Bonds         | Corporate<br>CBO | Commercial<br>CDO | Paper         |
|---------------------|---------------|------------------|-------------------|---------------|
| AAA                 | \$19,397,669  |                  |                   |               |
| AA                  | 60,929,318    |                  |                   |               |
| A                   | 248,760,904   | 26,500,963       | 6,160,000         | 202,010,757   |
| BBB                 | 148,683,495   | 9,856,000        | 2,890,278         |               |
| BB                  | 7,583,755     |                  |                   |               |
| B                   | 7,051,359     |                  |                   |               |
| Total               | \$492,406,500 | \$36,356,963     | \$9,050,278       | \$202,010,757 |

#### Concentration of credit risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Other than bonds used as direct obligations of and fully guaranteed by the U.S. Government, not more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency or corporation.

#### Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using segmented time distributions. It is widely used in the management of fixed income portfolios in that it quantifies the risk of interest rate changes. The System does invest in fixed income securities with floating rates that contain coupon adjustment mechanisms in a rising interest rate environment.

The following tables quantify, to the fullest extent possible, the interest rate risk of the System's fixed income assets.

**Segmented Time Distribution by Security Type  
(including Government Guaranteed Securities)**

| <b>Fixed Income Security</b> | <b>&lt;1</b>         | <b>1 – 5</b>        | <b>6 – 10</b>        | <b>11 – 15</b>       | <b>16 – 20</b>       | <b>&gt;20</b>        | <b>Totals</b>        |
|------------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Corporates                   |                      | 86,837,498          | 57,647,016           | 44,812,730           | 69,929,691           | 233,179,565          | 492,406,500          |
| Agencies                     | 8,158,481            |                     | 153,284,890          | 130,046,396          | 39,772,005           | 128,050,372          | 459,312,144          |
| CBO                          |                      |                     | 9,856,000            | 13,268,843           |                      | 13,232,120           | 36,356,963           |
| CDO                          |                      |                     | 6,160,000            |                      |                      | 2,890,278            | 9,050,278            |
| Commercial Paper             | 202,010,757          | -0-                 | -0-                  | -0-                  | -0-                  | -0-                  | 202,010,757          |
| <b>Totals</b>                | <b>\$210,169,238</b> | <b>\$86,837,498</b> | <b>\$226,947,906</b> | <b>\$188,127,969</b> | <b>\$109,701,696</b> | <b>\$377,352,335</b> | <b>1,199,136,642</b> |

**Callable Bonds by Security Type  
(including Government Guaranteed Securities)**

| <b>Fixed Income Security Type</b> | <b>Fair Value<br/>June 30, 2007</b> | <b>% of All Fixed<br/>Income Assets</b> |
|-----------------------------------|-------------------------------------|-----------------------------------------|
| Corporates                        | \$75,913,962                        | 6%                                      |
| Agencies                          | 252,111,916                         | 19%                                     |
| <b>Totals</b>                     | <b>\$328,025,878</b>                | <b>25%</b>                              |

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Because it has no direct international holdings, PSPRS does not have any foreign currency risk exposure.

**Security Lending Program**

The System is party to a securities lending agreement with a bank. The bank, on behalf of the Plan, 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 Plan requires 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, 2007 the fair value of securities on loan was \$1,296,442,981 and the collateral was \$1,330,488,280. The System receives a negotiated fee for its loan activities and is indemnified for broker default by the securities lending agent.

The System participates in a collateral investment pool. All security loans may be terminated on demand by either the lender or the borrower.

All matched loans shall have matched collateral investments.

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. Additionally, at least 20% of total collateral investments shall be invested on an overnight basis. At June 30, 2007, the weighted average maturity was 20 days for all investments purchased with cash collateral from unmatched loans. The Plan has no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the Plan. Under this program, the System has not experienced any defaults or losses on these loans.



| <b>Asset Class</b> | <b>Out on Loan</b>     | <b>Total Available to Loan</b> | <b>% of Available to Loan</b> |
|--------------------|------------------------|--------------------------------|-------------------------------|
| Equities           | \$840,801,048          | \$4,037,779,164                | 21%                           |
| Agencies           | 329,634,481            | 459,312,144                    | 72%                           |
| Treasuries         | 97,306,730             | 97,306,730                     | 100%                          |
| Corporate Bonds    | 28,700,722             | 547,311,867                    | 5%                            |
| <b>Totals</b>      | <b>\$1,296,442,981</b> | <b>5,141,709,905</b>           | <b>25%</b>                    |

#### Note 4 – Capital Assets

These assets are stated at cost, and depreciable assets are depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred. Depreciation expense for June 30, 2007 was \$174,170. A new office facility located at 3010 E. Camelback Road was purchased in June of 2004. The property consists of a two-story building, the bottom floor of which is fully leased. The administrative staff of the System occupies the second floor.

The table below is a schedule of the capital asset account balances as of June 30, 2006, and June 30, 2007, and changes to those account balances during the year ended June 30, 2007.

#### Schedule of Capital Asset Account Balances

| <b>Capital Assets</b>    | <b>Land</b> | <b>Building and Improvements</b> | <b>Furniture, Fixtures and Equipment</b> | <b>Total Capital Assets</b> |
|--------------------------|-------------|----------------------------------|------------------------------------------|-----------------------------|
| Balance June 30, 2006    | \$495,434   | \$3,020,815                      | 277,518                                  | \$3,793,767                 |
| Additions                |             | 219,504                          | 499,757                                  | 719,262                     |
| Deletions                | -0-         | -0-                              | -0-                                      | -0-                         |
| Balance June 30, 2007    | 495,434     | 3,240,319                        | 777,275                                  | 4,513,029                   |
| Accumulated Depreciation |             |                                  |                                          |                             |
| Balance June 30, 2006    | -0-         | (152,400)                        | (60,370)                                 | (212,770)                   |
| Additions                | -0-         | (80,301)                         | (93,869)                                 | (174,170)                   |
| Deletions                | -0-         | -0-                              | -0-                                      | -0-                         |
| Balance June 30, 2007    | -0-         | (232,701)                        | (154,239)                                | (386,940)                   |
| Net capital assets       | \$495,434   | \$3,007,618                      | \$623,036                                | \$4,126,088                 |

#### NOTE 5 – Contributions Required and Contributions Made

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay all benefits when due. The normal cost and actuarial accrued liability are determined using projected unit credit actuarial funding method. Unfunded actuarial accrued liabilities and assets in excess of actuarial accrued liabilities are being amortized as a level percent of payroll over a closed thirty (30) year period (29 years remaining as of June 30, 2007). Assets in excess of actuarial accrued liabilities are amortized over an open period of twenty (20) years. Beginning July 1, 2006, the minimum employer contribution rate increased from 5% to 8%.

During the year ended June 30, 2007, contributions totaling \$251,207,910 (\$166,578,202 employer [\$155,789,762 pension and \$10,788,440 health insurance subsidy contributions in excess of the benefits paid], and \$84,629,708 member) were made in accordance with contribution requirements determined by an actuarial valuation of the System as of June 30, 2005. The employer contributions consisted of approximately \$101,445,022 for normal cost [\$94,649,255 pension and \$6,795,767 health insurance subsidy] plus \$76,142,485 for amortization of the unfunded actuarial accrued liability in aggregate [\$61,140,509 pension

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and \$15,001,976 health insurance subsidy]. Employer contributions represented 13.83% of covered payroll. [9.17% for normal costs (8.64% pension and 0.53% health insurance) and 4.66% for amortization of assets in excess of the actuarial accrued liability in aggregate (3.49% pension and 1.17% health insurance subsidy)]. Member contributions represented 7.65% of covered payroll and are attributable to normal costs.

### NOTE 6 – Other Benefits

The PSPRS adopted a supplemental defined contribution plan for all contributing members of an eligible group. An eligible group is defined as the employees of the Fund Manager, PSPRS, the EORP and the Corrections Officer Retirement Plan. The employees of any of these eligible groups must make an election to participate within two years after the employee first meets the eligibility requirements to participate in the plan. The election to participate is irrevocable and continues for the remainder of the employee's employment with the employer. If an employee elects to participate, the employee must contribute at least 1% of the employee's gross compensation. The IRS maintains that the employers designate the amounts contributed by each employee. All amounts contributed are subject to the discretion and control of the employer. Employee contributions and earnings to the plan are immediately vested. Employer contributions, if any, are vested based on the following schedule:

|                                |      |
|--------------------------------|------|
| Less than one year of service  | 0%   |
| One year but less than two     | 20%  |
| Two years but less than three  | 40%  |
| Three years but less than four | 60%  |
| Four years but less than five  | 80%  |
| Five years or more             | 100% |

PSPRS administers the supplemental defined contribution plan through a third party administrator. All contributions are sent directly to the third party administrator from the participating employer groups.

### NOTE 7 – Health Insurance Premium Subsidy – Agency Fund

The plan description, summary of significant accounting policies, investment policies and contributions required for the health insurance subsidy are the same as the retirement plan and can be found under Notes 1, 2 and 3. The health insurance premium subsidy provided by A.R.S. § 38-857 consists of a fixed dollar amount set by statute and paid by the System on behalf of eligible retired members. The subsidized health benefits are provided and administered by the Arizona State Retirement System, Arizona Department of Administration or the participating employer of the retired member. According to Governmental Accounting Standards Board (GASB) Statement No. 43, the health insurance subsidy paid by the System represents other post employment benefits. The System does not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent arrangement. In addition, the System is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB No. 43, the healthcare subsidy is reported as an agency fund. All assets of the System are available to pay both pension benefits and the health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type. Contributions in excess of the health benefit subsidy payments are reported in the retirement plan. Therefore, no accumulated assets or liabilities to participating employers are reported in the agency fund. For FY '07, contributions collected for the health insurance subsidy amounted to \$21,797,745 and the health benefit subsidy payments were \$11,009,305. The excess contributions of \$10,788,440 were added to the retirement plan for reporting purposes. Effective FY '08, each participating employer is required by GASB Statement

No. 45 to disclose additional information with regard to funding policy, the employer’s annual OPEB cost and contributions made, the funded status and funding progress of the employer’s individual plan and actuarial methods and assumptions used

**NOTE 8 – Plan Termination**

PSPRS and its related plans are administered in accordance with Arizona statutes. These statutes do provide for termination of the plans under A.R.S. 41-3016.18. The plans are scheduled to terminate on July 1, 2016.

**NOTE 9 – Contingencies**

Some of our real estate partners in the investments categorized as “other investments” have obtained third party financing, which is secured by real property. The Plan has entered into Capital Call Agreements with regards to these third party financing arrangements. The Capital Call Agreements, in the unlikely event of default, limit the Plan to the amount of the defaulted payment or the original terms of the investment approved by the Fund Manager, whichever is less.

**NOTE 10-Funding Status and Progress**

The System’s funded status as of the most recent valuation data is as follows:

(in thousands)

| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) EANC/<br>PUC*<br>(b) | Unfunded<br>(Excess)<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|-----------------------------|----------------------------------------|-----------------------------------------------------------------|------------------------------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| <b>RETIREMENT PLAN</b>      |                                        |                                                                 |                                                |                          |                           |                                                               |
| 6/30/07                     | \$4,829,521                            | \$7,011,385                                                     | \$2,181,864                                    | 68.9%                    | \$1,228,037               | 177.7%                                                        |

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

The actuarial methods and assumptions used for the pension benefits are as follows:

|                                |                                                                                    |
|--------------------------------|------------------------------------------------------------------------------------|
| Valuation Date:                | June 30, 2007                                                                      |
| Actuarial Cost Method:         | Projected Unit Credit                                                              |
| Amortization Method:           | Level percent of Payroll, Closed                                                   |
| Remaining Amortization Period: | 29 years closed for unfunded actuarial accrued liability, 20 years open for excess |
| Asset Valuation Method:        | 7-Year Smoothed Market Value                                                       |
| Investment Rate of Return:     | 8.50%                                                                              |
| Projected Salary Increases:    | 5.50% - 9.00%, which includes inflation at 5.50%                                   |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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Actuarial calculations reflect a long-term perspective. Consistent with this perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations are based on the benefits provided under the terms of the System in effect at the time of each valuation. These benefits are described in Note 1 under “Summary of Benefits.”

### **NOTE 11 – Required Schedules**

The Schedule of Funding Progress and the Schedule of Employer Contributions are presented immediately following the notes to the financial statements.

## SCHEDULE OF FUNDING PROGRESS

(in thousands)

| Actuarial<br>Valuation Date | Actuarial Value<br>of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>EANC/PUC <sup>1</sup><br>(b) | Unfunded<br>(Excess) AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio <sup>2</sup><br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered-<br>Payroll<br>((b-a)/c) |
|-----------------------------|----------------------------------------|-------------------------------------------------------------------------|---------------------------------------------|---------------------------------------|---------------------------|----------------------------------------------------------------|
| <b>RETIREMENT PLAN</b>      |                                        |                                                                         |                                             |                                       |                           |                                                                |
| 6-30-98                     | \$3,192,627                            | \$2,743,998                                                             | \$(448,629)                                 | 116%                                  | \$625,222                 | -72%                                                           |
| 6-30-99                     | \$3,709,251                            | \$3,082,202                                                             | \$(627,049)                                 | 120%                                  | \$682,184                 | -92%                                                           |
| 6-30-00                     | \$4,260,168                            | \$3,415,157                                                             | \$(845,011)                                 | 125%                                  | \$751,280                 | -113%                                                          |
| 6-30-01                     | \$4,661,941                            | \$3,674,758                                                             | \$(987,183)                                 | 127%                                  | \$826,740                 | -119%                                                          |
| 6-30-02                     | \$4,684,386                            | \$4,144,211                                                             | \$(540,175)                                 | 113%                                  | \$854,249                 | -63%                                                           |
| 6-30-03                     | \$4,781,377                            | \$4,739,613                                                             | \$(41,764)                                  | 101%                                  | \$881,285                 | -5%                                                            |
| 6-30-04                     | \$4,774,313                            | \$5,167,333                                                             | \$393,020                                   | 92%                                   | \$911,718                 | 43%                                                            |
| 6-30-05                     | \$4,639,517                            | \$5,704,491                                                             | \$1,064,974                                 | 81%                                   | \$974,863                 | 109%                                                           |
| 6-30-06                     | \$4,767,055                            | \$6,211,586                                                             | \$1,444,531                                 | 77%                                   | \$1,073,685               | 135%                                                           |
| 6-30-07                     | \$4,829,521                            | \$7,011,385                                                             | \$2,181,864                                 | 69%                                   | \$1,228,037               | 178%                                                           |

<sup>1</sup>Entry Age Normal Cost method through 6-30-2004. Projected Unit Credit method from 6-30-2005.

<sup>2</sup>Beginning 6-30-07, funded ratio calculation does not include AAL for the health insurance premium subsidy. If the AAL for the health insurance premium subsidy was included, the funded ratio would be 66.4%

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ended<br>June 30 | Retirement Plan                  |                           |
|------------------------------|----------------------------------|---------------------------|
|                              | Employer Contributions           |                           |
|                              | Annual Required<br>Contributions | Percentage<br>Contributed |
| 1998                         | \$45,320,932                     | 100%                      |
| 1999                         | \$44,384,344                     | 100%                      |
| 2000                         | \$46,890,892                     | 100%                      |
| 2001                         | \$52,540,310                     | 100%                      |
| 2002                         | \$51,983,407                     | 100%                      |
| 2003                         | \$50,800,669                     | 100%                      |
| 2004                         | \$79,000,130                     | 100%                      |
| 2005                         | \$104,497,150                    | 100%                      |
| 2006                         | \$127,218,686                    | 100%                      |
| 2007 <sup>1</sup>            | \$155,789,762                    | 107%                      |

See notes to the Schedules of Required Supplementary Information

<sup>1</sup>Total Employer Contributions received during FY '07 were \$177,587,507 GASB reporting requires discretely reporting the health insurance premium subsidy separately from the retirement plan. As a result, the annual required contributions for the health insurance premium subsidy were calculated to be \$21,707,745. The benefits paid for the health insurance premium subsidy were \$11,009,305. The difference between the calculated annual required contributions and the benefits paid of \$10,788,440 were then added back to the annual required contributions for the retirement plan. This required calculation resulted in a percent contributed of 106.9% for the retirement plan

**Required Supplementary Information****NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION:**

The historical trend information for the pension benefits are presented as required supplemental information. There were no significant factors affecting trends as of the June 30, 2007 valuation. Actuarial studies are completed in accordance with GASB Statements 25. Each of the 219 participating employer groups has its own actuarial study. Data presented here is an aggregation of the data from each individual plan study. The data should not be interpreted as being indicative of the status of any individual plan.

Actuarial valuations are prepared annually as of June 30 for each participating employer. To facilitate budgetary planning needs, employer contribution requirements are provided for each participating employer's fiscal year that commences after the following fiscal year end. For example, the contribution requirements for fiscal year 2007 were determined by actuarial valuations as of June 30, 2005.

The actuarial methods and assumptions used for the pension benefits are as follows:

|                                |                                                                                    |
|--------------------------------|------------------------------------------------------------------------------------|
| Valuation Date:                | June 30, 2007                                                                      |
| Actuarial Cost Method:         | Projected Unit Credit                                                              |
| Amortization Method:           | Level percent of Payroll, Closed                                                   |
| Remaining Amortization Period: | 29 years closed for unfunded actuarial accrued liability, 20 years open for excess |
| Asset Valuation Method:        | 7-Year Smoothed Market Value                                                       |
| Investment Rate of Return:     | 8.50%                                                                              |
| Projected Salary Increases:    | 5.50% - 9.00%, which includes inflation at 5.50%                                   |

**SCHEDULE OF CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

|                                                                                                          | <b>Refundable<br/>Members'<br/>Reserve</b> | <b>Employers'<br/>Reserve</b> | <b>Future Benefit<br/>Increase<br/>Reserve</b> |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------|------------------------------------------------|
| Balance - June 30, 2005                                                                                  | \$643,712,465                              | \$3,426,816,100               | \$537,513,325                                  |
| <b>Distribution of Revenues and Expenses</b>                                                             |                                            |                               |                                                |
| Members' Contributions                                                                                   | 75,616,322                                 |                               |                                                |
| Employers' Contributions                                                                                 |                                            | 127,218,686                   |                                                |
| Earnings (Loss) on Investments Net of Investment Expenses                                                |                                            | 379,512,079                   |                                                |
| Pension and Insurance Benefits                                                                           |                                            | (284,027,642)                 |                                                |
| Refunds to Terminated Members                                                                            | (4,900,140)                                | (2,325,579)                   |                                                |
| Administrative Expenses                                                                                  |                                            | (2,979,512)                   |                                                |
| <b>Distribution of Transfers</b>                                                                         |                                            |                               |                                                |
| Excess Investment Earnings to be used for Future Benefit Increases                                       |                                            | -                             | -                                              |
| Earnings (Loss) on Excess Investment Earnings Account Assets                                             |                                            | (44,613,606)                  | 44,613,606                                     |
| Amount Utilized by Benefit Increases Granted                                                             |                                            | 91,412,190                    | (91,412,190)                                   |
| Net Transfers from Other State-Sponsored Pension Plans<br>and Purchase of Service Credits                | 232,600<br>9,408,500                       | 601,322                       |                                                |
| Inter-System Transfers -- Member Account<br>Balances Transferred to Employers' Reserve due to Retirement | (26,044,896)                               | 26,044,896                    |                                                |
| <b>Balance - June 30, 2006</b>                                                                           | <b>\$698,024,851</b>                       | <b>\$3,717,658,934</b>        | <b>\$490,714,741</b>                           |
| <b>Distribution of Revenues and Expenses</b>                                                             |                                            |                               |                                                |
| Members' Contributions                                                                                   | 84,629,708                                 |                               |                                                |
| Employers' Contributions                                                                                 |                                            | 177,587,507                   |                                                |
| Earnings (Loss) on Investments Net of Investment Expenses                                                |                                            | 815,524,366                   |                                                |
| Pension and Insurance Benefits                                                                           |                                            | (450,345,464)                 |                                                |
| Refunds to Terminated Members                                                                            | (5,567,272)                                | (3,141,255)                   |                                                |
| Administrative Expenses                                                                                  |                                            | (3,971,338)                   |                                                |
| <b>Distribution of Transfers</b>                                                                         |                                            |                               |                                                |
| Excess Investment Earnings to be used for Future Benefit Increases                                       |                                            | (190,317,350)                 | 190,317,350                                    |
| Earnings (Loss) on Excess Investment Earnings Account Assets                                             |                                            | (83,666,863)                  | 83,666,863                                     |
| Amount Utilized by Benefit Increases Granted                                                             |                                            | 101,767,604                   | (101,767,604)                                  |
| Net Transfers from Other State-Sponsored Pension Plans<br>and Purchase of Service Credits                | 560,051<br>9,159,783                       | 959,096                       |                                                |
| Inter-System Transfers -- Member Account<br>Balances Transferred to Employers' Reservedue to Retirement  | (55,878,506)                               | 55,878,506                    |                                                |
| <b>Balance - June 30, 2007</b>                                                                           | <b>\$730,928,615</b>                       | <b>\$4,137,933,743</b>        | <b>\$662,931,350</b>                           |

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## Supporting Schedules Information

### SCHEDULE OF RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

|                                        | <u>2007</u>           | <u>2006</u>          |
|----------------------------------------|-----------------------|----------------------|
| <b>RECEIPTS</b>                        |                       |                      |
| Members' Contributions                 | 85,073,631            | 75,378,715           |
| Employers' Contributions               | 178,007,515           | 131,431,736          |
| Interest                               | 91,014,896            | 81,942,414           |
| Dividends                              | 74,509,779            | 56,593,195           |
| Real Estate Income (Net)               | (9,025)               | 103,188              |
| Securities Lending Income              | 1,975,550             | 992,055              |
| Amounts Transferred from Other         |                       |                      |
| State-Sponsored Pension Plans          | 1,639,658             | 1,125,085            |
| Purchase of Service Credits            | 9,159,784             | 9,408,500            |
| Due from Other Pension Plans           | 1,367,178             | 2,011,696            |
| Maturities and Sales of                |                       |                      |
| U.S. Government Securities             | 28,434,669            | 35,385,564           |
| Corporate Bonds                        | 186,214,625           | 160,445,428          |
| Corporate Notes                        | 12,267,821,666        | 7,974,987,409        |
| Alternative Investments                | 67,632,317            | 244,482,812          |
| Equities                               | 1,484,750,915         | 782,780,748          |
| <b>Total Receipts</b>                  | <u>14,477,593,158</u> | <u>9,557,068,545</u> |
| <b>DISBURSEMENTS</b>                   |                       |                      |
| Pension Benefits                       | 298,385,744           | 261,188,522          |
| Refunds to Terminated Members          | 8,708,528             | 7,225,720            |
| Drop Benefits                          | 151,959,720           | 22,839,120           |
| Investment and Administrative Expenses | 5,397,427             | 3,689,441            |
| Amounts Transferred to Other           |                       |                      |
| State-Sponsored Pension Plans          | 120,512               | 291,161              |
| Acquisitions of                        |                       |                      |
| U.S. Government Securities             | 136,561,080           | 265,717,365          |
| Corporate Bonds                        | 140,001,146           | 128,863,327          |
| Corporate Notes                        | 12,234,101,286        | 7,934,330,162        |
| Alternative Investments                | 81,523,962            | 74,601,305           |
| Equities                               | 1,416,375,955         | 860,481,005          |
| <b>Total Disbursements</b>             | <u>14,473,135,358</u> | <u>9,559,227,128</u> |
| NET CHANGE IN CASH                     | 4,457,800             | (2,158,583)          |
| BEGINNING CASH BALANCE - July 1        | 584,254               | 2,742,837            |
| ENDING CASH BALANCE - June 30          | <u>\$5,042,054</u>    | <u>\$584,254</u>     |



**SCHEDULE OF ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

|                                   | <u>Administrative</u> | <u>Investment</u>  | <u>Total</u>       |
|-----------------------------------|-----------------------|--------------------|--------------------|
| Accounting and Auditing Services  | \$7,300               | -                  | \$7,300            |
| Actuarial Services                | 152,077               | -                  | 152,077            |
| Communications                    | 33,552                | 6,652              | 40,204             |
| Computer Related Expense          | 177,907               | 35,271             | 213,178            |
| Contractual Services              | 117,170               | 23,230             | 140,400            |
| Depreciation Expense              | 145,064               | 28,760             | 173,823            |
| Fund Manager Initiatives          | 37,449                | 7,425              | 44,874             |
| Furniture and Equipment           | 10,639                | 2,109              | 12,749             |
| Investment Services               | -                     | 226,879            | 226,879            |
| Local Board Training              | 2,883                 | 572                | 3,454              |
| Supplies & Service                | 64,110                | 12,710             | 76,821             |
| Payroll Taxes and Fringe Benefits | 553,700               | 168,728            | 722,428            |
| Postage Expenses                  | 47,019                | 9,322              | 56,341             |
| Professional Services             | 829,830               | 200,284            | 1,030,114          |
| Salaries and Wages                | 1,702,722             | 668,940            | 2,371,663          |
| Training Expenses                 | 89,915                | 35,207             | 125,122            |
|                                   | <u>\$3,971,338</u>    | <u>\$1,426,088</u> | <u>\$5,397,427</u> |

**SCHEDULE OF CONSULTANT EXPENSES**

| <u>Consultants</u>                  | <u>Fees Paid</u>   |
|-------------------------------------|--------------------|
| Barrows & Schatza, PLC              | 7,300              |
| Clark Consulting, Inc.              | 22,385             |
| Cortex Applied Research, Inc.       | 28,181             |
| Kutak Rock, LLP                     | 764,655            |
| McLagan Partners, Inc.              | 3,797              |
| Milliman                            | 140,400            |
| Pridestaff                          | 12,972             |
| Rodwan Consulting Group             | 104,077            |
| Rose & Allyn Public Relations       | 38,374             |
| Spinelli                            | 7,185              |
| Standard & Poor's                   | 29,931             |
| Stivers Staffing Services           | 72,676             |
| Systems Integration Solutions, Inc. | 22,890             |
|                                     | <u>\$1,254,824</u> |

**Financial Section**  
**Other Supplemental Information**

**AGENCY FUND-HEALTH INSURANCE PREMIUM SUBSIDY  
STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

|                                 | Balance at<br>Beginning of<br>Year | Additions  | Deletions  | Balance at<br>End of Year |
|---------------------------------|------------------------------------|------------|------------|---------------------------|
| <b>Health Insurance Subsidy</b> |                                    |            |            |                           |
| <b>Assets</b>                   |                                    |            |            |                           |
| Cash                            | -                                  | 11,009,305 | 11,009,305 | 0                         |
| Total Assets                    | 0                                  | 11,009,305 | 11,009,305 | 0                         |
| <b>Liabilities</b>              |                                    |            |            |                           |
| Benefits Payable                | -                                  | 11,009,305 | 11,009,305 | 0                         |
| Total Liabilities               | 0                                  | 11,009,305 | 11,009,305 | 0                         |

**HEALTH INSURANCE PREMIUM SUBSIDY SCHEDULE OF FUNDING PROGRESS**  
(in thousands)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>EANC/PUC*<br>(b) | Unfunded<br>(Excess)<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c)) |
|--------------------------------|----------------------------------------|-------------------------------------------------------------|------------------------------------------------|--------------------------|---------------------------|----------------------------------------------------------------|
| 6/30/07                        | \$-                                    | \$256,906                                                   | \$256,906                                      | 0%                       | \$1,228,037               | 21%                                                            |

*GASB reporting requires discretely reporting the health insurance premium subsidy separately from the retirement plan. As a result, the funded ratio for the retirement plan on page 43 does not include this portion for the health insurance premium subsidy. If you include the actuarial accrued liabilities for the health insurance premium subsidy with the retirement plan, the funded ratio is 66.4%.*

# Investment Section

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**STANDARD  
& POOR'S**

**Standard & Poor's Investment  
Advisory Services LLC**

55 Water Street, 42nd Floor  
New York, NY 10041-0003  
212 438 3737 Tel  
212 438 3929 Fax

September 14, 2007

The Fund Manager  
Public Safety Personnel Retirement System  
of the State of Arizona  
3010 E. Camelback Road Ste. 200  
Phoenix, Arizona 85016

Dear Sirs:

The attached charts and tables depict the investment performance for the Public Safety Retirement System of the State of Arizona. The performance results shown are based entirely on data provided by the plan's staff and does not constitute an audit on Standard & Poor's part. We note that Standard & Poor's has assumed that all data that has been supplied by the staff is accurate and complete and that Standard & Poor's has not taken steps to verify same. We also note that the performance was calculated by using linked daily returns. This methodology takes daily cash inflows and outflows into account. In previous years, the performance was calculated under the assumption that cash inflows and outflows take place uniformly throughout each month.

The performance data include realized and unrealized capital gains and losses, as well as interest and dividend income earned by the fund.

Based on the foregoing, during the past fiscal year, the stock portfolio outperformed the S&P 500 index, and also outperformed a target equity benchmark consisting of the S&P 500, S&P Midcap 400 and S&P Smallcap 600 weighted in fixed proportions. The bond portfolio outperformed the Lehman Government/Credit Index.

Sincerely,



David Braverman  
Vice President

[www.standardandpoors.com](http://www.standardandpoors.com)

## Fund Investment Objectives

The objective of the Fund is to ensure the integrity of the Public Safety Personnel Retirement System in order to adequately fund benefit levels for members as stated in Title 38, Chapter 5, articles 3, 4 and 6 of the Arizona Revised Statutes and as amended from time to time by the Legislature. To achieve the objective, the Fund will do the following:

1. Maintain a goal for the Fund's assets to be equal to the Fund's liabilities within any twenty-year period;
2. Annually adjust the employer contribution rates based on the recommendations made by the annual actuarial valuations;
3. Determine a reasonable contribution rate necessary to fund benefits approved by the legislature and then reduce the variation in the employer contribution rate over time to the Fund;
4. Preserve and enhance the capital of the Fund through effective management of the portfolio in order to take advantage of attractive opportunities various markets and market sectors have to offer;
5. Provide the opportunity for increased benefits for retirees as the legislature may from time to time enact through systematic growth of the investments of the fund.

Consistent with the Fund objectives, the primary investment objective of the Fund is to maximize long-term real investment returns (after inflation) recognizing established risk (volatility) parameters and the need to preserve capital by:

1. Deriving a reasonable asset allocation model that attempts to fully achieve the primary investment objective, over the long term,
2. Consistent with these policies and the direction of the Fund Manager, strategically allocating within asset classes and investment styles in order to enhance investment returns. This strategic allocation must at all times be within ranges set forth in these Policies.
3. Regularly reviewing the status of investments,
4. Regularly assessing the need to adjust the mix, type and composition of the investment classes within the allocation ranges.

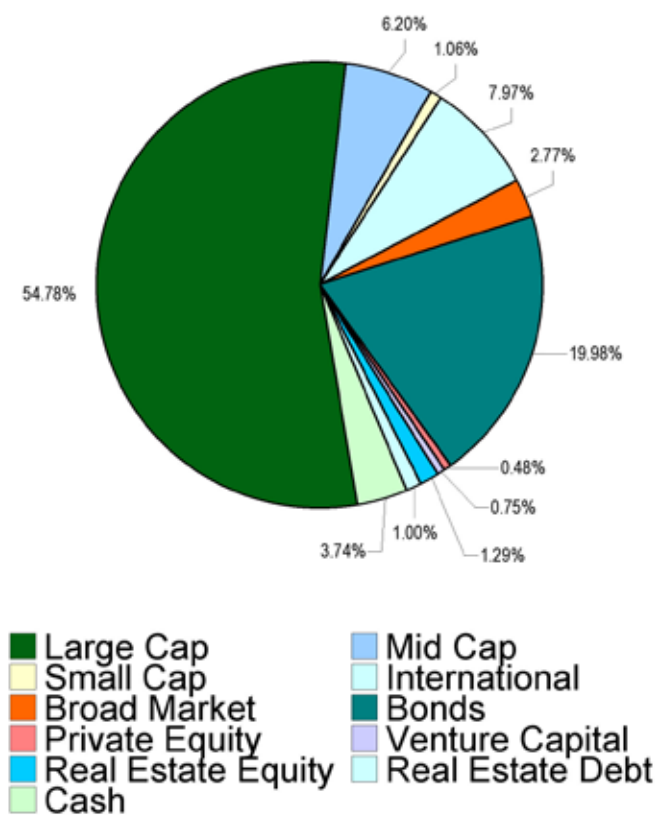
The possibility of short-term declines in the market value of the Fund or the Fund's assets is a recognized consequence of achieving potentially higher long-term investment returns.

The time horizon for evaluating total fund investment performance is long-term.

## Annualized Rates of Return

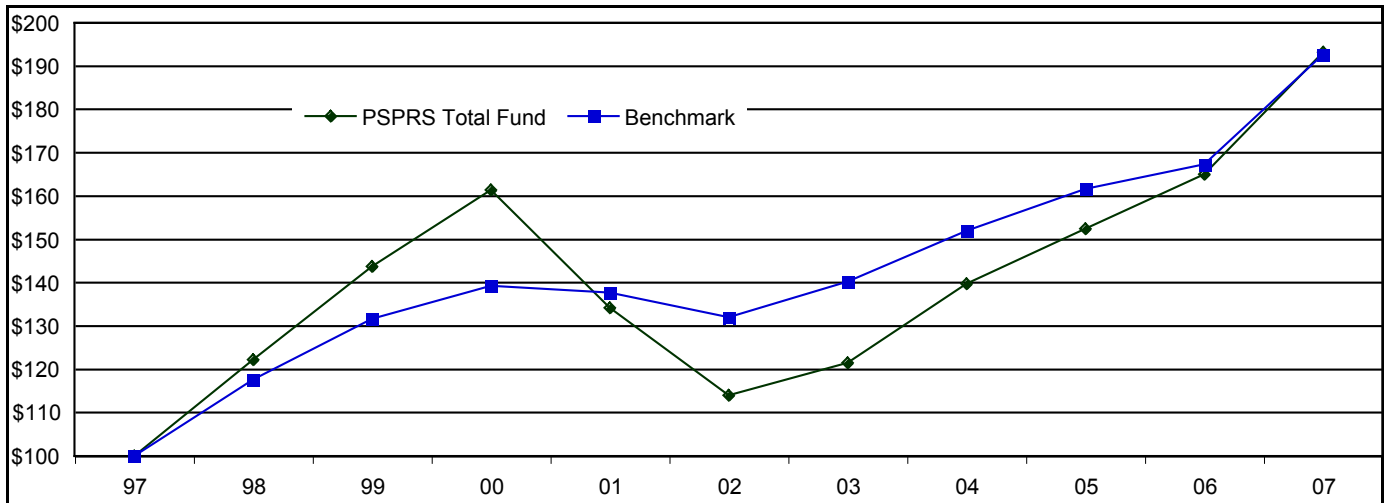
|                        | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|--------|--------|--------|---------|
| PSPRS Total Fund*      | 17.05% | 11.41% | 11.14% | 6.81%   |
| Balanced Index         | 15.13% | 8.23%  | 7.84%  | 6.75%   |
| PSPRS Equity*          | 20.60% | 11.97% | 11.91% | 5.86%   |
| Equity Benchmark       | 19.95% | 11.47% | 10.59% | 6.83%   |
| PSPRS Fixed Income*    | 6.91%  | 5.52%  | 6.52%  | 7.10%   |
| Lehman Aggregate Index | 6.02%  | 3.84%  | 4.70%  | 6.06%   |

## Asset Allocation

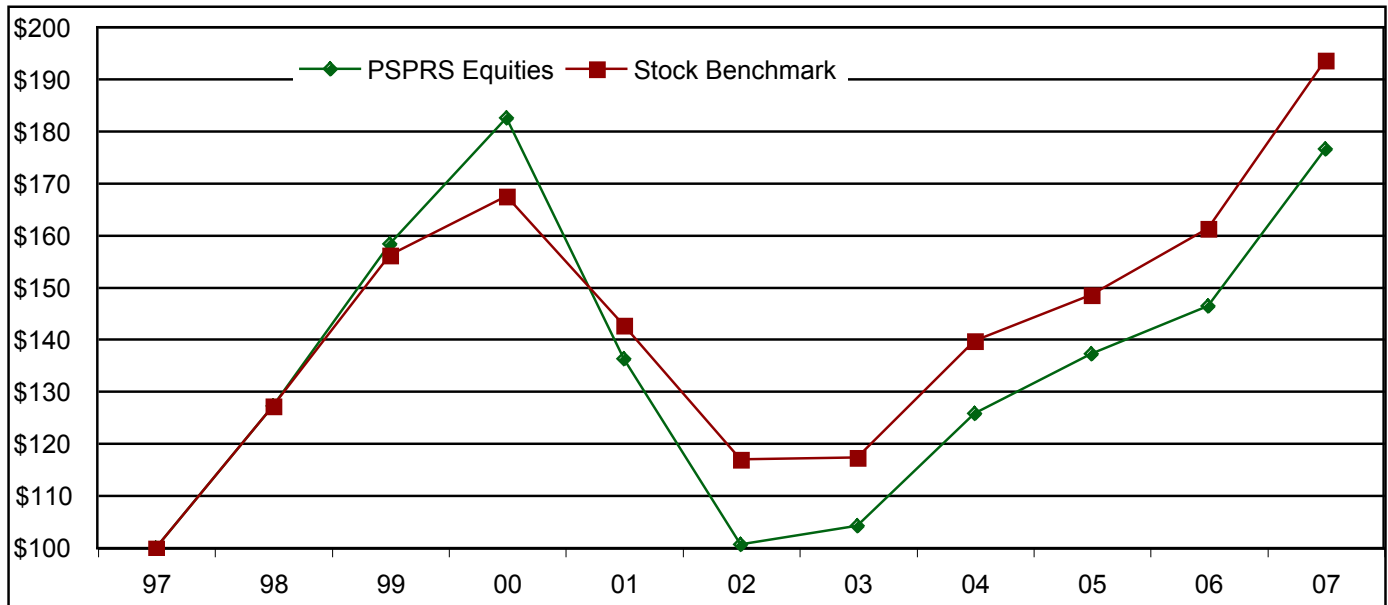


### Ten Year Cumulative Return, Benchmark & Indices

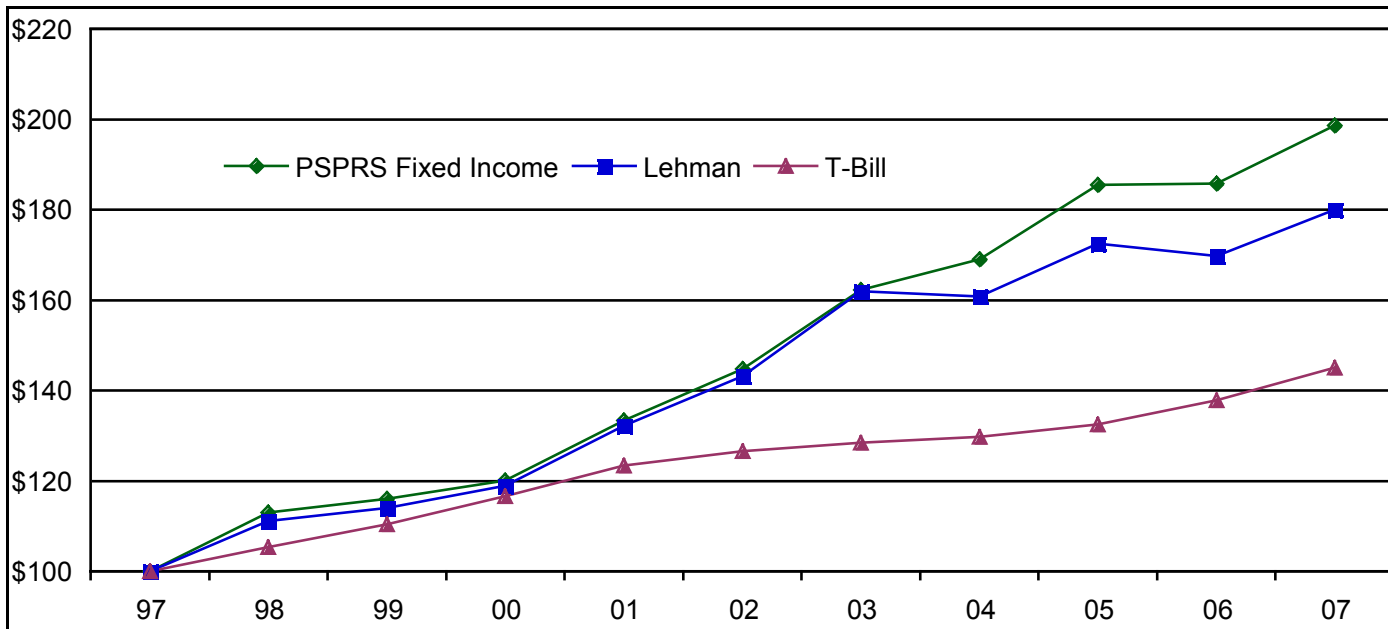
Total Fund



Stock



Fixed Income



**TOP 10 EQUITY HOLDINGS**

JUNE 30, 2007

| SHARES    | DESCRIPTION                      | FAIR VALUE  |
|-----------|----------------------------------|-------------|
| 1,964,600 | EXXON MOBIL CORP                 | 164,790,648 |
| 962,991   | VANGUARD TOTAL STOCK MARKET ETF  | 143,851,596 |
| 868,185   | iSHARES MSCI EMERGING MARKET ETF | 114,296,555 |
| 2,602,300 | GENERAL ELECTRIC CO              | 99,616,044  |
| 1,841,132 | CITIGROUP, INC.                  | 94,431,660  |
| 1,524,750 | BANK OF AMERICA CORPORATION      | 74,545,028  |
| 2,513,400 | MICROSOFT CORPORATION            | 74,069,898  |
| 861,795   | iSHARES EAFE INDEX ETF           | 69,607,182  |
| 1,090,500 | PROCTER & GAMBLE COMPANY         | 66,727,695  |
| 764,900   | CHEVRON CORP                     | 64,435,176  |

**TOP 10 CORPORATE BOND HOLDINGS**

JUNE 30, 2007

| PAR VALUE  | DESCRIPTION                      | FAIR VALUE |
|------------|----------------------------------|------------|
| 20,250,000 | PROTECTIVE LIFE CPI+150          | 19,058,085 |
| 18,449,868 | REG DIVERSIFIED FUNDING SR NOTES | 20,502,785 |
| 18,500,000 | UNION CENTRAL LIFE               | 19,781,680 |
| 15,200,000 | PREFERRED CPO                    | 16,872,000 |
| 13,050,000 | HUTCHISON WHAMPOA FINANCIAL      | 14,375,880 |
| 13,268,843 | CBO HOLDINGS SPIRIT 2004-3A      | 13,268,843 |
| 12,000,000 | SECURITY MUTUAL LIFE NEW YORK    | 14,855,640 |
| 13,200,000 | BAYER HYPO-VEREINSBANK           | 16,113,900 |
| 10,800,000 | HARTFORD LIFE GLOBAL FDG TRUST   | 10,128,456 |
| 10,160,000 | PREMAT ACA TRUST SERIES 1        | 10,377,424 |



**SUMMARY OF CHANGES IN INVESTMENT PORTFOLIO**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| Description                    | Percent<br>at Fair<br>Value | Balance<br>June 30, 2006 |               | Acquisi-<br>tions | Maturities<br>and Sales | (Premium)<br>Discount | Balance<br>June 30, 2007 |               | Percent<br>at Fair<br>Value |
|--------------------------------|-----------------------------|--------------------------|---------------|-------------------|-------------------------|-----------------------|--------------------------|---------------|-----------------------------|
|                                |                             | Fair<br>Value            | Book<br>Value |                   |                         |                       | Fair<br>Value            | Book<br>Value |                             |
| U.S. Treasury<br>Obligations   | 1.38%                       | 67,364                   | 56,597        | 34,252            |                         | 78                    | 101,373                  | 90,771        | 1.83%                       |
| Federal Agency<br>Obligations  | 7.83%                       | 381,803                  | 393,803       | 102,309           | 28,451                  | (65)                  | 459,312                  | 467,725       | 8.29%                       |
| Total Government<br>Securities | 5.29%                       | 449,168                  | 450,400       | 136,561           | 28,451                  | 13                    | 560,685                  | 558,497       | 10.12%                      |
| Corporate Bonds                | 12.15%                      | 592,358                  | 582,014       | 140,001           | 178,792                 | 563                   | 547,312                  | 542,660       | 9.87%                       |
| Total Bond Portfolio           | 19.76%                      | 1,041,526                | 1,032,413     | 276,562           | 207,243                 | 576                   | 1,107,997                | 1,101,156     | 19.99%                      |
| Corporate Notes                | 4.83%                       | 235,731                  | 235,731       | 12,234,101        | 12,267,822              |                       | 202,011                  | 202,011       | 3.64%                       |
| Equities                       | 70.46%                      | 3,436,622                | 2,723,219     | 1,416,376         | 1,109,101               |                       | 4,037,779                | 3,030,494     | 72.84%                      |
| Alternative Investments        | 3.34%                       | 162,164                  | 162,164       | 81,524            | 48,860                  |                       | 194,828                  | 194,828       | 3.53%                       |
| Total Portfolio                | 100%                        | 4,876,043                | 4,153,528     | 14,008,563        | 13,633,027              | 576                   | 5,542,615                | 4,528,488     | 100.00%                     |

**SCHEDULE OF COMMISSIONS PAID TO BROKERS**  
FISCAL YEAR ENDED JUNE 30, 2007

| Broker                          | Number Of<br>Shares Traded | Average Com-<br>mission | Total<br>Commissions |
|---------------------------------|----------------------------|-------------------------|----------------------|
| ABEL / NOSER CORP.              | 4,675,200                  | .015                    | \$70,128             |
| BLOOMBERG TRADEBOOK LLC         | 9,040,127                  | .010                    | \$90,401             |
| GREENBERG FINANCIAL GROUP       | 7,995,900                  | .020                    | \$159,918            |
| INVESTORS CAPITAL CORPORATION   | 4,701,550                  | .020                    | \$94,031             |
| ISI GROUP, INC.                 | 5,102,704                  | .040                    | \$204,108            |
| MORGAN STANLEY DEAN WITTER      | 5,733,800                  |                         | \$114,676            |
| REGAL SECURITIES INC.           | 1,991,200                  |                         | \$39,824             |
| SAMCO FINANCIAL SERVICES, INC.  | 4,809,024                  | .020                    | \$96,180             |
| SANFORD C. BERNSTEIN & CO., LLC | 5,847,900                  | .040                    | \$233,916            |
| U.S. FINANCIAL INVESTMENTS INC. | 4,118,204                  | .020                    | \$82,364             |
| UBS / PAINE WEBBER              | 10,096,053                 | .020                    | \$201,921            |
| WELLS FARGO BANK                | 1,415,984                  | .000                    | \$0-                 |
| TOTAL COMMISSIONS               | 65,527,646                 | .020                    | \$1,387,468          |

## EQUITY PORTFOLIO

JUNE 30, 2007

| SHARES    | DESCRIPTION                     | PRICE  | FAIR VALUE |
|-----------|---------------------------------|--------|------------|
| 203,600   | 3M COMPANY                      | 86.79  | 17,670,444 |
| 397,200   | ABBOTT LABORATORIES             | 53.55  | 21,270,060 |
| 224,650   | ABERCROMBIE & FITCH             | 72.98  | 16,394,957 |
| 280,400   | ADOBE SYSTEMS                   | 40.15  | 11,258,060 |
| 175,200   | AETNA INC                       | 49.40  | 8,654,880  |
| 372,400   | AFLAC INC                       | 51.40  | 19,141,360 |
| 100,760   | ALCAN INC                       | 81.30  | 8,191,788  |
| 85,400    | ALLEGHENY TECHNOLOGIES INC      | 104.88 | 8,956,752  |
| 291,110   | ALLIANZ AG HOLDING              | 23.27  | 6,774,130  |
| 585,200   | ALLSTATE CORPORATION            | 61.51  | 35,995,652 |
| 790,500   | ALTRIA GROUP INC                | 70.14  | 55,445,670 |
| 430,995   | AMDOCS LTD                      | 39.82  | 17,162,221 |
| 339,000   | AMERICAN CAPITAL STRATEGIES LTD | 42.52  | 14,414,280 |
| 848,600   | AMERICAN INT'L GROUP            | 70.03  | 59,427,458 |
| 653,800   | AMGEN                           | 55.29  | 36,148,602 |
| 332,800   | APACHE CORPORATION              | 81.59  | 27,153,152 |
| 317,000   | APPLE COMPUTER INC              | 122.04 | 38,686,680 |
| 698,400   | APPLIED MATERIALS               | 19.87  | 13,877,208 |
| 398,000   | ARCH COAL INC                   | 34.80  | 13,850,400 |
| 497,700   | ARCHER-DANIELS-MIDLAND COMPANY  | 33.09  | 16,468,893 |
| 496,200   | AUTOMATIC DATA PROCESSING       | 48.47  | 24,050,814 |
| 1,524,750 | BANK OF AMERICA CORPORATION     | 48.89  | 74,545,028 |
| 68,320    | BASF AG                         | 130.71 | 8,930,107  |
| 398,500   | BED BATH & BEYOND               | 35.99  | 14,342,015 |
| 670,300   | BEST BUY CO INC                 | 46.67  | 31,282,901 |
| 647,900   | BOEING CO.                      | 96.16  | 62,302,064 |
| 124,050   | BROADBRIDGE FINANCIAL SOLUTIONS | 19.12  | 2,371,836  |
| 33,189    | BURLINGTON NORTHERN SANTE FE    | 85.14  | 2,825,711  |
| 238,600   | CANADIAN NATIONAL RAILWAY       | 50.93  | 12,151,898 |
| 397,300   | CAPITAL ONE FINANCIAL           | 78.44  | 31,164,212 |
| 227,980   | CAREER EDUCATION CORP.          | 33.77  | 7,698,885  |
| 81,406    | CARLISLE COMPANIES INC          | 46.51  | 3,786,193  |
| 25,500    | CARPENTER TECHNOLOGY            | 130.31 | 3,322,905  |
| 343,900   | CELGENE CORP                    | 57.33  | 19,715,787 |
| 274,000   | CENTEX CORP                     | 40.10  | 10,987,400 |
| 80,577    | CENTURY TELEPHONE INC           | 49.05  | 3,952,302  |
| 123,800   | CHATTEM INC                     | 63.38  | 7,846,444  |
| 221,700   | CHESAPEAKE ENERGY               | 34.60  | 7,670,820  |
| 764,900   | CHEVRON CORP                    | 84.24  | 64,435,176 |
| 352,250   | CHICO'S FAS INC                 | 24.34  | 8,573,765  |
| 338,900   | CHINA MOBILE LIMITED            | 53.90  | 18,266,710 |
| 307,900   | CHUBB CORPORATION               | 54.14  | 16,669,706 |
| 264,250   | CIMAREX ENERGY CO               | 39.41  | 10,414,093 |
| 2,186,300 | CISCO SYSTEMS                   | 27.85  | 60,888,455 |
| 1,841,132 | CITIGROUP, INC.                 | 51.29  | 94,431,660 |

| SHARES    | DESCRIPTION                       | PRICE  | FAIR VALUE  |
|-----------|-----------------------------------|--------|-------------|
| 1,141,300 | CITIZENS COMMUNICATIONS           | 15.27  | 17,427,651  |
| 720,200   | CITRIX SYSTEMS INC                | 33.67  | 24,249,134  |
| 187,800   | CLARCOR INC                       | 37.43  | 7,029,354   |
| 325,650   | COACH INC                         | 47.39  | 15,432,554  |
| 521,145   | COCA-COLA CO                      | 52.31  | 27,261,095  |
| 322,800   | COLGATE PALMOLIVE CO              | 64.85  | 20,933,580  |
| 561,000   | COMCAST CORP-SPECIAL CLA          | 27.96  | 15,685,560  |
| 395,500   | COMMERCE BANCORP, INC.            | 36.99  | 14,629,545  |
| 553,850   | CONSTELLATION BRANDS              | 24.28  | 13,447,478  |
| 300,450   | CONSTELLATION ENERGY GROUP INC    | 87.17  | 26,190,227  |
| 934,800   | CORNING INCORPORATED              | 25.55  | 23,884,140  |
| 161,728   | COVANCE INC                       | 68.56  | 11,088,072  |
| 163,750   | CULLEN/FROST BANKERS              | 53.47  | 8,755,713   |
| 1,037,348 | CVS/CAREMARK CORP                 | 36.45  | 37,811,335  |
| 349,100   | DELL INC                          | 28.55  | 9,966,805   |
| 324,900   | DOW CHEMICAL                      | 44.22  | 14,367,078  |
| 581,580   | DUKE ENERGY CORPORATION           | 18.30  | 10,642,914  |
| 184,400   | E.ON AG                           | 55.64  | 10,260,016  |
| 904,295   | EMC CORP                          | 18.10  | 16,367,740  |
| 397,300   | EMULEX CORP.                      | 21.84  | 8,677,032   |
| 263,500   | ENDO PHARMACEUTICAL HOLDINGS INC  | 34.23  | 9,019,605   |
| 83,100    | ENERGEN CORP                      | 54.94  | 4,565,514   |
| 250,300   | EXELON CORP                       | 72.60  | 18,171,780  |
| 220,600   | EXPRESS SCRIPTS                   | 50.01  | 11,032,206  |
| 1,964,600 | EXXON MOBIL CORP                  | 83.88  | 164,790,648 |
| 397,400   | FEDEX CORPORATION                 | 110.97 | 44,099,478  |
| 382,050   | FISERV INC                        | 56.80  | 21,700,440  |
| 93,052    | FMC CORP                          | 89.39  | 8,317,918   |
| 244,000   | FRANKLIN RESOURCES INC            | 132.47 | 32,322,680  |
| 302,900   | GARMIN LIMITED                    | 73.97  | 22,405,513  |
| 299,900   | GENENTECH, INC.                   | 75.66  | 22,690,434  |
| 2,602,300 | GENERAL ELECTRIC CO               | 38.28  | 99,616,044  |
| 396,300   | GENZYME CORPORATION               | 64.40  | 25,521,720  |
| 1,053,800 | GILEAD SCIENCES, INC              | 38.80  | 40,887,440  |
| 172,900   | GLOBALSANTAFE CORP                | 72.25  | 12,492,025  |
| 193,400   | GOLDMAN SACHS GROUP INC           | 216.75 | 41,919,450  |
| 199,400   | GRAINGER (W W) INC                | 93.05  | 18,554,170  |
| 51,285    | GUITAR CENTER INC                 | 59.81  | 3,067,356   |
| 244,845   | HARRIS CORPORATION                | 54.55  | 13,356,295  |
| 440,472   | HARTFORD FINANCIAL SERVICES GROUP | 98.51  | 43,390,897  |
| 941,700   | HOME DEPOT                        | 39.35  | 37,055,895  |
| 124,500   | HOME PROPERTIES INC.              | 51.93  | 6,465,285   |
| 914,600   | INTEL CORPORATION                 | 23.74  | 21,712,604  |
| 565,950   | INTERNATIONAL BUSINESS MACH.      | 105.25 | 59,566,238  |
| 64,200    | INTUITIVE SURGICAL INC            | 138.77 | 8,909,034   |

# Investments Section

| SHARES    | DESCRIPTION                      | PRICE  | FAIR VALUE  |
|-----------|----------------------------------|--------|-------------|
| 861,795   | iSHARES EAFE INDEX ETF           | 80.77  | 69,607,182  |
| 868,185   | iSHARES MSCI EMERGING MARKET ETF | 131.65 | 114,296,555 |
| 111,865   | ISHARES RUSSELL 3000 INDEX ETF   | 87.03  | 9,735,611   |
| 369,315   | JACOBS ENGINEERING GROUP INC.    | 57.51  | 21,239,306  |
| 599,600   | JOHNSON & JOHNSON CO             | 61.62  | 36,947,352  |
| 746,600   | JP MORGAN CHASE & CO             | 48.45  | 36,172,770  |
| 174,400   | KELLOGG CO                       | 51.79  | 9,032,176   |
| 860,000   | KING PHARMACEUTICALS INC         | 20.46  | 17,595,600  |
| 149,400   | KOHL'S CORP                      | 71.03  | 10,611,882  |
| 297,044   | KRAFT FOODS INC                  | 35.25  | 10,470,801  |
| 346,755   | LANDSTAR SYSTEMS, INC            | 48.25  | 16,730,929  |
| 313,800   | LEHMAN BROTHERS HOLDINGS         | 75.80  | 23,786,040  |
| 585,200   | LILLY ELI                        | 55.88  | 32,700,976  |
| 346,000   | LINEAR TECHNOLOGY CORP           | 36.18  | 12,518,280  |
| 283,700   | LOCKHEED MARTIN CORP             | 94.13  | 26,704,681  |
| 379,221   | LOGITECH INTERNATIONAL SA        | 26.39  | 10,007,642  |
| 223,987   | MANITOWOC COMPANY INC.           | 80.38  | 18,004,075  |
| 371,330   | MCAFFEE INC                      | 35.20  | 13,070,816  |
| 428,500   | MCDONALDS CORPORATION            | 50.76  | 21,750,660  |
| 397,200   | MERRILL LYNCH & CO INC           | 83.58  | 33,197,976  |
| 372,800   | METLIFE INC.                     | 64.48  | 24,038,144  |
| 711,900   | MICROCHIP TECHNOLOGY INC.        | 37.04  | 26,368,776  |
| 2,513,400 | MICROSOFT CORPORATION            | 29.47  | 74,069,898  |
| 348,700   | NABORS INDUSTRIES, LTD           | 33.38  | 11,639,606  |
| 615,500   | NOKIA CORPORATION                | 28.11  | 17,301,705  |
| 224,300   | NORDSTROM INC                    | 51.12  | 11,466,216  |
| 324,775   | ODYSSEY HEALTHCARE INC           | 11.86  | 3,851,832   |
| 284,400   | OLIN CORP.                       | 21.00  | 5,972,400   |
| 148,800   | OMNICOM GROUP                    | 52.92  | 7,874,496   |
| 250,500   | ONEOK INC                        | 50.41  | 12,627,705  |
| 721,200   | PEPSICO INC.                     | 64.85  | 46,769,820  |
| 626,300   | PETSMART, INC                    | 32.45  | 20,323,435  |
| 2,238,200 | PFIZER INC.                      | 25.57  | 57,230,774  |
| 236,300   | PMI GROUP INC.                   | 44.67  | 10,555,521  |
| 374,983   | POOL CORPORATION                 | 39.03  | 14,635,586  |
| 118,900   | PPL CORP                         | 46.79  | 5,563,331   |
| 1,090,500 | PROCTER & GAMBLE COMPANY         | 61.19  | 66,727,695  |
| 242,343   | PSYCHIATRIC SOLUTIONS INC        | 36.26  | 8,787,357   |
| 722,150   | QUALCOMM INCORPORATED            | 43.39  | 31,334,089  |
| 694,200   | QUIKSILVER, INC                  | 14.13  | 9,809,046   |
| 218,800   | RESMED INC                       | 41.26  | 9,027,688   |
| 204,600   | ROBERT HALF INTERNATIONAL        | 36.50  | 7,467,900   |
| 274,663   | RPM INTERNATIONAL INC            | 23.11  | 6,347,462   |
| 348,000   | SANDISK CORPORATION              | 48.94  | 17,031,120  |
| 313,100   | SAP AG                           | 51.07  | 15,990,017  |
| 369,700   | SATYAM COMPUTER SERVICES LTD     | 24.76  | 9,153,772   |
| 577,400   | SCHLUMBERGER LTD                 | 84.94  | 49,044,356  |

## Investments Section

| SHARES                        | DESCRIPTION                          | PRICE  | FAIR VALUE           |
|-------------------------------|--------------------------------------|--------|----------------------|
| 155,900                       | SCOTTS CO'A'                         | 42.94  | 6,694,346            |
| 282,325                       | SEALED AIR                           | 31.02  | 8,757,722            |
| 354,572                       | SEI INVESTMENTS COMPANY              | 29.04  | 10,296,771           |
| 132,500                       | SEMPRA ENERGY                        | 59.23  | 7,847,975            |
| 71,100                        | SOVRAN SELF STORAGE                  | 48.16  | 3,424,176            |
| 290,790                       | SPECTRA ENERGY CORP                  | 25.96  | 7,548,908            |
| 186,614                       | SPRINT NEXTEL CORPORATION            | 20.71  | 3,864,776            |
| 884,450                       | STAPLES, INC.                        | 23.73  | 20,987,999           |
| 154,860                       | STERICYCLE INC                       | 44.46  | 6,885,076            |
| 382,245                       | STRATEGIC HOTELS & RESORTS           | 22.49  | 8,596,690            |
| 263,900                       | SUPERIOR ENERGY SERVICES             | 39.92  | 10,534,888           |
| 478,363                       | T. ROWE PRICE GROUP INC              | 51.89  | 24,822,256           |
| 124,500                       | TARGET CORP                          | 63.60  | 7,918,200            |
| 794,500                       | TELE NORTE LESTE PARTICIPACOES SA    | 18.97  | 15,071,665           |
| 470,900                       | TELEFONES DE MEXICO                  | 37.89  | 17,842,401           |
| 632,500                       | TEVA PHARMACEUTICAL INDUSTRIES LTD   | 41.25  | 26,090,625           |
| 1,130,000                     | TEXAS INSTRUMENTS                    | 37.63  | 42,521,900           |
| 313,100                       | TOTAL SA                             | 80.98  | 25,354,838           |
| 223,400                       | TRINITY INDUSTRIES INC               | 43.54  | 9,726,836            |
| 332,600                       | UNITED TECHNOLOGIES CORP             | 70.93  | 23,591,318           |
| 128,880                       | URS CORP                             | 48.55  | 6,257,124            |
| 71,023                        | VALERO ENERGY CORPORATION            | 73.86  | 5,245,759            |
| 623,820                       | VANGUARD EMERGING MARKETS ETF        | 91.29  | 56,948,528           |
| 345,500                       | VANGUARD SMALL CAP VALUE ETF         | 74.83  | 25,853,765           |
| 1,417,110                     | VANGUARD SMALL CAP VALUE MUTUAL FUND | 17.94  | 25,422,949           |
| 962,991                       | VANGUARD TOTAL STOCK MARKET ETF      | 149.38 | 143,851,596          |
| 337,600                       | VARIAN MEDICAL SYSTEMS INC           | 42.51  | 14,351,376           |
| 892,800                       | VERIZON COMMUNICATIONS               | 41.17  | 36,756,576           |
| 270,000                       | VERTEX PHARMACEUTICALS               | 28.56  | 7,711,200            |
| 583,700                       | WACHOVIA CORP                        | 51.25  | 29,914,625           |
| 497,600                       | WALGREEN COMPANY                     | 43.54  | 21,665,504           |
| 274,200                       | WAL-MART STORES                      | 48.11  | 13,191,762           |
| 391,400                       | WELLPOINT INC                        | 79.83  | 31,245,462           |
| 716,800                       | WESTERN DIGITAL CORP                 | 19.35  | 13,870,080           |
| 507,800                       | YUM BRANDS INC.                      | 32.72  | 16,615,216           |
| <b>TOTAL EQUITY PORTFOLIO</b> |                                      |        | <b>4,037,779,164</b> |

# Investments Section

## EQUITY ACQUIRED JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                         | Shares    | Dividend Rate | Income    | Yield | Average Cost | Cost        |
|-------------------------------------|-----------|---------------|-----------|-------|--------------|-------------|
| 3M COMPANY                          | 205,000   | 0.48          | 98,400    | 0.63  | 76.31        | 15,644,291  |
| AFLAC INC                           | 375,000   | 0.21          | 76,875    | 0.45  | 45.83        | 17,187,056  |
| ALLEGHENY TECHNOLOGIES INC          | 85,800    | 0.13          | 11,154    | 0.14  | 96.20        | 8,253,747   |
| ALLIANZ AG HOLDING                  | 388,300   | 0.41          | 157,749   | 2.54  | 16.00        | 6,214,283   |
| ALTRIA GROUP INC                    | 795,000   | 0.69          | 548,550   | 0.85  | 81.31        | 64,641,673  |
| AMDOCS LTD                          | 150,000   | -             | -         | -     | 35.37        | 5,305,614   |
| APPLE COMPUTER INC                  | 318,000   | -             | -         | -     | 86.53        | 27,516,307  |
| ARCH COAL INC                       | 400,000   | 0.07          | 28,000    | 0.22  | 31.70        | 12,680,411  |
| ARCHER-DANIELS-MIDLAND COMPANY      | 500,000   | 0.12          | 57,500    | 0.37  | 31.05        | 15,527,209  |
| ARRIS GROUP                         | 780,000   | -             | -         | -     | 11.41        | 8,901,695   |
| BASF AG                             | 20,000    | 3.22          | 64,359    | 3.93  | 81.95        | 1,638,967   |
| BJ SERVICES COMPANY                 | 40,000    | -             | -         | -     | 32.08        | 1,283,156   |
| BOEING CO.                          | 318,100   | 0.35          | 111,335   | 0.40  | 86.43        | 27,493,939  |
| CAREER EDUCATION CORP.              | 450,000   | -             | -         | -     | 25.76        | 11,590,322  |
| CARLISLE COMPANIES INC              | 189,000   | 0.14          | 25,515    | 0.16  | 82.36        | 15,565,408  |
| CARPENTER TECHNOLOGY                | 25,500    | 0.30          | 7,650     | 0.28  | 108.21       | 2,759,425   |
| CELGENE CORP                        | 345,000   | -             | -         | -     | 56.72        | 19,568,412  |
| CENTEX CORP                         | 275,000   | 0.04          | 11,000    | 0.08  | 48.57        | 13,356,434  |
| CHEVRON CORP                        | 120,000   | 0.58          | 69,600    | 0.89  | 64.96        | 7,795,416   |
| CHINA MOBILE LIMITED                | 340,000   | 0.53          | 180,730   | 1.16  | 45.73        | 15,548,700  |
| CIMAREX ENERGY CO                   | 150,000   | 0.04          | 6,000     | 0.09  | 42.36        | 6,354,099   |
| CITRIX SYSTEMS INC                  | 552,000   | -             | -         | -     | 30.20        | 16,672,899  |
| COACH INC                           | 145,800   | -             | -         | -     | 28.52        | 4,158,187   |
| COCA-COLA CO                        | 125,445   | 0.34          | 42,651    | 0.64  | 53.33        | 6,690,365   |
| CORNING INCORPORATED                | 940,000   | 0.05          | 47,000    | 0.23  | 21.68        | 20,378,163  |
| CULLEN/FROST BANKERS                | 215,000   | 0.40          | 86,000    | 0.74  | 54.21        | 11,655,075  |
| D. R. HORTON                        | 150,000   | 0.15          | 22,500    | 0.59  | 25.48        | 3,821,670   |
| E.ON AG                             | 185,000   | 1.51          | 279,776   | 4.08  | 37.05        | 6,854,567   |
| ENDO PHARMACEUTICAL HOLDINGS INC    | 90,000    | -             | -         | -     | 29.60        | 2,663,959   |
| GARMIN LIMITED                      | 305,000   | 0.50          | 152,500   | 1.10  | 45.61        | 13,912,439  |
| GENERAL ELECTRIC CO                 | 2,610,000 | 0.28          | 730,800   | 0.81  | 34.62        | 90,356,715  |
| HARRIS CORPORATION                  | 560,000   | 0.11          | 61,600    | 0.26  | 42.69        | 23,908,063  |
| HOME PROPERTIES INC.                | 125,000   | 0.65          | 81,250    | 1.10  | 59.01        | 7,376,550   |
| INDYMAC BANCORP INC                 | 130,000   | -             | -         | -     | 46.39        | 6,031,313   |
| INTUITIVE SURGICAL INC              | 185,000   | -             | -         | -     | 93.86        | 17,364,054  |
| ISHARES EAFE INDEX ETF              | 861,795   | 1.53          | 1,321,528 | 1.91  | 80.18        | 69,102,561  |
| ISHARES MSCI EMERGING MARKET ETF    | 870,085   | 1.57          | 1,368,217 | 1.36  | 115.34       | 100,354,756 |
| ISHARES RUSSELL 3000 INDEX ETF      | 111,865   | 0.33          | 36,455    | 0.37  | 88.04        | 9,848,720   |
| JACKSON HEWITT TAX SERVICE INC      | 4,100     | -             | -         | -     | 32.64        | 133,815     |
| JP MORGAN CHASE & CO                | 150,000   | 0.38          | 57,000    | 0.75  | 50.90        | 7,635,697   |
| KELLOGG CO                          | 175,000   | 0.29          | 50,925    | 0.58  | 50.05        | 8,758,185   |
| KING PHARMACEUTICALS INC            | 860,000   | -             | -         | -     | 18.20        | 15,647,984  |
| LABORATORY CORP OF AMERICA HOLDINGS | 100,000   | -             | -         | -     | 79.21        | 7,921,150   |

# Investments Section

| Description                          | Shares            | Dividend<br>Rate | Income           | Yield | Average<br>Cost | Cost                 |
|--------------------------------------|-------------------|------------------|------------------|-------|-----------------|----------------------|
| LINEAR TECHNOLOGY CORP               | 200,000           | 0.18             | 36,000           | 0.57  | 31.74           | 6,347,060            |
| LOCKHEED MARTIN CORP                 | 285,000           | 0.35             | 99,750           | 0.39  | 88.88           | 25,330,323           |
| LOGITECH INTERNATIONAL SA            | 570,000           | -                | -                | -     | 28.98           | 16,520,016           |
| MANITOWOC COMPANY INC.               | 153,512           | 0.04             | 5,373            | 0.08  | 43.53           | 6,682,471            |
| MCAFEE INC                           | 115,800           | -                | -                | -     | 24.26           | 2,809,383            |
| MCDONALDS CORPORATION                | 430,000           | 1.00             | 430,000          | 2.80  | 35.70           | 15,350,464           |
| MERRILL LYNCH & CO INC               | 80,000            | 0.35             | 28,000           | 0.38  | 91.68           | 7,334,048            |
| MICROCHIP TECHNOLOGY INC.            | 320,000           | 0.28             | 89,600           | 0.88  | 31.65           | 10,127,600           |
| NORDSTROM INC                        | 75,000            | 0.14             | 10,125           | 0.29  | 46.47           | 3,485,143            |
| ODYSSEY HEALTHCARE INC               | 570,000           | -                | -                | -     | 13.18           | 7,515,402            |
| PETSMART, INC                        | 305,000           | 0.03             | 9,150            | 0.11  | 26.86           | 8,193,151            |
| PFIZER INC.                          | 353,450           | 0.29             | 102,501          | 1.23  | 23.57           | 8,329,074            |
| PMI GROUP INC.                       | 238,000           | 0.05             | 12,495           | 0.11  | 46.81           | 11,140,508           |
| PPL CORP                             | 118,900           | 0.31             | 36,265           | 0.86  | 35.64           | 4,237,232            |
| PSYCHIATRIC SOLUTIONS INC            | 236,500           | -                | -                | -     | 38.09           | 9,008,258            |
| QUALCOMM INCORPORATED                | 395,000           | 0.14             | 55,300           | 0.38  | 37.05           | 14,636,112           |
| RESMED INC                           | 130,000           | -                | -                | -     | 41.32           | 5,371,056            |
| ROBERT HALF INTERNATIONAL            | 30,000            | 0.10             | 3,000            | 0.27  | 36.90           | 1,106,940            |
| RPM INTERNATIONAL INC                | 90,000            | 0.18             | 15,750           | 0.92  | 19.01           | 1,711,241            |
| SANDISK CORPORATION                  | 350,000           | -                | -                | -     | 42.94           | 15,029,215           |
| SAP AG                               | 315,000           | 0.62             | 195,237          | 1.28  | 48.37           | 15,237,149           |
| SATYAM COMPUTER SERVICES LTD         | 185,800           | 0.04             | 6,614            | 0.10  | 34.73           | 6,452,585            |
| SCHLUMBERGER LTD                     | 580,000           | 0.18             | 101,500          | 0.28  | 62.35           | 36,164,902           |
| SCOTTS CO'A'                         | 50,000            | 0.13             | 6,250            | 0.29  | 43.42           | 2,171,000            |
| SPRINT NEXTEL CORPORATION            | 350,254           | 0.03             | 8,756            | 0.13  | 18.86           | 6,606,873            |
| STAPLES, INC.                        | 251,500           | 0.29             | 72,935           | 1.09  | 26.59           | 6,687,082            |
| STERICYCLE INC                       | 400               | -                | -                | -     | 77.95           | 31,180               |
| TARGET CORP                          | 125,000           | 0.14             | 17,500           | 0.25  | 56.76           | 7,094,634            |
| TELE NORTE LESTE PARTICIPACOES SA    | 800,000           | 0.04             | 30,888           | 0.29  | 13.53           | 10,821,209           |
| TEVA PHARMACEUTICAL INDUSTRIES LTD   | 635,000           | 0.08             | 52,896           | 0.24  | 34.86           | 22,136,017           |
| TEXAS INSTRUMENTS                    | 340,000           | 0.08             | 27,200           | 0.26  | 30.37           | 10,325,866           |
| TOTAL SA                             | 315,000           | 1.14             | 359,850          | 1.75  | 65.22           | 20,543,973           |
| TRINITY INDUSTRIES INC               | 225,000           | 0.06             | 13,500           | 0.18  | 33.82           | 7,610,196            |
| UNITED TECHNOLOGIES CORP             | 335,000           | 0.32             | 107,200          | 0.51  | 62.62           | 20,978,287           |
| VANGUARD EMERGING MARKETS ETF        | 626,820           | 1.34             | 839,312          | 1.82  | 73.60           | 46,135,972           |
| VANGUARD SMALL CAP VALUE ETF         | 347,670           | 0.06             | 20,165           | 0.08  | 71.07           | 24,708,643           |
| VANGUARD SMALL CAP VALUE MUTUAL FUND | 1,417,110         | 0.32             | 457,726          | 1.90  | 17.04           | 24,151,764           |
| VANGUARD TOTAL STOCK MARKET ETF      | 962,991           | 0.57             | 549,868          | 0.38  | 150.96          | 145,376,738          |
| VARIAN MEDICAL SYSTEMS INC           | 340,000           | -                | -                | -     | 46.01           | 15,641,892           |
| VCAANTECH, INC.                      | 100,000           | -                | -                | -     | 32.12           | 3,211,871            |
| VERTEX PHARMACEUTICALS               | 270,000           | -                | -                | -     | 29.81           | 8,048,052            |
| WACHOVIA CORP                        | 185,000           | 0.56             | 103,600          | 1.04  | 53.93           | 9,976,613            |
| WESTERN DIGITAL CORP                 | 720,000           | -                | -                | -     | 20.39           | 14,677,801           |
| YUM BRANDS INC.                      | 255,000           | 0.15             | 38,250           | 0.25  | 59.79           | 15,247,511           |
| <b>TOTAL EQUITY ACQUIRED</b>         | <b>30,499,497</b> |                  | <b>9,735,174</b> |       | <b>46.44</b>    | <b>1,416,375,955</b> |

# Investments Section

## EQUITY SOLD JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                     | Shares Sold | Sale Price | Cost       | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|---------------------------------|-------------|------------|------------|------------------------|-------------------|
| 3M COMPANY                      | 1,400       | 73.4700    | 106,839    | (3,981)                | -3.73%            |
| ABBOTT LABORATORIES             | 2,100       | 52.8700    | 27,695     | 83,332                 | 300.89%           |
| ABERCROMBIE & FITCH             | 1,300       | 74.4900    | 41,196     | 55,641                 | 135.06%           |
| ADOBE SYSTEMS                   | 216,400     | 35.3376    | 4,310,611  | 3,332,114              | 77.30%            |
| ADVANCED MICRO DEVICES          | 300,000     | 24.8170    | 8,662,470  | (1,223,599)            | -14.13%           |
| AETNA INC                       | 620,000     | 42.6021    | 12,501,393 | 13,899,227             | 111.18%           |
| AFFILIATED COMPUTER SERVICES    | 302,300     | 57.2848    | 16,390,058 | 921,970                | 5.63%             |
| AFLAC INC                       | 2,600       | 46.5500    | 119,164    | 1,866                  | 1.57%             |
| ALBERTO CULVER CO               | 199,500     | 29.3758    | 6,495,186  | (639,877)              | -9.85%            |
| ALCAN INC                       | 100,540     | 81.3953    | 3,701,871  | 4,480,495              | 121.03%           |
| ALLEGHENY TECHNOLOGIES INC      | 400         | 99.3400    | 30,567     | 9,169                  | 30.00%            |
| ALLIANZ AG HOLDING              | 97,190      | 22.9255    | 1,555,411  | 671,720                | 43.19%            |
| ALLSTATE CORPORATION            | 410,500     | 62.0030    | 9,798,773  | 15,643,370             | 159.65%           |
| ALLTEL CORPORATION              | 250,100     | 62.7663    | 12,019,391 | 3,674,229              | 30.57%            |
| ALTERA CORPORATION              | 500,900     | 17.3365    | 10,207,486 | (1,533,943)            | -15.03%           |
| ALTRIA GROUP INC                | 4500        | 84.4200    | 365,896    | 13,994                 | 3.82%             |
| AMDOCS LTD                      | 2,505       | 34.1000    | 85,830     | (409)                  | -0.48%            |
| AMERICAN CAPITAL STRATEGIES LTD | 159,000     | 47.0136    | 5,482,631  | 1,990,848              | 36.31%            |
| AMERICAN EXPRESS                | 249,200     | 58.5483    | 7,661,007  | 6,923,796              | 90.38%            |
| AMERICAN INT'L GROUP            | 4,700       | 69.7400    | 207,166    | 120,612                | 58.22%            |
| AMERICAN STANDARD COMPANY INC   | 448,600     | 39.5505    | 11,448,526 | 6,282,329              | 54.87%            |
| AMGEN                           | 295,100     | 59.7515    | 11,375,211 | 6,249,332              | 54.94%            |
| ANALOG DEVICES, INC.            | 176,400     | 33.1856    | 12,816,475 | (6,966,243)            | -54.35%           |
| ANHEUSER BUSCH COMPANY          | 125,100     | 48.8280    | 6,500,749  | (395,056)              | -6.08%            |
| APACHE CORPORATION              | 214,000     | 64.5555    | 4,930,101  | 8,880,114              | 180.12%           |
| APPLE COMPUTER INC              | 1,000       | 88.1900    | 85,376     | 2,814                  | 3.30%             |
| APPLIED MATERIALS               | 1,600       | 18.1800    | 27,119     | 1,969                  | 0.00%             |
| ARACRUZ CELULOSE SA             | 100,000     | 50.2013    | 5,206,311  | (190,336)              | -3.66%            |
| ARCH COAL INC                   | 2,000       | 30.0500    | 63,402     | (3,302)                | -5.21%            |
| ARCHER-DANIELS-MIDLAND COMPANY  | 2,300       | 32.9600    | 71,425     | 4,383                  | 6.14%             |
| ARRIS GROUP                     | 780,000     | 13.4901    | 8,901,695  | 1,606,878              | 18.05%            |
| AUTOMATIC DATA PROCESSING       | 2,700       | 48.8000    | 107,161    | 24,599                 | 22.96%            |
| AUTOZONE INC                    | 99,400      | 118.6768   | 8,692,550  | 3,101,573              | 35.68%            |
| BALL CORP                       | 118,350     | 40.3876    | 4,912,809  | (135,454)              | -2.76%            |
| BANK OF AMERICA CORPORATION     | 371,550     | 52.2350    | 11,245,774 | 8,156,412              | 72.53%            |
| BASF AG                         | 19,580      | 124.1996   | 1,526,149  | 905,452                | 0.00%             |
| BEAR STEARNS COMPANY            | 150,250     | 159.0182   | 13,593,133 | 10,294,419             | 75.73%            |
| BED BATH & BEYOND               | 102,900     | 40.7331    | 4,019,959  | 167,297                | 4.16%             |
| BEST BUY CO INC                 | 3,700       | 46.5200    | 128,136    | 43,988                 | 34.33%            |
| BJ SERVICES COMPANY             | 388,900     | 30.9861    | 7,937,705  | 4,104,660              | 51.71%            |
| BOEING CO.                      | 3,800       | 87.8200    | 252,591    | 81,125                 | 32.12%            |
| BURLINGTON NORTHERN SANTE FE    | 281,411     | 78.9852    | 12,750,826 | 9,469,900              | 100.00%           |
| CACI INTERNATIONAL              | 92,300      | 48.7504    | 5,559,099  | (1,061,424)            | -19.09%           |
| CANADIAN NATIONAL RAILWAY       | 212,900     | 42.8527    | 3,363,712  | 5,753,879              | 171.06%           |



# Investments Section

| Description                           | Shares Sold | Sale Price | Cost       | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|---------------------------------------|-------------|------------|------------|------------------------|-------------------|
| CAPITAL ONE FINANCIAL                 | 2,000       | 75.8600    | 169,491    | (17,771)               | -10.48%           |
| CAREER EDUCATION CORP.                | 222,020     | 35.4845    | 5,718,407  | 2,157,540              | 37.73%            |
| CAREMARK RX INC                       | 1,000       | 61.6300    | 45,993     | 15,637                 | 34.00%            |
| CARLISLE COMPANIES INC                | 295,594     | 46.0708    | 12,213,245 | 1,401,860              | 11.48%            |
| CELGENE CORP                          | 1,100       | 51.2400    | 62,392     | (6,028)                | -9.66%            |
| CENTEX CORP                           | 1,000       | 46.0400    | 53,713     | (7,673)                | -14.28%           |
| CENTURY TELEPHONE INC                 | 443,423     | 43.2306    | 14,863,147 | 4,299,495              | 0.00%             |
| CEPHALON INC                          | 89,400      | 55.2090    | 6,734,688  | (1,800,943)            | 100.00%           |
| CHATTEM INC                           | 126,300     | 62.3139    | 4,702,302  | 3,166,581              | 67.34%            |
| CHECK POINT SOFTWARE TECHNOLOGIES LTD | 174,700     | 16.5901    | 3,306,672  | (411,971)              | -12.46%           |
| CHESAPEAKE ENERGY                     | 101,900     | 33.0000    | 3,219,223  | 141,380                | 4.39%             |
| CHEVRON CORP                          | 4,200       | 67.6700    | 219,838    | 64,376                 | 29.28%            |
| CHICO'S FAS INC                       | 128,550     | 18.9908    | 3,899,866  | (1,461,183)            | -37.47%           |
| CHINA MOBILE LIMITED                  | 1,100       | 44.6000    | 50,371     | (1,311)                | -2.60%            |
| CHUBB CORPORATION                     | 1,400       | 49.2000    | 71,688     | (2,808)                | -3.92%            |
| CIMAREX ENERGY CO                     | 60,750      | 40.7382    | 2,443,923  | 30,286                 | 1.24%             |
| CISCO SYSTEMS                         | 209,900     | 18.0751    | 2,121,648  | 1,664,207              | 78.44%            |
| CITIGROUP, INC.                       | 10,000      | 50.5800    | 400,874    | 104,926                | 26.17%            |
| CITIZENS COMMUNICATIONS               | 6,100       | 14.8100    | 76,445     | 13,896                 | 18.18%            |
| CITRIX SYSTEMS INC                    | 3,300       | 31.3200    | 93,249     | 10,107                 | 10.84%            |
| CLARCOR INC                           | 87,500      | 36.6707    | 2,779,061  | 428,716                | 15.43%            |
| COACH INC                             | 274,350     | 51.3499    | 8,269,754  | 5,813,632              | 70.30%            |
| COCA-COLA CO                          | 2,100       | 46.9300    | 104,874    | (6,321)                | -6.03%            |
| COLGATE PALMOLIVE CO                  | 1,700       | 66.5900    | 89,634     | 23,569                 | 26.29%            |
| COMCAST CORP-SPECIAL CLA              | 3,000       | 25.7300    | 63,670     | 13,520                 | 21.23%            |
| COMMERCE BANCORP, INC.                | 2,200       | 33.4700    | 47,095     | 26,539                 | 56.35%            |
| COMMUNITY HEALTH SYSTEMS INC          | 399,800     | 33.7229    | 15,838,034 | (2,372,024)            | -14.98%           |
| CONSTELLATION BRANDS                  | 203,500     | 27.5898    | 3,146,656  | 2,463,694              | 78.30%            |
| CONSTELLATION ENERGY GROUP INC        | 1,800       | 78.2100    | 76,419     | 64,359                 | 84.22%            |
| CON-WAY INC.                          | 297,700     | 50.0112    | 14,304,922 | 575,798                | 4.03%             |
| CORNING INCORPORATED                  | 5,200       | 20.6300    | 110,652    | (3,376)                | -3.05%            |
| COVANCE INC                           | 163,372     | 67.6072    | 7,042,963  | 4,000,381              | 56.80%            |
| CULLEN/FROST BANKERS                  | 51,250      | 52.9357    | 2,778,245  | (65,836)               | -2.37%            |
| CVS/CAREMARK CORP                     | 4,000       | 31.3000    | 108,566    | 16,634                 | 15.32%            |
| D. R. HORTON                          | 334,200     | 21.9939    | 7,285,179  | 59,067                 | 0.81%             |
| DANAHER CORP.                         | 199,300     | 71.7738    | 11,541,487 | 2,756,616              | 23.88%            |
| DEAN FOODS                            | 522,500     | 44.0542    | 13,092,211 | 9,910,940              | 75.70%            |
| DELL INC                              | 150,000     | 21.1003    | 5,780,409  | (2,618,461)            | -45.30%           |
| DENTSPLY INTERNATIONAL INC            | 548,400     | 32.0138    | 15,615,554 | 1,929,937              | 12.36%            |
| DEVON ENERGY CORPORATION              | 125,000     | 58.9330    | 5,056,881  | 2,307,018              | 45.62%            |
| DOW CHEMICAL                          | 126,200     | 39.6541    | 5,407,829  | (408,640)              | -7.56%            |
| DUKE ENERGY CORPORATION               | 3,100       | 19.5500    | 49,329     | 11,276                 | 22.86%            |
| E.ON AG                               | 600         | 42.7100    | 22,231     | 3,395                  | 15.27%            |
| EMC CORP                              | 392,705     | 15.4322    | 4,920,795  | 1,135,567              | 23.08%            |
| EMULEX CORP.                          | 3,200       | 17.7500    | 56,761     | 39                     | 0.07%             |

# Investments Section

| Description                         | Shares Sold | Sale Price | Cost       | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|-------------------------------------|-------------|------------|------------|------------------------|-------------------|
| ENDO PHARMACEUTICAL HOLDINGS INC    | 1,500       | 29.7500    | 46,697     | (2,072)                | -4.44%            |
| ENERGEN CORP                        | 500         | 47.0900    | 16,156     | 7,389                  | 45.74%            |
| EXELON CORP                         | 1,300       | 64.8100    | 63,977     | 20,276                 | 31.69%            |
| EXPRESS SCRIPTS                     | 288,700     | 67.1932    | 3,459,782  | 15,932,547             | 460.51%           |
| EXXON MOBIL CORP                    | 10,700      | 71.0000    | 401,705    | 357,995                | 89.12%            |
| FEDEX CORPORATION                   | 2,000       | 112.5700   | 144,278    | 80,862                 | 56.05%            |
| FISERV INC                          | 216,850     | 48.4210    | 8,300,214  | 2,195,255              | 26.45%            |
| FLEXTRONICS INTERNATIONAL           | 1,050,800   | 11.1140    | 14,547,916 | (2,890,675)            | -19.87%           |
| FMC CORP                            | 83,578      | 87.4783    | 4,112,445  | 3,197,881              | 77.76%            |
| FORTUNE BRANDS, INC.                | 398,900     | 80.5999    | 23,171,253 | 8,968,044              | 38.70%            |
| FRANKLIN RESOURCES INC              | 56,700      | 118.5028   | 2,920,644  | 3,797,168              | 130.01%           |
| GANNETT COMPANY                     | 200,900     | 52.5160    | 14,678,127 | (4,131,996)            | -28.15%           |
| GARMIN LIMITED                      | 2,100       | 52.7300    | 95,791     | 14,942                 | 15.60%            |
| GENENTECH, INC.                     | 1,600       | 82.2800    | 58,903     | 72,745                 | 123.50%           |
| GENERAL ELECTRIC CO                 | 7,700       | 34.7200    | 264,192    | 3,152                  | 1.19%             |
| GENZYME CORPORATION                 | 2,100       | 60.4800    | 120,889    | 6,119                  | 5.06%             |
| GILEAD SCIENCES, INC                | 218,200     | 69.5428    | 3,801,611  | 11,363,573             | 298.91%           |
| GLOBALSANTAFE CORP                  | 275,900     | 51.6335    | 9,551,771  | 4,685,471              | 49.05%            |
| GOLDMAN SACHS GROUP INC             | 31,000      | 187.5244   | 3,701,782  | 2,110,701              | 57.02%            |
| GRAINGER (W W) INC                  | 1,100       | 75.0700    | 67,989     | 14,588                 | 21.46%            |
| GUITAR CENTER INC                   | 348,515     | 49.6211    | 17,747,956 | (459,032)              | -2.59%            |
| HARRIS CORPORATION                  | 315,155     | 51.4101    | 13,454,903 | 2,743,853              | 20.39%            |
| HARTFORD FINANCIAL SERVICES GROUP   | 117,828     | 102.4706   | 6,049,178  | 6,023,404              | 99.57%            |
| HERSHEY FOODS CORPORATION           | 201,300     | 53.1318    | 10,569,596 | 121,489                | 1.15%             |
| HOME DEPOT                          | 5,200       | 38.8000    | 69,780     | 131,980                | 189.14%           |
| HOME PROPERTIES INC.                | 500         | 55.9000    | 29,506     | (1,556)                | -5.27%            |
| HYDRIL                              | 78,900      | 67.0980    | 4,730,925  | 559,789                | 11.83%            |
| IDEARC INC                          | 44,885      | 35.8556    | 1,114,792  | 493,663                | 44.28%            |
| INDYMAC BANCORP INC                 | 400,000     | 38.0731    | 17,834,342 | (2,617,178)            | -14.67%           |
| INGERSOLL-RAND 'A'                  | 659,300     | 42.0194    | 24,492,270 | 3,195,020              | 13.05%            |
| INTEL CORPORATION                   | 353,700     | 17.7201    | 10,269,156 | (4,008,762)            | -39.04%           |
| INTERNATIONAL BUSINESS MACH.        | 108,350     | 73.8883    | 5,250,767  | 2,750,581              | 52.38%            |
| INTUITIVE SURGICAL INC              | 120,800     | 128.3429   | 11,338,258 | 4,161,775              | 36.71%            |
| iSHARES MSCI EMERGING MARKET ETF    | 1,900       | 109.8600   | 209,925    | (1,191)                | -0.57%            |
| JABIL CIRCUIT                       | 381,700     | 23.9674    | 7,789,121  | 1,345,675              | 17.28%            |
| JACKSON HEWITT TAX SERVICE INC      | 4,100       | 36.1573    | 133,815    | 14,343                 | 10.72%            |
| JACOBS ENGINEERING GROUP INC.       | 327,085     | 57.4141    | 5,383,841  | 13,391,924             | 248.74%           |
| JOHNSON & JOHNSON CO                | 300,000     | 62.1102    | 16,906,148 | 1,720,336              | 10.18%            |
| JP MORGAN CHASE & CO                | 3,100       | 48.5200    | 113,880    | 36,532                 | 32.08%            |
| KELLOGG CO                          | 600         | 49.3800    | 30,028     | (400)                  | -1.33%            |
| KOHL'S CORP                         | 700         | 70.7200    | 33,828     | 15,676                 | 46.34%            |
| KRAFT FOODS INC                     | 250,001     | 31.6147    | 7,002,808  | 897,070                | 12.81%            |
| LABORATORY CORP OF AMERICA HOLDINGS | 100,000     | 78.9451    | 7,921,150  | (27,754)               | -0.35%            |
| LANDSTAR SYSTEMS, INC               | 705,945     | 44.6833    | 9,041,100  | 22,488,019             | 248.73%           |
| LEHMAN BROTHERS HOLDINGS            | 135,000     | 75.4427    | 5,657,779  | 4,523,967              | 79.96%            |
| LENNAR CORP Class A                 | 149,700     | 52.9789    | 4,065,737  | 3,858,970              | 94.91%            |

# Investments Section

| Description                  | Shares Sold | Sale Price | Cost       | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|------------------------------|-------------|------------|------------|------------------------|-------------------|
| LILLY ELI                    | 3,000       | 52.2300    | 170,709    | (14,019)               | -8.21%            |
| LINEAR TECHNOLOGY CORP       | 2,900       | 32.3300    | 101,085    | (7,328)                | -7.25%            |
| LOCKHEED MARTIN CORP         | 1,300       | 96.9000    | 115,542    | 10,428                 | 9.03%             |
| LOGITECH INTERNATIONAL SA    | 190,779     | 26.8343    | 5,529,249  | (411,787)              | -7.45%            |
| MANITOWOC COMPANY INC.       | 51,525      | 76.9969    | 1,628,585  | 2,338,118              | 143.57%           |
| MCAFFEE INC                  | 43,170      | 34.8774    | 1,219,773  | 285,452                | 23.40%            |
| MCDONALDS CORPORATION        | 1,500       | 43.1000    | 53,548     | 11,102                 | 20.73%            |
| MEDTRONIC, INC.              | 74,900      | 47.0300    | 3,598,016  | (77,075)               | -2.14%            |
| MERRILL LYNCH & CO INC       | 106,600     | 85.5244    | 8,426,388  | 688,482                | 8.17%             |
| METLIFE INC.                 | 2,000       | 62.2300    | 100,109    | 24,351                 | 24.32%            |
| MICROCHIP TECHNOLOGY INC.    | 5,100       | 36.3500    | 146,371    | 39,014                 | 26.65%            |
| MICROSOFT CORPORATION        | 543,100     | 30.0391    | 19,380,554 | (3,077,385)            | -15.88%           |
| MOTOROLA INC                 | 723,100     | 20.9231    | 16,994,335 | (1,887,841)            | -11.11%           |
| MOVADO GROUP INC             | 260,100     | 29.7482    | 5,447,659  | 2,283,625              | 41.92%            |
| MYLAN LABORATORIES           | 399,700     | 20.4122    | 8,570,997  | (420,477)              | -4.91%            |
| NABORS INDUSTRIES, LTD       | 645,300     | 31.5569    | 17,616,849 | 2,725,689              | 15.47%            |
| NOKIA CORPORATION            | 3,400       | 21.4500    | 54,054     | 18,876                 | 34.92%            |
| NORDSTROM INC                | 500         | 51.0600    | 20,146     | 5,384                  | 26.73%            |
| ODYSSEY HEALTHCARE INC       | 245,225     | 12.5120    | 3,233,271  | (167,490)              | -5.18%            |
| OLIN CORP.                   | 14,300      | 19.6513    | 297,790    | (16,909)               | -5.68%            |
| OMNICOM GROUP                | 400         | 104.2900   | 32,937     | 8,779                  | 26.65%            |
| ONEOK INC                    | 1,300       | 40.8700    | 35,139     | 17,992                 | 51.20%            |
| PEPSICO INC.                 | 174,200     | 64.6863    | 8,172,094  | 3,089,115              | 37.80%            |
| PETCO ANIMAL SUPPLIES INC    | 286,800     | 28.3198    | 6,595,852  | 1,517,336              | 23.00%            |
| PETSMART, INC                | 2,400       | 29.4400    | 59,675     | 10,981                 | 18.40%            |
| PFIZER INC.                  | 11,800      | 25.1900    | 337,176    | (39,934)               | -11.84%           |
| PMI GROUP INC.               | 1,700       | 45.1900    | 79,575     | (2,752)                | -3.46%            |
| POOL CORPORATION             | 423,017     | 39.0124    | 5,029,386  | 11,468,518             | 228.03%           |
| POWERWAVE TECHNOLOGIES INC   | 951,162     | 6.7135     | 11,435,662 | (5,076,288)            | -44.39%           |
| PROCTER & GAMBLE COMPANY     | 6,400       | 62.9400    | 301,363    | 101,453                | 33.66%            |
| PSYCHIATRIC SOLUTIONS INC    | 193,857     | 36.1766    | 6,123,030  | 888,016                | 14.50%            |
| QUALCOMM INCORPORATED        | 274,450     | 44.0438    | 10,752,036 | 1,331,915              | 12.39%            |
| QUIKSILVER, INC              | 3,800       | 13.5900    | 36,556     | 15,086                 | 41.27%            |
| REGIONS FINANCIAL CORP       | 145,684     | 34.6992    | 3,953,825  | 1,098,304              | 27.78%            |
| RESMED INC                   | 1,800       | 44.6922    | 55,095     | 25,343                 | 46.00%            |
| RESPIRONICS INC              | 67,300      | 34.7904    | 2,291,604  | 48,373                 | 2.11%             |
| ROBERT HALF INTERNATIONAL    | 100         | 38.4400    | 3,830      | 14                     | 0.38%             |
| RPM INTERNATIONAL INC        | 88,337      | 22.9468    | 1,631,863  | 394,284                | 24.16%            |
| SALLY BEAUTY HOLDINGS INC    | 149,500     | 7.7800     | 756,316    | 403,769                | 53.39%            |
| SANDISK CORPORATION          | 2,000       | 38.6400    | 85,881     | (8,601)                | -10.02%           |
| SAP AG                       | 1,900       | 46.2400    | 91,907     | (4,051)                | -4.41%            |
| SATYAM COMPUTER SERVICES LTD | 1,900       | 21.9000    | 32,992     | 8,618                  | 26.12%            |
| SCHLUMBERGER LTD             | 2,600       | 63.2800    | 162,119    | 2,409                  | 1.49%             |
| SCHOLASTIC CORPORATION       | 125,000     | 29.0062    | 3,209,323  | 411,945                | 12.84%            |
| SCOTTS CO'A                  | 600         | 41.4300    | 24,101     | 757                    | 3.14%             |
| SEALED AIR                   | 112,775     | 31.5351    | 2,912,737  | 642,468                | 22.06%            |

# Investments Section

| Description                        | Shares Sold | Sale Price | Cost       | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|------------------------------------|-------------|------------|------------|------------------------|-------------------|
| SEI INVESTMENTS COMPANY            | 309,258     | 59.0560    | 11,653,283 | 6,605,309              | 56.68%            |
| SEMPRA ENERGY                      | 190,400     | 57.7201    | 6,164,823  | 4,817,148              | 78.14%            |
| SKYWEST INC                        | 186,100     | 25.9014    | 3,675,400  | 1,140,975              | 31.04%            |
| SMITH INTERNATIONAL INC            | 174,700     | 43.2424    | 5,667,282  | 1,883,436              | 33.23%            |
| SOVRAN SELF STORAGE                | 400         | 57.0700    | 18,225     | 4,603                  | 25.26%            |
| SPECTRA ENERGY CORP                | 1,550       | 25.1400    | 35,560     | 3,407                  | 9.58%             |
| SPRINT NEXTEL CORPORATION          | 743,386     | 20.0817    | 14,312,823 | 599,447                | 4.19%             |
| ST. JUDE MEDICAL                   | 698,300     | 36.8990    | 14,056,642 | 11,689,718             | 83.16%            |
| STAPLES, INC.                      | 3,500       | 25.1700    | 61,720     | 26,375                 | 42.73%            |
| STEAK N SHAKE                      | 71,000      | 14.3158    | 1,318,234  | (303,266)              | -23.01%           |
| STERICYCLE INC                     | 219,950     | 64.1802    | 11,805,685 | 2,306,398              | 19.54%            |
| STRATEGIC HOTELS & RESORTS         | 93,655      | 23.2101    | 1,946,328  | 226,469                | 11.64%            |
| SUPERIOR ENERGY SERVICES           | 1,400       | 32.2700    | 34,317     | 10,861                 | 31.65%            |
| SYSCO CORPORATION                  | 349,000     | 35.2535    | 10,416,467 | 1,880,826              | 18.06%            |
| T. ROWE PRICE GROUP INC            | 422,037     | 51.0910    | 8,219,436  | 13,337,378             | 162.27%           |
| TARGET CORP                        | 500         | 60.7300    | 28,379     | 1,986                  | 7.00%             |
| TELE NORTE LESTE PARTICIPACOES SA  | 5,500       | 12.7900    | 74,396     | (4,051)                | -5.44%            |
| TELEFONES DE MEXICO                | 2,600       | 29.4500    | 59,700     | 16,870                 | 28.26%            |
| TEVA PHARMACEUTICAL INDUSTRIES LTD | 2,500       | 36.0300    | 85,837     | 4,238                  | 4.94%             |
| TEXAS INSTRUMENTS                  | 6,400       | 31.3500    | 168,373    | 32,267                 | 19.16%            |
| TOTAL SA                           | 1,900       | 65.2000    | 123,916    | (36)                   | -0.03%            |
| TRINITY INDUSTRIES INC             | 1,600       | 40.2100    | 54,117     | 10,219                 | 18.88%            |
| TYCO INTERNATIONAL LTD.            | 476,700     | 25.5829    | 15,811,342 | (3,625,858)            | -22.93%           |
| UGI CORP                           | 167,300     | 24.8785    | 3,462,301  | 693,056                | 20.02%            |
| UNITED NATURAL FOODS               | 306,700     | 30.7802    | 9,668,809  | (234,952)              | -2.43%            |
| UNITED PARCEL SERVICE              | 399,200     | 73.5464    | 29,236,860 | 112,367                | 0.38%             |
| UNITED TECHNOLOGIES CORP           | 2,400       | 64.1800    | 150,292    | 3,740                  | 2.49%             |
| URS CORP                           | 55,470      | 49.1042    | 2,230,421  | 492,800                | 22.09%            |
| UTI WORLDWIDE INC                  | 224,700     | 23.3383    | 5,241,796  | (2,327)                | -0.04%            |
| VALERO ENERGY CORPORATION          | 332,077     | 66.7459    | 14,048,683 | 8,111,255              | 57.74%            |
| VANGUARD EMERGING MARKETS ETF      | 3,000       | 74.5000    | 220,810    | 2,690                  | 1.22%             |
| VANGUARD SMALL CAP VALUE ETF       | 2170        | 70.7500    | 154,220    | (693)                  | -0.45%            |
| VARIAN MEDICAL SYSTEMS INC         | 2,400       | 45.3200    | 110,413    | (1,645)                | -1.49%            |
| VCA ANTECH, INC.                   | 228,400     | 32.3708    | 6,227,017  | 1,161,670              | 18.66%            |
| VERIZON COMMUNICATIONS             | 4,900       | 36.4800    | 159,899    | 18,853                 | 11.79%            |
| VISHAY INTERTECHNOLOGY INC         | 226,200     | 15.5504    | 5,948,303  | (2,435,434)            | -40.94%           |
| VORNADO REALTY TRUST               | 224,100     | 109.3741   | 9,543,317  | 14,962,183             | 156.78%           |
| WACHOVIA CORP                      | 2,600       | 54.7000    | 132,075    | 10,145                 | 7.68%             |
| WALGREEN COMPANY                   | 148,200     | 48.7787    | 2,524,493  | 4,701,383              | 186.23%           |
| WAL-MART STORES                    | 773,700     | 48.2896    | 41,538,161 | (4,191,693)            | -10.09%           |
| WASTE CONNECTIONS                  | 95300       | 37.4462    | 2,712,810  | 853,796                | 31.47%            |
| WELLPOINT INC                      | 2,200       | 80.0800    | 120,566    | 55,610                 | 46.12%            |
| WESTERN DIGITAL CORP               | 3,200       | 18.2900    | 65,235     | (6,707)                | -10.28%           |
| WILLIAMS COMPANIES, INC.           | 349,500     | 26.5812    | 8,710,285  | 572,560                | 6.57%             |
| WINDSTREAM CORPORATION             | 258,585     | 13.1442    | 2,663,309  | 730,310                | 27.42%            |

| Description              | Shares Sold | Sale Price | Cost          | Gain (Loss)<br>on Sale | % Gain<br>on Sale |
|--------------------------|-------------|------------|---------------|------------------------|-------------------|
| WINNEBAGO INDUSTRIES INC | 149,800     | 29.2808    | 5,356,349     | (973,216)              | -18.17%           |
| YUM BRANDS INC.          | 1,100       | 56.9300    | 65,774        | (3,151)                | -4.79%            |
| TOTAL EQUITIES SOLD      | 35,445,601  |            | 1,109,101,312 | 331,390,067            | 29.88%            |

## BOND PORTFOLIO

JUNE 30, 2007

| Par Value                 | Description                             | Coupon | Fair Value |
|---------------------------|-----------------------------------------|--------|------------|
| U.S. TREASURY OBLIGATIONS |                                         |        |            |
| 4,050,000                 | U.S. TREASURY BDS 2.00% 01/15/2026      | 2.00   | 3,668,409  |
| 10,000,000                | U.S. TREASURY BOND 7.500 11/15/2016     | 7.50   | 11,793,000 |
| 10,000,000                | U.S. TREASURY BOND 8.125 08/15/2019     | 8.13   | 12,645,300 |
| 10,000,000                | U.S. TREASURY BOND 9.125 05/15/2018     | 9.13   | 13,307,800 |
| 10,000,000                | U.S. TREASURY BOND 8.000 11/15/2021     | 8.00   | 12,794,500 |
| 4,050,000                 | U.S. TREASURY BONDS 4.50% 02/15/2036    | 4.50   | 3,667,154  |
| 4,050,000                 | U.S. TREASURY INFL IDX N/B 2012         | 3.00   | 4,743,777  |
| 4,100,000                 | U.S. TREASURY NOTE 4.875% 06/30/2009    | 4.875  | 4,094,875  |
| 4,050,000                 | U.S. TREASURY NTS 4.50% 04/30/2009      | 4.500  | 4,022,460  |
| 4,050,000                 | U.S. TREASURY NTS 4.50% 05/15/2017      | 4.500  | 3,882,938  |
| 6,480,000                 | U.S. TREASURY NTS 4.875% 05/31/2009     | 4.875  | 6,477,991  |
| 8,050,000                 | U.S. TREASURY NTS INFL IX N/B           | 1.875  | 8,082,635  |
| 4,050,000                 | U.S. TREASURY NTS TIPS 2.00% 04/15/2012 | 2.000  | 3,930,728  |
| 4,050,000                 | U.S. TREASURY WI INFL IDX N/B           | 0.875  | 4,195,164  |
| 86,980,000                | TOTAL U.S. TREASURY OBLIGATIONS         |        | 97,306,730 |

|                            |                                         |       |            |
|----------------------------|-----------------------------------------|-------|------------|
| FEDERAL AGENCY OBLIGATIONS |                                         |       |            |
| 1,523,000                  | FED HM LN MTG 5.0 6/18/18               | 5.000 | 1,430,706  |
| 4,100,000                  | FED HM LN MTG 6.25 4/7/21               | 6.250 | 4,044,855  |
| 4,100,000                  | FED HM LN MTG 5.00% 02/15/2025          | 5.000 | 3,802,750  |
| 3,492,830                  | FED HOME LN 6.00 11/01/2036 3128N5R76   | 6.000 | 3,442,893  |
| 3,229,328                  | FED HOME LN 6.00 11/01/2036 3128N0CE8   | 6.000 | 3,183,158  |
| 5,810,270                  | FED HOME LN MTG 6.50% 10/01/2036        | 6.500 | 5,848,792  |
| 3,572,917                  | FED HOME LOAN MTG CORP PARTN            | 6.500 | 3,596,606  |
| 11,971,515                 | FED NATL MTG ASSN 6.50% 11/01/2036      | 6.500 | 12,039,633 |
| 4,100,000                  | FEDERAL FARM CR 5.85% 05/16/2017        | 5.850 | 4,038,500  |
| 9,000,000                  | FEDERAL FARM CR BKS CONS SYST           | 5.300 | 8,749,710  |
| 11,200,000                 | FEDERAL FARM CR BKS CONS SYSTEM         | 5.150 | 10,832,528 |
| 20,700,000                 | FEDERAL FARM CREDIT 5.5%                | 5.500 | 19,891,458 |
| 15,800,000                 | FEDERAL FARM CREDIT BANK                | 5.300 | 14,955,648 |
| 8,700,000                  | FEDERAL FARM CREDIT BK CONST SYST 5.40% | 5.400 | 8,482,500  |
| 6,200,000                  | FEDERAL FARM CREDIT BKS 00719           | 5.000 | 6,054,672  |
| 3,788,686                  | FEDERAL HOME LN 6.00% 12/01/2036        | 6.000 | 3,756,520  |
| 5,137,810                  | FEDERAL HOME LN 6.50 10/01/36           | 6.500 | 5,171,873  |
| 3,800,000                  | FEDERAL HOME LN BKS 5.33% 7/23/18       | 5.330 | 3,631,394  |

# Investments Section

| Par Value  | Description                             | Coupon | Fair Value |
|------------|-----------------------------------------|--------|------------|
| 9,600,000  | FEDERAL HOME LN BKS 5.375 07/07/15      | 5.375  | 9,360,000  |
| 3,240,000  | FEDERAL HOME LN MTG 6.00% 01/26/2022    | 6.000  | 3,165,545  |
| 3,937,980  | FEDERAL HOME LN MTG 6.50% 04/01/2037    | 6.500  | 3,984,744  |
| 1,095,000  | FEDERAL HOME LOAN BANK 5.125% 7/10/2023 | 5.125  | 1,009,108  |
| 9,086,000  | FEDERAL HOME LOAN BK #00710             | 6.000  | 9,041,115  |
| 10,100,000 | FEDERAL HOME LOAN BKS 00218             | 5.150  | 9,929,613  |
| 6,715,000  | FEDERAL HOME LOAN BKS 5.35% 2015        | 5.350  | 6,532,419  |
| 8,600,000  | FEDERAL HOME LOAN BKS TR #00575         | 5.650  | 8,299,000  |
| 36,400,000 | FEDERAL HOME LOAN BKS TR#00553 5.38%    | 5.380  | 34,659,716 |
| 11,900,000 | FEDERAL HOME LOAN BKS TR#00766          | 5.250  | 11,546,689 |
| 6,751,000  | FEDERAL HOME LOAN MTG CORP FHR 3159 PB  | 6.000  | 6,758,021  |
| 9,400,000  | FEDERAL HOME LOAN MTG MED TERM NOTE     | 5.400  | 9,159,454  |
| 13,012,403 | FEDERAL NATL MTG ASSN 6.00% 10/01/36    | 6.000  | 12,826,195 |
| 3,186,884  | FEDERAL NATL MTG ASSN 6.50% 10/01/36    | 6.500  | 3,205,017  |
| 3,900,000  | FHR 3172 PC                             | 6.000  | 3,884,556  |
| 4,776,052  | FNMA 4.40 12/25/12                      | 4.400  | 4,582,130  |
| 8,371,914  | FNMA 4.45 08/25/12                      | 4.450  | 8,032,693  |
| 3,600,000  | FNMA 5.00 11/15/12                      | 5.000  | 3,513,384  |
| 4,000,000  | FNMA 5.00 11/25/21                      | 5.000  | 3,699,360  |
| 23,700,000 | FNMA 6.00 05/24/19                      | 6.000  | 23,344,500 |
| 23,827,000 | FNMA 5.25% 7/14/2015                    | 5.250  | 23,127,201 |
| 12,459,887 | FNMA FNR 2003-42 EP                     | 4.000  | 11,756,651 |
| 4,350,000  | FNMA FNR 2005-27 AB                     | 5.500  | 4,252,995  |
| 9,018,000  | FNMA FNR 2005-27 AC                     | 5.500  | 8,514,705  |
| 11,646,809 | FNMA FNR 2005-45 BG                     | 4.500  | 10,667,895 |
| 2,370,000  | FNMA GTD REMI 5.50% 2031                | 5.500  | 2,314,708  |
| 4,150,000  | FNR 2006-60 PC                          | 6.000  | 4,124,519  |
| 3,462,000  | FREDDIE MAC 5.000 07/02/2018            | 5.000  | 3,240,051  |
| 10,900,000 | FREDDIE MAC 5.000 08/10/2012            | 5.000  | 10,656,494 |
| 17,000,000 | FREDDIE MAC 5.250 07/28/2015            | 5.250  | 16,495,270 |
| 4,000,000  | FREDDIE MAC 6.000 06/01/2036            | 6.000  | 3,990,800  |
| 8,289,000  | FREDDIE MAC 5.00% 12/14/2018            | 5.000  | 7,789,090  |
| 4,050,000  | FREDDIE MAC 6.00% 12/15/2006            | 6.000  | 4,033,962  |
| 8,200,000  | GNMA 2003-012RE 5.50% 2031              | 5.500  | 8,101,190  |
| 7,020,000  | GNMA 2003-034PC 5.50% 2032              | 5.500  | 6,920,316  |
| 75,517     | GNMA Pool #153415                       | 9.000  | 80,819     |
| 22,020     | GNMA Pool #156462                       | 9.000  | 23,566     |
| 62,000     | GNMA Pool #159801                       | 9.000  | 66,588     |
| 47,446     | GNMA Pool #160350                       | 9.000  | 50,777     |
| 16,027     | GNMA Pool #161638                       | 9.000  | 17,152     |
| 77,898     | GNMA Pool #161684                       | 9.000  | 83,367     |
| 19,359     | GNMA Pool #162599                       | 9.000  | 20,717     |
| 99,611     | GNMA Pool #164501                       | 9.000  | 106,604    |
| 200,329    | GNMA Pool #164681                       | 9.000  | 214,394    |
| 68,921     | GNMA Pool #164924                       | 9.000  | 73,760     |
| 147,937    | GNMA Pool #165172                       | 9.000  | 158,324    |

# Investments Section

| Par Value | Description       | Coupon | Fair Value |
|-----------|-------------------|--------|------------|
| 72,621    | GNMA Pool #168283 | 9.000  | 77,720     |
| 32,058    | GNMA Pool #172800 | 9.000  | 34,309     |
| 104,859   | GNMA Pool #173847 | 9.000  | 112,221    |
| 35,095    | GNMA Pool #174829 | 9.000  | 37,559     |
| 65,694    | GNMA Pool #178234 | 9.000  | 70,306     |
| 19,227    | GNMA Pool #182491 | 9.000  | 20,577     |
| 17,193    | GNMA Pool #182914 | 9.000  | 18,400     |
| 52,869    | GNMA Pool #183553 | 9.000  | 56,596     |
| 30,705    | GNMA Pool #183715 | 9.000  | 32,860     |
| 277,456   | GNMA Pool #183733 | 9.000  | 297,011    |
| 14,960    | GNMA Pool #185639 | 9.000  | 16,010     |
| 187,590   | GNMA Pool #187705 | 9.000  | 200,811    |
| 76,006    | GNMA Pool #190921 | 9.000  | 81,343     |
| 42,376    | GNMA Pool #191648 | 9.000  | 45,362     |
| 79,576    | GNMA Pool #191943 | 9.000  | 85,333     |
| 82,106    | GNMA Pool #194468 | 9.000  | 87,871     |
| 13,581    | GNMA Pool #198466 | 9.000  | 14,538     |
| 46,755    | GNMA Pool #206683 | 9.000  | 50,289     |
| 41,914    | GNMA Pool #208638 | 9.000  | 44,868     |
| 49,767    | GNMA Pool #210798 | 9.000  | 53,368     |
| 37,836    | GNMA Pool #216520 | 9.000  | 40,503     |
| 74,186    | GNMA Pool #221509 | 9.000  | 79,395     |
| 60,631    | GNMA Pool #223282 | 9.000  | 65,018     |
| 20,990    | GNMA Pool #223307 | 9.000  | 22,509     |
| 17,335    | GNMA Pool #228184 | 9.000  | 18,589     |
| 31,189    | GNMA Pool #228233 | 9.000  | 33,445     |
| 47,166    | GNMA Pool #229731 | 9.000  | 50,490     |
| 55,009    | GNMA Pool #234450 | 9.000  | 58,989     |
| 70,979    | GNMA Pool #236041 | 10.000 | 78,263     |
| 25,068    | GNMA Pool #236835 | 10.000 | 27,640     |
| 8,110     | GNMA Pool #236937 | 9.000  | 8,697      |
| 3,992     | GNMA Pool #236939 | 9.000  | 4,281      |
| 113,714   | GNMA Pool #237138 | 10.000 | 125,384    |
| 17,850    | GNMA Pool #237195 | 9.000  | 19,071     |
| 4,831     | GNMA Pool #238133 | 9.000  | 5,171      |
| 17,621    | GNMA Pool #247506 | 9.000  | 18,953     |
| 121,130   | GNMA Pool #249621 | 9.000  | 129,894    |
| 64,599    | GNMA Pool #252052 | 9.000  | 69,273     |
| 114,527   | GNMA Pool #252055 | 9.000  | 122,813    |
| 11,689    | GNMA Pool #257869 | 9.000  | 12,554     |
| 76,604    | GNMA Pool #266545 | 9.000  | 82,273     |
| 92,818    | GNMA Pool #271090 | 9.000  | 99,686     |
| 22,795    | GNMA Pool #271897 | 9.000  | 24,482     |
| 26,121    | GNMA Pool #273548 | 9.000  | 28,054     |
| 81,511    | GNMA Pool #274140 | 9.000  | 87,543     |
| 26,340    | GNMA Pool #277907 | 9.000  | 28,289     |

# Investments Section

| Par Value | Description       | Coupon | Fair Value |
|-----------|-------------------|--------|------------|
| 20,553    | GNMA Pool #284420 | 9.000  | 22,107     |
| 16,670    | GNMA Pool #285593 | 9.000  | 17,930     |
| 87,100    | GNMA Pool #286371 | 9.000  | 93,684     |
| 29,066    | GNMA Pool #286427 | 9.000  | 31,263     |
| 28,079    | GNMA Pool #287851 | 9.000  | 30,201     |
| 52,167    | GNMA Pool #290000 | 9.000  | 56,110     |
| 23,411    | GNMA Pool #290057 | 9.000  | 25,181     |
| 20,857    | GNMA Pool #291136 | 9.000  | 22,433     |
| 16,218    | GNMA Pool #298952 | 9.000  | 17,466     |
| 90,431    | GNMA Pool #319521 | 8.000  | 95,653     |
| 492,071   | GNMA Pool #337419 | 7.000  | 512,787    |
| 276,108   | GNMA Pool #345731 | 8.000  | 292,520    |
| 46,920    | GNMA Pool #352219 | 8.000  | 49,673     |
| 479,157   | GNMA Pool #352964 | 7.000  | 499,339    |
| 566,599   | GNMA Pool #366756 | 7.000  | 590,464    |
| 558,999   | GNMA Pool #371734 | 7.000  | 582,544    |
| 758,349   | GNMA Pool #377589 | 7.500  | 794,787    |
| 341,553   | GNMA Pool #386030 | 7.000  | 355,939    |
| 192,032   | GNMA Pool #398831 | 8.000  | 203,689    |
| 54,199    | GNMA Pool #402544 | 7.500  | 56,806     |
| 349,129   | GNMA Pool #403979 | 8.500  | 376,535    |
| 215,222   | GNMA Pool #405618 | 7.500  | 225,575    |
| 126,512   | GNMA Pool #417666 | 7.500  | 132,590    |
| 338,507   | GNMA Pool #421711 | 7.500  | 354,790    |
| 221,190   | GNMA Pool #429356 | 7.500  | 231,829    |
| 116,130   | GNMA Pool #430384 | 8.000  | 123,179    |
| 216,360   | GNMA Pool #432701 | 8.000  | 229,493    |
| 248,978   | GNMA Pool #433892 | 7.000  | 259,552    |
| 61,866    | GNMA Pool #434101 | 7.000  | 64,494     |
| 39,453    | GNMA Pool #438772 | 8.000  | 41,847     |
| 41,387    | GNMA Pool #438778 | 8.000  | 43,899     |
| 100,496   | GNMA Pool #439645 | 8.000  | 106,596    |
| 12,465    | GNMA Pool #441619 | 7.500  | 13,058     |
| 215,548   | GNMA Pool #450368 | 7.000  | 224,702    |
| 41,457    | GNMA Pool #458918 | 7.000  | 43,218     |
| 473,804   | GNMA Pool #464692 | 7.000  | 493,927    |
| 258,098   | GNMA Pool #466888 | 7.000  | 269,059    |
| 580,296   | GNMA Pool #469797 | 7.000  | 604,941    |
| 324,002   | GNMA Pool #470493 | 7.000  | 337,765    |
| 185,251   | GNMA Pool #472997 | 7.000  | 193,120    |
| 86,115    | GNMA Pool #478875 | 7.500  | 90,215     |
| 241,943   | GNMA Pool #478881 | 7.500  | 253,460    |
| 356,712   | GNMA Pool #482784 | 7.000  | 371,861    |
| 147,885   | GNMA Pool #485451 | 6.500  | 150,981    |
| 342,204   | GNMA Pool #486539 | 7.000  | 356,737    |
| 56,741    | GNMA Pool #486761 | 7.000  | 59,151     |



# Investments Section

| Par Value    | Description                      | Coupon | Fair Value  |
|--------------|----------------------------------|--------|-------------|
| 80,398       | GNMA Pool #487221                | 7.000  | 83,814      |
| 384,402      | GNMA Pool #487222                | 7.000  | 400,732     |
| 325,581      | GNMA Pool #493996                | 7.000  | 339,412     |
| 244,625      | GNMA Pool #499876                | 7.000  | 255,017     |
| 292,029.63   | GNMA Pool #500931                | 7.000  | 304,435     |
| 2,325,238.97 | GNMA Pool #503019                | 6.000  | 2,321,681   |
| 10,625       | GNMA Pool #504418                | 7.000  | 11,076      |
| 1,242,072    | GNMA Pool #505728                | 7.000  | 1,294,835   |
| 184,961      | GNMA Pool #506075                | 7.000  | 192,818     |
| 165,374      | GNMA Pool #509328                | 7.000  | 172,399     |
| 76,311       | GNMA Pool #510100                | 7.000  | 79,553      |
| 69,272       | GNMA Pool #510302                | 7.000  | 72,214      |
| 196,915      | GNMA Pool #510958                | 7.000  | 205,280     |
| 82,685       | GNMA Pool #510983                | 7.000  | 86,198      |
| 206,085      | GNMA Pool #512888                | 7.000  | 214,839     |
| 297,904      | GNMA Pool #512915                | 7.000  | 310,559     |
| 102,460      | GNMA Pool #513367                | 7.000  | 106,812     |
| 45,486       | GNMA Pool #520045                | 6.500  | 46,438      |
| 487,285      | GNMA Pool #530203                | 6.500  | 497,484     |
| 906,260      | GNMA Pool #530611                | 6.500  | 925,228     |
| 409,966      | GNMA Pool #530631                | 6.500  | 418,546     |
| 610,450      | GNMA Pool #541464                | 6.500  | 623,227     |
| 580,913      | GNMA Pool #549889                | 6.500  | 593,071     |
| 259,114      | GNMA Pool #549890                | 6.500  | 264,537     |
| 48,045       | GNMA Pool #549915                | 6.500  | 49,050      |
| 2,194,086    | GNMA Pool #552518                | 6.500  | 2,238,055   |
| 341,851      | GNMA Pool #557424                | 6.500  | 349,006     |
| 134,947      | GNMA Pool #557467                | 6.500  | 137,772     |
| 564,291      | GNMA Pool #560189                | 6.500  | 576,102     |
| 1,339,043    | GNMA Pool #780076                | 8.000  | 1,417,778   |
| 1,436,072    | GNMA Pool #780220                | 7.500  | 1,503,711   |
| 249,469      | GNMA Pool #781129                | 7.000  | 260,101     |
| 3,850,000    | GNR 2006-41 VB 6.00% 03/20/24    | 6.000  | 3,809,229   |
| 471,057,904  | TOTAL FEDERAL AGENCY OBLIGATIONS |        | 459,312,144 |

## CORPORATE BONDS

|            |                                 |       |            |
|------------|---------------------------------|-------|------------|
| 1,594,260  | ACA ABS 2006-1 A-3L LTD         | 6.890 | 1,594,260  |
| 3,740,500  | AGRIUM INC DEB 7.125 5/23/36    | 7.125 | 3,876,991  |
| 3,850,000  | ALBERTSON'S INC DEBS 8.70% 2030 | 8.700 | 4,227,839  |
| 2,430,000  | ALCOA INC NT 5.95% 02/01/2037   | 5.950 | 2,261,237  |
| 5,470,000  | ALLTEL CORP 7.875% 07/01/2032   | 7.875 | 4,633,965  |
| 7,800,000  | AMERICAN AIRLINES               | 7.858 | 8,248,500  |
| 4,050,000  | ANADARKO FINANCE SR NT          | 7.500 | 4,351,482  |
| 3,480,000  | AT&T BROADBAND CORP             | 9.455 | 4,416,642  |
| 5,000,000  | AXA SA                          | 8.600 | 6,092,600  |
| 13,200,000 | BAYER HYPO-VEREINSBANK          | 8.741 | 16,113,900 |

# Investments Section

| Par Value  | Description                          | Coupon | Fair Value |
|------------|--------------------------------------|--------|------------|
| 8,100,000  | BAYERISCHE LANDESBANK                | 0.000  | 6,845,310  |
| 8,100,000  | BEAR STEARNS CO INC                  | 0.000  | 8,100,000  |
| 3,750,000  | BELL ATLANTIC MARYLAND 2023          | 7.150  | 3,883,688  |
| 8,639,30   | CBO HOLDINGS III LTD.                | 7.000  | 8,639,293  |
| 13,268,843 | CBO HOLDINGS SPIRIT 2004-3A          | 6.500  | 13,268,843 |
| 9,856,000  | CHARTWELL CBO 10/10/12               | 6.510  | 9,856,000  |
| 4,700,000  | CLEAR CHANNEL COMM 6.875% 2018       | 6.875  | 4,127,540  |
| 3,750,000  | CNF INC SR DEB 6.7% 05/01/2034       | 6.700  | 3,473,925  |
| 4,350,000  | CONAGRA FOODS INC                    | 7.000  | 4,531,395  |
| 2,901,000  | CONAGRA FOODS INC 5.819 06/15/2017   | 5.819  | 2,823,920  |
| 599,000    | CONAGRA FOODS INC 9.75% 2021         | 9.750  | 752,632    |
| 8,040,000  | CONTINENTAL AIRLINES INC             | 6.320  | 8,040,000  |
| 5,700,000  | CONTINENTAL AIRLINES INC             | 6.503  | 5,721,375  |
| 2,536,624  | CONTINENTAL AIRLINES INC             | 7.256  | 2,638,089  |
| 3,445,359  | CONTINENTAL AIRLINES INC             | 6.703  | 3,471,200  |
| 5,670,000  | CORNING INC NT 7.25% 08/15/2036      | 7.250  | 5,844,579  |
| 914,812    | DELTA FUNDING HOME EQUITY LOAN TRUST | 8.097  | 101,773    |
| 5,000,000  | FARMERS INSURANCE EXCHANGE           | 8.625  | 5,777,150  |
| 5,220,000  | FIRST DATA CORPORATION               | 4.700  | 5,023,467  |
| 4,000,000  | GLOBAL MARINE INC 7.00% 06/01/2028   | 7.000  | 4,034,720  |
| 4,250,000  | GOLDMAN SACHS                        | 5.125  | 4,038,520  |
| 10,000,000 | GOLDMAN SACHS GROUP INC.             | 8.000  | 11,024,000 |
| 8,120,000  | GTE SOUTHWEST INC 1ST MTG 8.5%       | 8.500  | 9,498,126  |
| 10,800,000 | HARTFORD LIFE GLOBAL FDG TRUST       | 5.170  | 10,128,456 |
| 4,350,000  | HJ HEINZ FINANCE                     | 6.750  | 4,237,379  |
| 6,450,000  | HOME DEPOT INC SR NT 5.875           | 5.875  | 5,746,950  |
| 3,500,000  | HUNTINGTON BANKS SUB NTS             | 6.600  | 3,622,080  |
| 13,050,000 | HUTCHISON WHAMPOA FINANCIAL          | 7.450  | 14,375,880 |
| 4,500,000  | HUTCHISON WHAMPOA INTL LTD           | 7.450  | 4,966,740  |
| 5,550,000  | JACKSON NATIONAL LIFE                | 8.150  | 6,604,778  |
| 4,360,200  | JEFFERIES GROUP 6.25 01/15/36        | 6.250  | 4,085,725  |
| 3,850,000  | JOHNSON CTLS INC 6.00% 01/15/2036    | 6.000  | 3,625,199  |
| 4,150,000  | KNIGHT RIDDER INC 5.75% 2017         | 5.750  | 3,551,155  |
| 3,700,000  | KPN NV 8.375% 10/01/2030             | 8.380  | 4,148,847  |
| 2,400,000  | KROGER CO 7.50% 04/01/2031           | 7.500  | 2,520,384  |
| 3,300,000  | LEHMAN BROS HDLGS FLOAT 05/14        | 6.470  | 3,034,020  |
| 4,500,000  | LIBERTY MUTUAL INSURANCE             | 7.875  | 4,917,465  |
| 3,700,000  | MASCO CORP 6.50% 08/15/2032          | 6.500  | 3,367,999  |
| 5,000,000  | MID OCEAN 2000-1A A2                 | 7.725  | 4,294,562  |
| 6,119,095  | MID OCEAN 2001-1A A1                 | 6.556  | 6,119,095  |
| 8,784,048  | MMCAPS FUNDING I LTD/INC             | 8.030  | 9,618,533  |
| 7,600,000  | MORGAN STANLEY                       | 4.750  | 7,097,184  |
| 2,000,000  | NATIONAL RURAL UTILITIES             | 8.000  | 2,462,400  |
| 1,654,000  | NEWS AMER HLDGS INC 7.43% 10/01/26   | 7.430  | 1,772,592  |
| 2,800,000  | NORTH STREET 2001-3A CTFS            | 9.135  | 2,800,000  |
| 4,500,000  | NORTH STREET 2001-3A NOTE FLT        | 6.415  | 4,275,000  |

# Investments Section

| Par Value     | Description                           | Coupon | Fair Value    |
|---------------|---------------------------------------|--------|---------------|
| 3,850,000     | ONEOK PARTNERS LTD 6.65% 10/01/2036   | 6.650  | 3,818,584     |
| 7,537,000     | PACIFIC BELL DEB 7.375 07/15/2043     | 7.375  | 7,722,938     |
| 2,900,284     | PACIFIC SHORES CDO                    | 7.808  | 2,890,278     |
| 6,160,000     | PERITUS CDO 8.37% 05/24/2015          | 8.370  | 6,160,000     |
| 4,920,000     | PETROLIAM NASIONAL BERHD PETROL 144A  | 7.625  | 5,773,620     |
| 3,120,000     | PHELPS DODGE CORP 9.50% 06/01/2031    | 9.500  | 4,032,600     |
| 3,551,850     | PLAINS ALL AMERICAN PIPELINE 6.65%    | 6.650  | 3,501,982     |
| 15,200,000    | PREFERRED CPO                         | 8.946  | 16,872,000    |
| 10,160,000    | PREMAT ACA TRUST SERIES 1             | 6.640  | 10,377,424    |
| 7,339,080     | PRINCIPAL LIFE INC FDG FRN            | 5.651  | 6,658,307     |
| 20,250,000    | PROTECTIVE LIFE CPI+150               | 4.920  | 19,058,085    |
| 18,449,868    | REG DIVERSIFIED FUNDING SR NOTES      | 9.250  | 20,502,785    |
| 2,310,000     | RELIANCE STL & ALUM 6.85% 11/15/2036A | 6.850  | 2,301,037     |
| 2,430,000     | ROYAL CARIBBEAN DEBS 7.50% 10/15/27   | 7.500  | 2,312,607     |
| 3,750,000     | SAFEWAY INC SR DEB 7.45 09/15/2027    | 7.450  | 3,855,638     |
| 4,350,000     | SARA LEE CORP                         | 6.130  | 3,891,510     |
| 8,500,000     | SECURITY BENEFIT                      | 8.750  | 9,750,265     |
| 12,000,000    | SECURITY MUTUAL LIFE NEW YORK         | 9.375  | 14,855,640    |
| 2,309,310     | SERVICEMASTER COMPANY 7.10% 03/01/18  | 7.100  | 2,002,264     |
| 3,850,000     | SOUTHERN COPPER CORP NT 7.50 07/27/35 | 7.500  | 4,133,129     |
| 3,700,000     | SPRINT CAPITAL CORP 8.75% 03/15/2032  | 8.750  | 4,155,581     |
| 3,700,000     | TECK COMINCO LTD 6.125% 2035          | 6.125  | 3,421,279     |
| 3,800,000     | TELECOM ITALIA CAP GTD SR NT          | 7.200  | 3,906,628     |
| 4,150,000     | TEVA PHARMACEUTICAL 6.150%            | 6.150  | 3,879,337     |
| 3,900,000     | TIME WARNER ENT DEBS 2023             | 8.375  | 4,476,966     |
| 3,850,000     | TOYOTA MTR CREDIT FLTR                | 4.248  | 3,660,041     |
| 7,200,000     | TRAINER WORTHAM FIRST REP CBO         | 7.257  | 4,592,827     |
| 6,280,000     | TRANSOCEAN SEDCO FOREX 7.375 04/15/18 | 7.375  | 6,757,908     |
| 4,000,000     | TRIBUNE COMPANY 6.61% 2027            | 6.610  | 2,823,520     |
| 18,500,000    | UNION CENTRAL LIFE                    | 8.200  | 19,781,680    |
| 4,050,000     | UNITED UTILITIES                      | 4.550  | 3,513,983     |
| 5,800,000     | UPM-KYMMENE CORP 7.45% 2027           | 7.450  | 5,932,472     |
| 7,770,000     | US CELLULAR CORP                      | 6.700  | 7,031,928     |
| 1,620,000     | WESTERN UNION CO 6.20% 11/17/2036     | 6.200  | 1,550,372     |
| 8,730,000     | WESTINGHOUSE ELECTRIC                 | 7.875  | 8,917,171     |
| 3,900,000     | WESTVACO CORP 8.20 01/15/30           | 8.200  | 4,126,161     |
| 3,500,000     | WYETH                                 | 6.450  | 3,607,940     |
| 535,530,426   | TOTAL CORPORATE BONDS                 |        | 547,311,867   |
| 1,093,568,330 | BOND PORTFOLIO TOTALS                 |        | 1,103,930,741 |

# Investments Section

## BONDS ACQUIRED JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                             | Purchase Price | Par Value          | Principal          | Accrued Interest | Total Amount       |
|-----------------------------------------|----------------|--------------------|--------------------|------------------|--------------------|
| <b>FEDERAL AGENCY OBLIGATIONS</b>       |                |                    |                    |                  |                    |
| FED HM LN MTG 5.0 6/18/18               | 91.59          | 1,523,000          | 1,394,973          | 7,827            | 1,402,799          |
| FED HM LN MTG 6.25 4/7/21               | 98.50          | 4,100,000          | 4,038,500          | 76,875           | 4,115,375          |
| FED HM LN MTG 5.00% 02/15/2025          | 92.75          | 4,100,000          | 3,802,750          | 2,278            | 3,805,028          |
| FED HOME LN 6.00 11/01/2036 3128N5R76   | 100.81         | 3,770,725          | 3,801,362          | 6,913            | 3,808,275          |
| FED HOME LN 6.00 11/01/2036 3128N0CE8   | 100.81         | 3,448,681          | 3,476,702          | 6,323            | 3,483,024          |
| FED HOME LN MTG 6.50% 10/01/2036        | 101.69         | 5,900,000          | 5,999,563          | 31,958           | 6,031,521          |
| FED HOME LOAN MTG CORP PARTN            | 101.69         | 3,574,157          | 3,634,471          | 7,099            | 3,641,570          |
| FED NATL MTG ASSN 6.50% 11/01/2036      | 101.80         | 15,400,000         | 15,676,719         | 36,147           | 15,712,866         |
| FEDERAL FARM CR 5.85% 05/16/2017        | 98.50          | 4,100,000          | 4,038,500          | 30,648           | 4,069,148          |
| FEDERAL HOME LN 6.00% 12/01/2036        | 100.22         | 3,834,644          | 3,843,033          | 18,534           | 3,861,567          |
| FEDERAL HOME LN 6.50 10/01/36           | 101.88         | 5,612,873          | 5,718,114          | 11,148           | 5,729,262          |
| FEDERAL HOME LN BKS 5.33% 7/23/18       | 94.35          | 3,800,000          | 3,585,300          | 6,189            | 3,591,489          |
| FEDERAL HOME LN MTG 6.00% 01/26/2022    | 98.88          | 3,240,000          | 3,203,550          | 69,660           | 3,273,210          |
| FEDERAL HOME LN MTG 6.50% 04/01/2037    | 101.19         | 3,937,980          | 3,984,744          | 2,844            | 3,987,588          |
| FEDERAL HOME LOAN BANK 5.125% 7/10/2023 | 89.38          | 1,095,000          | 978,656            | 312              | 978,968            |
| FEDERAL NATL MTG ASSN 6.00% 10/01/36    | 100.81         | 15,079,808         | 15,202,331         | 27,646           | 15,229,978         |
| FEDERAL NATL MTG ASSN 6.50% 10/01/36    | 101.50         | 3,820,672          | 3,877,982          | 20,005           | 3,897,988          |
| FHR 3172 PC                             | 99.50          | 3,900,000          | 3,880,500          | 7,150            | 3,887,650          |
| FNR 2006-60 PC                          |                | 0                  | 0                  | 20,058           | 20,058             |
| FREDDIE MAC 5.00% 12/14/2018            | 99.53          | 8,289,000          | 8,250,366          | 0                | 8,250,366          |
| GNR 2006-41 VB 6.00% 03/20/24           | 101.84         | 3,850,000          | 3,920,984          | 9,625            | 3,930,609          |
| <b>TOTAL FED AGENCY OBLIG ACQUIRED</b>  |                | <b>102,376,540</b> | <b>102,309,099</b> | <b>399,238</b>   | <b>102,708,337</b> |

|                                          |        |           |           |         |           |
|------------------------------------------|--------|-----------|-----------|---------|-----------|
| <b>CORPORATE BONDS</b>                   |        |           |           |         |           |
| ACA ABS 2006-1 A-3L LTD Total            | 79.88  | 1,595,169 | 1,258,189 | 17,707  | 1,275,896 |
| AGRIUM INC DEB 7.125 5/23/36 Total       | 100.60 | 3,740,500 | 3,833,663 | 57,679  | 3,891,342 |
| ALCOA INC NT 5.95% 02/01/2037 Total      | 95.53  | 2,430,000 | 2,321,476 | 44,580  | 2,366,057 |
| ALLTEL CORP 7.875% 07/01/2032 Total      | 111.24 | 5,470,000 | 5,920,773 | 151,296 | 6,072,069 |
| ANADARKO FINANCE SR NT Total             | 111.25 | 4,050,000 | 4,505,625 | 129,094 | 4,634,719 |
| BAYER HYPO-VEREINSBANK Total             | 124.87 | 1,200,000 | 1,498,464 | 33,216  | 1,531,680 |
| CHARTWELL CBO 10/10/12 Total             | 94.38  | 3,850,000 | 3,633,438 | 79,757  | 3,713,195 |
| CNF INC SR DEB 6.7% 05/01/2034 Total     | 97.50  | 3,750,000 | 3,656,250 | 83,751  | 3,740,001 |
| CONAGRA FOODS 5.819% 6/15/2017 Total     | 96.69  | 2,901,000 | 2,804,948 | 0       | 2,804,948 |
| CONAGRA FOODS INC 5.819 06/15/2017 Total | 96.85  | 2,901,000 | 2,809,532 | 0       | 2,809,532 |
| CORNING INC NT 7.25% 08/15/2036 Total    | 104.95 | 5,670,000 | 5,950,665 | 124,464 | 6,075,129 |
| GLOBAL MARINE INC 7.00% 06/01/2028 Total | 105.15 | 4,000,000 | 4,206,120 | 113,556 | 4,319,676 |
| HOME DEPOT INC SR NT 5.875 Total         | 96.10  | 6,450,000 | 6,159,954 | 132,848 | 6,292,802 |
| JEFFERIES GROUP 6.25 01/15/36 Total      | 97.27  | 4,360,200 | 4,241,167 | 65,100  | 4,306,267 |
| JOHNSON CTLS INC 6.00% 01/15/2036 Total  | 95.53  | 3,850,000 | 3,677,905 | 64,167  | 3,742,072 |
| KPN NV 8.375% 10/01/2030 Total           | 114.85 | 3,700,000 | 4,249,450 | 133,419 | 4,382,869 |
| KROGER CO 7.50% 04/01/2031 Total         | 107.50 | 2,400,000 | 2,580,000 | 6,000   | 2,586,000 |
| MASCO CORP 6.50% 08/15/2032 Total        | 97.80  | 3,700,000 | 3,618,600 | 14,030  | 3,632,630 |

# Investments Section

| Description                                 | Purchase Price | Par Value          | Principal          | Accrued Interest | Total Amount       |
|---------------------------------------------|----------------|--------------------|--------------------|------------------|--------------------|
| NEWS AMER HLDGS INC 7.43% 10/01/26 Total    | 106.86         | 1,654,000          | 1,767,464          | 51,206           | 1,818,670          |
| ONEOK PARTNERS LTD 6.65% 10/01/2036 Total   | 100.75         | 3,850,000          | 3,878,875          | 21,335           | 3,900,210          |
| PACIFIC BELL DEB 7.375 07/15/2043 Total     | 105.85         | 7,537,000          | 7,975,166          | 138,458          | 8,113,624          |
| PERITUS CDO 8.37% 05/24/2015 Total          | 101.50         | 6,160,000          | 6,252,400          | 65,881           | 6,318,281          |
| PHELPS DODGE CORP 9.50% 06/01/2031 Total    | 124.30         | 3,120,000          | 3,878,160          | 4,117            | 3,882,277          |
| PLAINS ALL AMERICAN PIPELINE 6.65% Total    | 102.95         | 3,551,850          | 3,656,630          | 108,914          | 3,765,543          |
| RELIANCE STL & ALUM 6.85% 11/15/2036 Total  | 102.35         | 2,310,000          | 2,364,285          | 6,593            | 2,370,878          |
| RELIANCE STL & ALUM 6.85% 11/15/2036A Total | 102.32         | 2,310,000          | 2,363,704          | 0                | 2,363,704          |
| ROYAL CARIBBEAN DEBS 7.50% 10/15/27 Total   | 99.00          | 2,430,000          | 2,405,700          | 16,706           | 2,422,406          |
| SAFEWAY INC SR DEB 7.45 09/15/2027 Total    | 105.00         | 3,750,000          | 3,937,500          | 128,824          | 4,066,324          |
| SERVICEMASTER COMPANY 7.10% 03/01/18 Total  | 89.63          | 2,309,310          | 2,069,719          | 23,683           | 2,093,402          |
| SOUTHERN COPPER CORP NT 7.50 07/27/35 Total | 103.60         | 3,850,000          | 3,988,600          | 26,470           | 4,015,070          |
| SPRINT CAPITAL CORP 8.75% 03/15/2032 Total  | 122.38         | 3,700,000          | 4,527,875          | 153,782          | 4,681,657          |
| TECK COMINCO LTD 6.125% 2035 Total          | 95.00          | 3,700,000          | 3,514,852          | 101,982          | 3,616,834          |
| TELECOM ITALIA CAP GTD SR NT Total          | 103.05         | 3,800,000          | 3,915,900          | 48,640           | 3,964,540          |
| TEVA PHARMACEUTICAL 6.150% Total            | 90.45          | 4,150,000          | 3,753,551          | 124,777          | 3,878,327          |
| TRANSOCEAN SEDCO FOREX 7.375 04/15/18 Total | 110.83         | 6,280,000          | 6,865,648          | 84,206           | 6,949,854          |
| WESTERN UNION CO 6.20% 11/17/2036 Total     | 97.00          | 1,620,000          | 1,571,400          | 41,571           | 1,612,971          |
| WESTVACO CORP 8.20 01/15/30 Total           | 112.50         | 3,900,000          | 4,387,500          | 76,397           | 4,463,897          |
| <b>TOTAL CORPORATE BONDS ACQUIRED</b>       |                | <b>136,000,029</b> | <b>140,001,146</b> | <b>2,474,206</b> | <b>142,475,352</b> |
| <b>U.S. TREASURY OBLIGATIONS</b>            |                |                    |                    |                  |                    |
| U.S. TREASURY BDS 2.00% 01/15/2026          | 97.72          | 4,050,000          | 3,957,537          | 24,792           | 3,982,329          |
| U.S. TREASURY BONDS 4.50% 02/15/2036        | 92.11          | 4,050,000          | 3,730,430          | 51,856           | 3,782,285          |
| U.S. TREASURY NOTE 4.875% 06/30/2009        | 100.03         | 4,100,000          | 4,101,130          | 1,086            | 4,102,217          |
| U.S. TREASURY NTS 4.50% 04/30/2009          | 99.39          | 4,050,000          | 4,025,320          | 14,362           | 4,039,682          |
| U.S. TREASURY NTS 4.50% 05/15/2017          | 97.25          | 4,050,000          | 3,938,625          | 6,933            | 3,945,558          |
| U.S. TREASURY NTS 4.875% 05/31/2009         | 99.86          | 6,480,000          | 6,470,888          | 4,316            | 6,475,203          |
| U.S. TREASURY NTS INFL IX N/B               | 101.32         | 4,000,000          | 4,052,656          | 9,673            | 4,062,329          |
| U.S. TREASURY NTS TIPS 2.00% 04/15/2012     | 98.16          | 4,050,000          | 3,975,394          | 14,386           | 3,989,781          |
| <b>TOTAL U.S. TREASURY OBLIG ACQUIRED</b>   |                | <b>34,830,000</b>  | <b>34,251,981</b>  | <b>127,404</b>   | <b>34,379,384</b>  |
| <b>TOTAL BONDS ACQUIRED</b>                 |                | <b>273,206,568</b> | <b>276,562,225</b> | <b>3,000,848</b> | <b>279,563,073</b> |

# Investments Section

## BONDS SOLD JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                             | Coupon | Par Value         | Sale Price | Accrued Interest | Amortized Cost    | Gain or (Loss) |
|-----------------------------------------|--------|-------------------|------------|------------------|-------------------|----------------|
| <b>FEDERAL AGENCY OBLIGATIONS</b>       |        |                   |            |                  |                   |                |
| FED HOME LN 6.00 11/01/2036 3128N5R76   | 6      | 277,895           | 99.2       | -                | 275,548           | -              |
| FED HOME LN 6.00 11/01/2036 3128N0CE8   | 6      | 219,353           | 99.2       | -                | 217,525           | -              |
| FED HOME LN MTG 6.50% 10/01/2036        | 6.5    | 89,730            | 98.3       | -                | 88,212            | -              |
| FED HOME LOAN MTG CORP PARTN            | 6.5    | 1,240             | 98.3       | -                | 1,219             | -              |
| FED NATL MTG ASSN 6.50% 11/01/2036      | 6.5    | 3,428,485         | 98.2       | -                | 3,366,616         | -              |
| FEDERAL HOME LN 6.00% 12/01/2036        | 6      | 45,958            | 99.8       | -                | 45,858            | -              |
| FEDERAL HOME LN 6.50 10/01/36           | 6.5    | 475,063           | 98.0       | -                | 465,634           | -              |
| FEDERAL NATL MTG ASSN 6.00% 10/01/36    | 6      | 2,067,405         | 99.2       | -                | 2,051,141         | -              |
| FEDERAL NATL MTG ASSN 6.50% 10/01/36    | 6.5    | 633,788           | 98.5       | -                | 624,451           | -              |
| FNMA 4.40 12/25/12                      | 4.4    | 803,165           | 99.7       | -                | 800,755           | -              |
| FNMA 4.45 08/25/12                      | 4.45   | 1,946,561         | 99.7       | -                | 1,940,069         | -              |
| FNMA 5.00 11/25/21                      | 5      | -                 | -          | -                | -                 | -              |
| FNMA FNR 2003-42 EP                     | 4      | 2,404,566         | 98.4       | -                | 2,365,850         | -              |
| FNMA FNR 2005-27 AB                     | 5.5    | -                 | -          | -                | -                 | -              |
| FNMA FNR 2005-27 AC                     | 5.5    | -                 | -          | -                | -                 | -              |
| FNMA FNR 2005-45 BG                     | 4.5    | 874,612           | 97.2       | -                | 850,417           | -              |
| FNMA GTD REMI 5.50% 2031                | 5.5    | -                 | -          | -                | -                 | -              |
| FNR 2006-60 PC                          | 6      | -                 | -          | -                | -                 | -              |
| FREDDIE MAC 5.250 11/05/2012            | 5.25   | 8,200,000         | 100.6      | -                | 8,254,482         | (3,595)        |
| GNMA Pool Subtotal                      |        | 7,249,354         |            | -                | 7,103,528         | -              |
| <b>TOTAL FEDERAL AGENCY OBLIGATIONS</b> |        | <b>38,646,521</b> |            | <b>-</b>         | <b>28,451,303</b> | <b>(3,595)</b> |
| <b>CORPORATE BONDS</b>                  |        |                   |            |                  |                   |                |
| ACA ABS 2006-1 A-3L LTD                 | 6.890  | 908               | 78.9       | -                | 717               | -              |
| ALBERTSON'S INC 7.25% 2013              | 7.250  | 4,400,000         | 103.0      | 89,497           | 4,225,558         | 306,442        |
| AUTOZONE INC 5.50% 2015                 | 5.500  | 3,500,000         | 97.8       | 70,583           | 3,335,604         | 85,646         |
| BANKERS TRUST                           | 7.750  | 10,000,000        | 103.9      | -                | 9,802,845         | 584,655        |
| CBO HOLDINGS III LTD.                   | 7.000  | 110,834           | 94.8       | -                | 105,070           | -              |
| CBO HOLDINGS SPIRIT 2004-3A             | 6.500  | 962,146           | 99.2       | -                | 954,894           | -              |
| CONAGRA FOODS 5.819% 6/15/2017          | 5.819  | 2,901,000         | 96.8       | -                | 2,809,532         | -              |
| CONAGRA FOODS INC 9.75% 2021            | 9.750  | 2,901,000         | 131.5      | -                | 3,685,517         | 128,747        |
| CONTINENTAL AIRLINES INC                | 7.918  | 12,756,000        | 104.8      | 448,898          | 12,971,346        | 390,564        |
| CONTINENTAL AIRLINES INC                | 8.048  | 4,115,290         | 106.3      | 120,519          | 4,202,480         | 170,016        |
| CONTINENTAL AIRLINES INC                | 7.256  | 204,163           | 95.9       | -                | 195,794           | -              |
| CONTINENTAL AIRLINES INC                | 6.703  | 274,173           | 94.4       | -                | 258,857           | -              |
| DAIMLER CHRYSLER                        | 8.500  | 5,000,000         | 123.0      | 40,139           | 6,052,343         | 97,657         |
| DELTA FUNDING HOME EQUITY LOAN TRUST    | 8.097  | 125,306           | 99.5       | -                | 124,723           | -              |
| FARMERS INSURANCE EXCHANGE              | 8.625  | 8,500,000         | 120.0      | 221,974          | 8,042,924         | 2,157,076      |
| FIRST DATA CORPORATION                  | 4.700  | 3,480,000         | 98.5       | 41,799           | 3,293,888         | 135,304        |
| FIRST DOMINION FUNDING II               | 7.498  | 5,000,000         | 100.0      | -                | 5,079,030         | (79,030)       |
| FIRST HAWAIIAN CAPITAL TRUST            | 8.343  | 14,000,000        | 105.5      | 279,027          | 14,617,069        | 152,931        |
| FORD MOTOR COMPANY                      | 9.500  | 1,570,000         | 90.0       | 54,688           | 1,569,665         | (156,665)      |

| Description                          | Coupon | Par Value          | Sale Price | Accrued Interest | Amortized Cost     | Gain or (Loss)   |
|--------------------------------------|--------|--------------------|------------|------------------|--------------------|------------------|
| FORD MTR CR CO GLOBAL NT             | 5.700  | 13,050,000         | 99.8       | -                | 13,025,540         | -                |
| GALILEO SECURITIES INC.              | 1.450  | 284,320            | 92.5       | -                | 263,075            | -                |
| GLENCORE FUNDING LLC GTD NT          | 6.000  | 3,520,000          | 97.7       | 68,640           | 3,350,303          | 88,737           |
| JPM CAPITAL TRUST I                  | 7.540  | 7,600,000          | 103.8      | 113,016          | 8,075,895          | (189,375)        |
| JPM CAPITAL TRUST II                 | 7.950  | 14,666,000         | 104.0      | 61,536           | 15,204,923         | 44,051           |
| LIBERTY MUTUAL INSURANCE             | 7.875  | 4,500,000          | 115.4      | 17,719           | 4,284,481          | 906,719          |
| MID OCEAN 2001-1AA1                  | 6.556  | 1,235,696          | 99.7       | -                | 1,232,556          | -                |
| MMCAPS FUNDING I LTD/INC             | 8.030  | 591,242            | 89.7       | -                | 530,104            | -                |
| NORTH STREET 2001-3A NOTE FLT        | 6.415  | 4,500,000          | 92.5       | 39,721           | 3,990,070          | 172,430          |
| RELIANCE STL & ALUM 6.85% 11/15/2036 | 6.850  | 2,310,000          | 102.3      | -                | 2,363,704          | -                |
| USF&G CAPITAL II, SERIES B           | 8.470  | 17,000,000         | 104.8      | 203,985          | 18,213,979         | (406,479)        |
| WEYERHAUSER CO DEBS                  | 7.950  | 4,350,000          | 108.6      | 78,771           | 4,868,388          | (145,375)        |
| WYETH                                | 6.450  | 3,500,000          | 101.4      | 109,740          | 3,353,918          | 193,332          |
| ZAIS INVESTMENT GRADE LTD            | 6.655  | 10,500,000         | 100.0      | -                | 7,582,179          | 2,917,821        |
| ZURICH CAPITAL TRUST I               | 8.376  | 11,000,000         | 105.1      | 243,136          | 11,125,182         | 430,318          |
| <b>TOTAL CORPORATE BONDS</b>         |        | <b>178,408,078</b> |            | <b>2,303,387</b> | <b>178,792,152</b> | <b>7,985,521</b> |
| <b>TOTAL BONDS SOLD</b>              |        | <b>217,054,599</b> |            | <b>2,303,387</b> | <b>207,243,455</b> | <b>7,981,927</b> |

## CORPORATE NOTE PORTFOLIO

JUNE 30, 2007

| Date Acquired | Description              | Interest Rate | Maturity Date | Cost       | Amount of Interest | Maturity Value |
|---------------|--------------------------|---------------|---------------|------------|--------------------|----------------|
| 06/13/2007    | ANGLESEA FUNDING         | 5.32          | 07/19/2007    | 696,276    | 3,724              | 700,000        |
| 06/13/2007    | BAVARIA TRR CORPORATION  | 5.32          | 07/12/2007    | 6,740,987  | 29,013             | 6,770,000      |
| 06/18/2007    | CATAPULT PMX FUNDING LLC | 5.33          | 07/12/2007    | 13,910,395 | 49,605             | 13,960,000     |
| 06/13/2007    | CENTRESTAR CAPITAL I     | 5.33          | 07/25/2007    | 434,283    | 2,717              | 437,000        |
| 06/19/2007    | CENTRESTAR CAPITAL I     | 5.41          | 08/01/2007    | 1,674,112  | 10,888             | 1,685,000      |
| 06/12/2007    | DAVENPORT CDO I          | 5.35          | 07/06/2007    | 996,433    | 3,567              | 1,000,000      |
| 06/11/2007    | DEER VALLEY FUNDING      | 5.32          | 07/03/2007    | 8,012,560  | 26,121             | 8,038,681      |
| 06/29/2007    | MAINSAIL II LLC          | 5.47          | 07/02/2007    | 1,299,407  | 593                | 1,300,000      |
| 05/21/2007    | MAXIMILIAN CAPITAL CORP  | 5.28          | 07/09/2007    | 682,063    | 4,937              | 687,000        |
| 06/12/2007    | MAXIMILIAN CAPITAL CORP  | 5.35          | 07/06/2007    | 446,402    | 1,598              | 448,000        |
| 06/13/2007    | MAXIMILIAN CAPITAL CORP  | 5.32          | 07/24/2007    | 627,177    | 3,823              | 631,000        |
| 06/20/2007    | MAXIMILIAN CAPITAL CORP  | 5.31          | 08/16/2007    | 973,744    | 8,256              | 982,000        |
| 06/06/2007    | MORRIGAN TRR FUNDING     | 5.31          | 07/17/2007    | 14,571,344 | 88,656             | 14,660,000     |
| 06/18/2007    | MORRIGAN TRR FUNDING     | 5.35          | 07/06/2007    | 38,895,675 | 104,325            | 39,000,000     |
| 06/21/2007    | MORRIGAN TRR FUNDING     | 5.35          | 07/05/2007    | 13,172,537 | 27,463             | 13,200,000     |
| 06/22/2007    | MORRIGAN TRR FUNDING     | 5.36          | 07/05/2007    | 23,694,050 | 45,950             | 23,740,000     |
| 06/13/2007    | NEPTUNE FUNDING          | 5.28          | 07/02/2007    | 2,348,202  | 6,567              | 2,354,769      |
| 06/01/2007    | PANTERRA FUNDING LLC     | 5.31          | 07/11/2007    | 15,110,320 | 89,680             | 15,200,000     |
| 06/20/2007    | PANTERRA FUNDING LLC     | 5.31          | 08/06/2007    | 7,118,308  | 49,692             | 7,168,000      |
| 06/19/2007    | RAFFLES PLACE            | 5.33          | 07/27/2007    | 30,343,319 | 171,681            | 30,515,000     |
| 06/11/2007    | RHINELAND FUNDING        | 5.33          | 07/03/2007    | 2,626,417  | 8,583              | 2,635,000      |
| 06/12/2007    | RHINELAND FUNDING        | 5.35          | 07/12/2007    | 483,833    | 2,167              | 486,000        |

# Investments Section

| Date Acquired         | Description         | Interest Rate | Maturity Date | Cost        | Amount of Interest | Maturity Value |
|-----------------------|---------------------|---------------|---------------|-------------|--------------------|----------------|
| 06/20/2007            | SAINT GEORGE BANK   | 5.31          | 08/13/2007    | 545,619     | 4,381              | 550,000        |
| 06/13/2007            | SYDNEY CAPITAL CORP | 5.34          | 07/06/2007    | 747,441     | 2,559              | 750,000        |
| 06/12/2007            | TSL (USA) INC       | 5.34          | 07/10/2007    | 15,859,854  | 66,146             | 15,926,000     |
| TOTAL CORPORATE NOTES |                     |               |               | 202,010,757 | 812,693            | 202,823,450    |

## ALTERNATIVE INVESTMENTS PORTFOLIO

JUNE 30, 2007

| Description                            | Cost       |
|----------------------------------------|------------|
| 12th St & Bell Road                    | 1,277,971  |
| 27th Ave & Georgia                     | 516,522    |
| 29th Ave & Camelback                   | 707,978    |
| 30th Avenue & Colter                   | 1,213,404  |
| 32nd St & Van Buren                    | 3,499,876  |
| 44th Ave & Northern                    | 419,982    |
| 67th Avenue & Greenway East            | 1,009,537  |
| Beazer Morning Sun Farms               | 155,340    |
| Beazer Verrado                         | 85,618     |
| CIMARRON (Pivotal Debt)                | 17,461,753 |
| Colgate Willow Springs                 | 4,835,648  |
| Colorado                               | 7,635,600  |
| Colorado (Pivotal Debt)                | 9,978,800  |
| Colorado II (Pivotal Debt)             | 5,373,200  |
| Conservation Forestry                  | 8,586,629  |
| DAG IIA Co-Investment                  | 4,040,001  |
| DAG III Co-Investment                  | 363,601    |
| DAG III LP Direct                      | 1,209,980  |
| DAG VENTURES II-QP, L.P.               | 3,182,975  |
| DTD Devco 5 Township Square            | (788,608)  |
| DTR1 - Skyline Ranch Marketplace       | 2,585,600  |
| DTR1 Perimeter Ctr (Old GE,Centex)     | 983,000    |
| DTR10 Perimeter Old GE New Parking Ofc | 1,535,200  |
| DTR10 Perimeter Old GE New Parking Ofc | 2,585,600  |
| EQUITY PARTNERSHIP (Nest Featherings)  | 693,173    |
| Hassayampa                             | 2,068,480  |
| Hassayampa                             | 1,034,240  |
| MESIROW CAPITAL PARTNERS IX            | 8,372,730  |
| MidOcean Partners III Direct           | 9,622,847  |
| NXTV,L.L.C.                            | 13,052,685 |
| OWH Berkana Development                | 64,640     |
| OWH Berkana Holdings, LLC              | 64,640     |
| PEBBLECREEK PROPERTIES                 | 80,526     |
| PENINSULA EQUITY PARTNERS              | 601,746    |
| Peoria Town Center DTD dev7            | 5,373,200  |
| Peoria Town Center DTD dev7            | 1,939,200  |
| PIVOTAL CIMARRON, LLC                  | 13,816,636 |



## Investments Section

| <b>Description</b>                            | <b>Cost</b>        |
|-----------------------------------------------|--------------------|
| PIVOTAL SANDIA, LLC                           | 5,744,880          |
| PIVOTAL SCOTTSDALE 123, LLC                   | 1,124,268          |
| PIVOTAL SPA I, LLC                            | 10,408,458         |
| Power Marketplace I                           | 1,151,400          |
| Power Marketplace I                           | 969,600            |
| Power Marketplace II                          | 767,600            |
| Power Marketplace II                          | 1,680,640          |
| PROSPECTOR EQUITY CAPITAL                     | 2,494,920          |
| Roy's Place Phase 2 - Member Capital          | 734,550            |
| Roy's Place Phase 2 - Mez Loan                | 2,154,787          |
| SANDIA (Pivotal Debt)                         | 6,063,922          |
| Scottsdale 123, L.L.C.                        | 363,600            |
| Skyline Ranch Marketplace                     | 3,070,400          |
| Sossaman Estates - Member Capital             | 592,388            |
| Sossaman Estates - Mez Loan                   | 1,763,690          |
| Tierra Verde (Fairways)                       | 3,555,200          |
| Trailside Point                               | 399,152            |
| VALLEY VENTURES III                           | 16,042,024         |
| Valley Ventures III Annex Fund                | 363,600            |
| WHISPERING CANYON                             | 51,312             |
| Working Capital                               | 52,923             |
| WORKING CAPITAL (Pivotal Debt)                | 38,376             |
| <b>TOTAL ALTERNATIVE INVESTMENT PORTFOLIO</b> | <b>194,827,638</b> |

**ALTERNATIVE INVESTMENTS ACQUIRED**

JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                                   | Cost              |
|-----------------------------------------------|-------------------|
| 12th St & Bell Road                           | 231,939           |
| 27th Ave & Georgia                            | 280,877           |
| 29th Ave & Camelback                          | 67,964            |
| 30th Avenue & Colter                          | 214,088           |
| 32nd St & Van Buren                           | 262,013           |
| 44th Ave & Northern                           | 66,449            |
| 67th Avenue & Greenway East                   | 99,509            |
| Cibola Vista (Engle)                          | 89,284            |
| CIMARRON (Pivotal Debt)                       | 2,648,220         |
| Colgate Willow Springs                        | 4,835,648         |
| Colorado                                      | 5,454,000         |
| Colorado (Pivotal Debt)                       | 767,600           |
| Conservation Forestry                         | 8,586,629         |
| DAG IIA Co-Investment                         | 4,040,001         |
| DAG III Co-Investment                         | 363,601           |
| DAG III LP Direct                             | 1,209,980         |
| DAG VENTURES II-QP, L.P.                      | 3,182,975         |
| DTR10 Perimeter Old GE New Parking Ofc        | 2,585,600         |
| DTR10 Perimeter Old GE New Parking Ofc        | 1,535,200         |
| Loop 101 State Land                           | 902,698           |
| Loop 101 State Land Debt                      | 1,071,953         |
| MESIROW CAPITAL PARTNERS IX                   | 8,550,204         |
| MidOcean Partners III Direct                  | 9,646,696         |
| NXTV,L.L.C.                                   | 436,320           |
| PENINSULA EQUITY PARTNERS                     | 601,746           |
| PIVOTAL CIMARRON, LLC                         | 5,090,400         |
| Pivotal Fountain Hills                        | 8,384,616         |
| PIVOTAL SANDIA, LLC                           | 1,018,080         |
| Power Marketplace II                          | 1,034,240         |
| PROSPECTOR EQUITY CAPITAL                     | 300,298           |
| Roy's Place Phase 2 - Member Capital          | 807,643           |
| Roy's Place Phase 2 - Mez Loan                | 2,270,469         |
| SANDIA (Pivotal Debt)                         | 2,993,640         |
| Sossaman Estates - Mez Loan                   | 165,418           |
| VALLEY VENTURES III                           | 888,396           |
| Valley Ventures III Annex Fund                | 363,600           |
| WHISPERING CANYON                             | 475,969           |
| <b>TOTAL ALTERNATIVE INVESTMENTS ACQUIRED</b> | <b>81,523,962</b> |

## ALTERNATIVE INVESTMENTS SOLD

JULY 1, 2006 THROUGH JUNE 30, 2007

| Description                            | Cost       | Capital Gains<br>(Loss) |
|----------------------------------------|------------|-------------------------|
| Beazer Homes Roy's Place               | 674,085    | -                       |
| Beazer Morning Sun Farms               | 125,240    | -                       |
| Beazer Verrado                         | 44,440     | -                       |
| CENTURY PLAZA HOTEL (CPH I, LLC)       | -          | 3,247,589               |
| Cibola Vista (Engle)                   | 234,332    | -                       |
| Cibola Vista (Lennar)                  | 73,753     | 36,566                  |
| CIMARRON (Pivotal Debt)                | -          | -                       |
| Colorado (Pivotal Debt)                | -          | -                       |
| Colorado II (Pivotal Debt)             | -          | -                       |
| Copper Creek                           | -          | -                       |
| Cortessa                               | -          | 262,711                 |
| Curtis                                 | 264,787    | 46,545                  |
| DTD Devco 5 Township Square            | 788,608    | 67,009                  |
| DTR1 Perimeter Ctr (Old GE, Centex)    | 846,171    | 1,974,400               |
| EQUITY PARTNERSHIP (Nest Featherings)  | 46,281     | -                       |
| Evans Ranch                            | 286,490    | 20,857                  |
| Fairways Corporate Center              | 8,520,360  | -                       |
| GRAND INN                              | -          | 37                      |
| GRAND INN - NOTE                       | 527,267    | -                       |
| HARBOR BAY CAMPUS                      | -          | 123,790                 |
| Highland Groves                        | 37,625     | 43,575                  |
| La Mirada                              | -          | 3,366,279               |
| Lennar Phoenix                         | 785,365    | 212,589                 |
| Loop 101 State Land                    | 902,698    | -                       |
| Loop 101 State Land Debt               | 1,071,953  | -                       |
| Meritage-Verrado                       | -          | 285,873                 |
| MESIROW CAPITAL PARTNERS IX            | 177,475    | -                       |
| MidOcean Partners III Direct           | 23,849     | -                       |
| NXTV, LLC (Pivotal Debt)               | -          | -                       |
| PEBBLECREEK PROPERTIES                 | -          | 404,000                 |
| Perimeter DHL (224)                    | 5,171,200  | -                       |
| Perimeter Ctr (Old GE/ DHL224/ Centex) | 11,206,960 | -                       |
| Pivotal Fountain Hills                 | 8,384,616  | -                       |
| Power Ranch                            | 309,264    | -                       |
| Rio Paseo                              | -          | -                       |
| Roy's Place Phase 2 - Member Capital   | 73,092     | -                       |
| Roy's Place Phase 2 - Mez Loan         | 115,682    | -                       |
| SANDIA (Pivotal Debt)                  | -          | -                       |
| Santan Vista                           | -          | 389,756                 |
| Savannah Estates                       | 482,172    | 8,080                   |
| Seville Office                         | -          | 1,531,372               |
| Seville Retail                         | -          | 3,573,201               |
| Sossaman Estates - Member Capital      | -          | -                       |

## Investments Section

| <b>Description</b>                        | <b>Cost</b>       | <b>Capital Gains<br/>(Loss)</b> |
|-------------------------------------------|-------------------|---------------------------------|
| Sossaman Estates - Mez Loan               | 329,788           | -                               |
| TALLEY PROPERTIES                         | -                 | 1,500,000                       |
| TOREEON GC                                | 1,454,006         | 480,760                         |
| Torreon                                   | 2,682,560         | 892,840                         |
| Tortosa                                   | 568,325           | -                               |
| Townley Square                            | 190,937           | 243,324                         |
| Westpark                                  | 632,934           | 60,973                          |
| WHISPERING CANYON                         | 1,816,158         | -                               |
| Working Capital                           | 11,717            | -                               |
| <b>TOTAL ALTERNATIVE INVESTMENTS SOLD</b> | <b>48,860,191</b> | <b>18,772,126</b>               |



# Actuarial Section

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October 31, 2007

The Fund Manager  
Arizona Public Safety Personnel Retirement System  
3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016-4416

Attention: James Hacking, Administrator

The purpose of the annual actuarial valuations of the Arizona Public Safety Personnel Retirement System is to determine the liabilities and funding requirements for the participating groups. We certify that the June 30, 2007 annual actuarial valuations were made in accordance with recognized actuarial methods.

Data for the annual valuations was furnished by the Administrator and was checked by us for internal completeness and year-to-year consistency, but was not otherwise audited. The actuary prepared all of the schedules in the Actuarial Section and the Schedule of Funding Progress in the Financial Section of the Comprehensive Annual Financial Report.

The actuarial assumptions were adopted by the Fund Manager based upon the recommendations of the actuary and the results of experience studies, the most recent of which covered the 5 year period ended June 30, 2006. The assumptions and methods conform to the parameters established in Governmental Accounting Standards Board Statement 25. Actuarial gains (losses) were amortized as level percents of payroll over 29 years.

The funding value of assets is a smoothed market value which spreads differences between the actual and assumed investment return over a seven year period.

On the basis of the June 30, 2007 valuation, it is our opinion that the liabilities of the Retirement System are being funded as incurred in accordance with sound actuarial principles.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Sandra W. Rodwan'.

Sandra W. Rodwan  
Member, American Academy of Actuaries

## AGGREGATE ACTUARIAL BALANCE SHEET

June 30, 2007

### Actuarial Assets

|                                               |    |                   |
|-----------------------------------------------|----|-------------------|
| Accrued Assets                                |    |                   |
| Member Accumulated contributions              | \$ | 730,928,615       |
| Employer and benefit payment reserves         |    | 4,449,670,068     |
| Funding value adjustment                      |    | 311,853,853       |
| Total accrued assets*                         |    | \$ 5,492,452,536  |
| Prospective assets (computed value)           |    |                   |
| Member contributions                          |    | 1,003,442,915     |
| Employer normal costs                         |    | 1,543,563,341     |
| Employer unfunded actuarial accrued liability |    | 2,438,770,298     |
| Total prospective assets                      |    | 4,985,776,554     |
| Total Actuarial Assets                        |    | \$ 10,478,229,090 |

\*Includes \$662,931,350 reserve for payment of ad-hoc pension increases. The net funding value of assets is \$4,829,521,186.

### Actuarial Present Values (Liability)

|                                                               |    |                   |
|---------------------------------------------------------------|----|-------------------|
| Pensions in payment status                                    |    |                   |
| Service pensions                                              | \$ | 2,438,092,529     |
| Disability pensions                                           |    | 392,826,953       |
| Survivor pensions                                             |    | 240,890,453       |
| Health insurance                                              |    | 112,120,777       |
| Total Benefit values                                          |    | \$ 3,183,930,712  |
| Prospective pension payments<br>(future retirements)          |    | 6,423,315,678     |
| Prospective health insurance payments<br>(future retirements) |    | 207,022,881       |
| Prospective refunds of member contributions                   |    | 662,731,350       |
| Reserve for future pension increases                          |    | 1,228,469         |
| Total Actuarial Present Values (Liability)                    |    | \$ 10,478,229,090 |

**Summary of Valuation Assumptions**

**Economic Assumptions**

Interest Rate: 8.50% (net of expenses)

Salary Increases: 5.5% for inflation, plus age-related merit and longevity.

| <b>Sample Annual Rates of Salary Increase</b> |                         |                            |              |
|-----------------------------------------------|-------------------------|----------------------------|--------------|
| <b>Age</b>                                    | <b>Across-the-Board</b> | <b>Merit and Longevity</b> | <b>Total</b> |
| 20                                            | 5.5%                    | 3.0%                       | 8.50%        |
| 25                                            | 5.5                     | 3.0                        | 8.50         |
| 30                                            | 5.5                     | 2.6                        | 8.10         |
| 35                                            | 5.5                     | 1.1                        | 6.60         |
| 40                                            | 5.5                     | 0.2                        | 5.70         |
| 45                                            | 5.5                     | 0.2                        | 5.70         |
| 50                                            | 5.5                     | 0.2                        | 5.70         |
| 55                                            | 5.5                     | 0.1                        | 5.60         |
| 60                                            | 5.5                     | -                          | 5.50         |
| 65                                            | 5.5                     | -                          | 5.50         |



## Demographic Assumptions

Retiree Non-Disability Mortality Rates: RP 2000 Healthy Annuitant Mortality Table, male table with no adjustment, female table with 1 year set forward (first used for June 30, 2007 valuation).

Active Member Non-Disability Mortality Rates: RP 2000 Employees Mortality Table, male table with 1 year set-back, female table with 2 year set-forward (first used for June 30, 2007 valuation).

## Single Life Retirement Values

| Sample<br>Ages | Retirees                                   |        | Active Members                             |        | Retirees                          |       | Active Members                    |       |
|----------------|--------------------------------------------|--------|--------------------------------------------|--------|-----------------------------------|-------|-----------------------------------|-------|
|                | Present Value of \$100 Monthly<br>For Life |        | Present Value of \$100 Monthly<br>For Life |        | Future Life Expectancy<br>(Years) |       | Future Life Expectancy<br>(Years) |       |
|                | Men                                        | Women  | Men                                        | Women  | Men                               | Women | Men                               | Women |
| 20             | 14,505                                     | 14,563 | 14,557                                     | 14,576 | 59.04                             | 61.54 | 63.00                             | 64.20 |
| 25             | 14,405                                     | 14,477 | 14,483                                     | 14,497 | 54.15                             | 56.60 | 58.11                             | 59.26 |
| 30             | 14,257                                     | 14,352 | 14,373                                     | 14,384 | 49.25                             | 51.66 | 53.22                             | 54.34 |
| 35             | 14,049                                     | 14,176 | 14,218                                     | 14,229 | 44.38                             | 46.76 | 48.34                             | 49.45 |
| 40             | 13,763                                     | 13,930 | 14,014                                     | 14,013 | 39.57                             | 41.89 | 43.54                             | 44.60 |
| 45             | 13,358                                     | 13,587 | 13,731                                     | 13,720 | 34.79                             | 37.08 | 38.77                             | 39.82 |
| 50             | 12,787                                     | 13,119 | 13,343                                     | 13,321 | 30.07                             | 32.35 | 34.07                             | 35.11 |
| 55             | 12,221                                     | 12,518 | 12,807                                     | 12,777 | 25.86                             | 27.79 | 29.43                             | 30.49 |
| 60             | 11,413                                     | 11,751 | 12,074                                     | 12,048 | 21.64                             | 23.42 | 24.88                             | 26.00 |
| 65             | 10,389                                     | 10,818 | 11,098                                     | 11,061 | 17.62                             | 19.33 | 20.49                             | 21.64 |
| 70             | 9,172                                      | 9,699  | 9,766                                      | 9,767  | 13.92                             | 15.54 | 16.23                             | 17.54 |
| 75             | 7,786                                      | 8,425  | 8,311                                      | 8,692  | 10.61                             | 12.13 | 12.65                             | 14.60 |
| 80             | 6,325                                      | 7,035  | 7,066                                      | 7,748  | 7.79                              | 9.16  | 10.08                             | 12.46 |
| 85             | 4,910                                      | 5,616  | 6,162                                      | 7,438  | 5.54                              | 6.69  | 8.52                              | 11.69 |
| 90             | 3,711                                      | 4,411  | 6,084                                      | 7,403  | 3.90                              | 4.90  | 8.30                              | 11.30 |

# Actuarial Section

Disability Retiree Mortality Rates: Non-disability rates set-forward 5 years.

Termination of Employment: Service-related rates.

Disability Rates: Age-related rates.

The sample rates are as follows:

| Sample Ages | Years of Service | Percent Terminating Within Next Year |        |              |       | Disability      |       |              |       |
|-------------|------------------|--------------------------------------|--------|--------------|-------|-----------------|-------|--------------|-------|
|             |                  | Police Officers                      |        | Firefighters |       | Police Officers |       | Firefighters |       |
|             |                  | Large                                | Small  | Large        | Small | Large           | Small | Large        | Small |
| ALL         | 0                | 12.00%                               | 15.00% | 7.00%        | 7.50% |                 |       |              |       |
|             | 1                | 4.50                                 | 10.00  | 1.50         | 6.00  |                 |       |              |       |
|             | 2                | 3.50                                 | 9.00   | 1.00         | 5.00  |                 |       |              |       |
|             | 3                | 3.00                                 | 7.00   | 1.00         | 5.00  |                 |       |              |       |
|             | 4                | 2.50                                 | 6.00   | 1.00         | 5.00  |                 |       |              |       |
|             | 5-10             | 2.40                                 | 5.30   | 1.00         | 3.00  |                 |       |              |       |
|             | 10 Plus          | 0.50                                 | 1.80   | 0.10         | 1.00  |                 |       |              |       |
| 25          |                  |                                      |        |              |       | 0.10%           | 0.15% | 0.03%        | 0.04% |
| 30          |                  |                                      |        |              |       | 0.21            | 0.29  | 0.05         | 0.04  |
| 35          |                  |                                      |        |              |       | 0.27            | 0.35  | 0.11         | 0.09  |
| 40          |                  |                                      |        |              |       | 0.45            | 0.57  | 0.20         | 0.20  |
| 45          |                  |                                      |        |              |       | 0.64            | 0.79  | 0.20         | 0.55  |
| 50          |                  |                                      |        |              |       | 0.98            | 1.30  | 0.50         | 0.75  |
| 55          |                  |                                      |        |              |       | 1.27            | 2.00  | 1.16         | 1.30  |
| 60          |                  |                                      |        |              |       | 1.44            | 2.00  | 1.60         | 1.80  |

*Rates first used for June 30, 2007 valuation.*

Retirement Rates: Service-related rates based on the following schedule:

**Percent of Active Members Retiring/DROPIng Within Year  
Following Attainment of Indicated Service**

| Service | Percent of Active Members Retiring During Next year |              |            |            |
|---------|-----------------------------------------------------|--------------|------------|------------|
|         | Police Large                                        | Police Small | Fire Large | Fire Small |
| 20      | 30%                                                 | 45%          | 15%        | 20%        |
| 21      | 20                                                  | 35           | 10         | 20         |
| 22      | 20                                                  | 25           | 10         | 10         |
| 23      | 10                                                  | 15           | 10         | 10         |
| 24      | 10                                                  | 10           | 10         | 10         |
| 25      | 45                                                  | 40           | 30         | 20         |
| 26      | 45                                                  | 40           | 45         | 30         |
| 27      | 45                                                  | 30           | 30         | 30         |
| 28      | 45                                                  | 30           | 45         | 30         |
| 29      | 45                                                  | 30           | 45         | 30         |
| 30      | 50                                                  | 30           | 45         | 45         |
| 31      | 50                                                  | 30           | 50         | 45         |
| 32      | 80                                                  | 65           | 50         | 45         |
| 33      | 80                                                  | 65           | 50         | 45         |
| 34      | 100                                                 | 100          | 100        | 100        |

Active members with at least 40 years of service are assumed to retire within the year. Members who do not acquire 20 years of service prior to age 62 are assumed to retire upon first eligibility following attainment of age 62.

These rates adopted by the Fund Manager, as recommended by the System's actuary, were first used for the June 30, 2007 valuations.

### Actuarial Method Used for the Valuation

Normal Cost. Normal cost and the actuarial present values between service rendered before and after the valuation date were determined using the projected unit credit actuarial cost method having the following characteristics:

- The annual normal costs for each individual active member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- Each annual normal cost is the portion of the actuarial present value allocated to the current year. The normal cost is expected to increase as accrued service increases.

Actuarial Accrued Liability. The actuarial accrued liability is the portion of actuarial present value allocated to service rendered prior to the valuation date, including experience gains and losses. The actuarial accrued liability was computed using the assumptions summarized in this report. Accrued valuation assets were subtracted from the computed actuarial accrued liability. Any unfunded amount would be amortized as level percent of payroll over a closed period of 29 years. If accrued valuation assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.

Active member payroll was assumed to increase 5.5% annually for the purpose of computing the amortization payment (credit) as a level percent of payroll.

**SOLVENCY TEST**

A short term solvency test is one means of checking a system's progress under its funding program. In a short term solvency test, the system's present assets (cash and investments) are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare. All amounts presented are in thousands.

| Valuation Date | Aggregate Accrued Liabilities for |                                 |                                                | Valuation Assets Available for Benefits (2) | Portion of Accrued Liabilities Covered by Net Assets Available for Benefits |             |        |
|----------------|-----------------------------------|---------------------------------|------------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------|-------------|--------|
|                | (1) Active Member Contributions   | (2) Retirants And Beneficiaries | (3) Active Members (Employer Financed Portion) |                                             | (1)                                                                         | (2)         | (3)    |
|                | 6-30-98                           | \$368,729                       | \$1,140,194                                    |                                             | \$1,235,075                                                                 | \$3,192,627 | 100.0% |
| 6-30-99        | \$395,991                         | \$1,328,328                     | \$1,357,883                                    | \$3,709,251                                 | 100.0%                                                                      | 100.0%      | 100.0% |
| 6-30-00        | \$418,847                         | \$1,524,355                     | \$1,471,955                                    | \$4,260,168                                 | 100.0%                                                                      | 100.0%      | 100.0% |
| 6-30-01        | \$449,792                         | \$1,722,264                     | \$1,502,702                                    | \$4,661,941                                 | 100.0%                                                                      | 100.0%      | 100.0% |
| 6-30-02        | \$495,565                         | \$1,905,916                     | \$1,742,730                                    | \$4,684,386                                 | 100.0%                                                                      | 100.0%      | 100.0% |
| 6-30-03        | \$543,817                         | \$2,117,512                     | \$2,078,284                                    | \$4,435,373                                 | 100.0%                                                                      | 100.0%      | 82.9%  |
| 6-30-04        | \$594,479                         | \$2,323,470                     | \$2,249,383                                    | \$4,774,313                                 | 100.0%                                                                      | 100.0%      | 82.5%  |
| 6-30-05        | \$643,712                         | \$2,566,487                     | \$2,741,738                                    | \$4,886,963                                 | 100.0%                                                                      | 100.0%      | 61.2%  |
| 6-30-06        | \$698,025                         | \$2,743,387                     | \$3,053,601                                    | \$4,999,911                                 | 100.0%                                                                      | 100.0%      | 51.0%  |
| 6-30-07        | \$730,929                         | \$3,183,931                     | \$3,353,431                                    | \$4,829,521                                 | 100.0%                                                                      | 100.0%      | 27.3%  |

See Schedule of Funding Progress in the Required Supplementary Information Section

### Age and Service Distribution

| Attained Age  | Years of Service to Valuation Date |              |              |              |              |            |           | Totals        |                        |
|---------------|------------------------------------|--------------|--------------|--------------|--------------|------------|-----------|---------------|------------------------|
|               | 0 - 4                              | 5 - 9        | 10 - 14      | 15 - 19      | 20 - 24      | 25 - 29    | 30 Plus   | No.           | Valuation Payroll      |
| < 20          | 4                                  |              |              |              |              |            |           | 4             | \$154,309              |
| 20 - 24       | 1,146                              | 3            |              |              |              |            |           | 1,149         | \$51,303,261           |
| 25 - 29       | 2,303                              | 573          |              |              |              |            |           | 2,876         | \$148,673,355          |
| 30 - 34       | 1,560                              | 1,776        | 381          | 1            |              |            |           | 3,718         | \$226,151,895          |
| 35 - 39       | 917                                | 1,501        | 1,413        | 311          | 3            |            |           | 4,145         | \$283,676,323          |
| 40 - 44       | 422                                | 588          | 853          | 1,006        | 301          | 5          |           | 3,175         | \$236,545,400          |
| 45 - 49       | 202                                | 280          | 382          | 575          | 590          | 179        | 1         | 2,209         | \$176,627,905          |
| 50 - 54       | 69                                 | 88           | 132          | 250          | 220          | 178        | 28        | 965           | \$77,484,563           |
| 55 - 59       | 35                                 | 37           | 44           | 94           | 56           | 27         | 8         | 301           | \$21,727,874           |
| 60 - 69       | 9                                  | 8            | 16           | 34           | 9            | 2          | 3         | 81            | \$5,650,571            |
| 70+           | 1                                  |              |              |              |              |            |           | 1             | \$42,011               |
| <b>Totals</b> | <b>6,668</b>                       | <b>4,854</b> | <b>3,221</b> | <b>2,271</b> | <b>1,179</b> | <b>391</b> | <b>40</b> | <b>18,624</b> | <b>\$1,228,037,467</b> |

### COMPARATIVE SCHEDULE

| Fiscal Year Ended | Active Members | Total Payroll (+000) | Averages    |                 |          |                         |
|-------------------|----------------|----------------------|-------------|-----------------|----------|-------------------------|
|                   |                |                      | Age (years) | Service (years) | Pay      | Increase in Average Pay |
| 6-30-98           | 13,635         | \$625,222            | 37.8        | 10.3            | \$45,854 | 3.8%                    |
| 6-30-99           | 14,128         | \$682,184            | 37.8        | 10.3            | \$48,286 | 5.3%                    |
| 6-30-00           | 14,886         | \$751,280            | 37.7        | 10.0            | \$50,469 | 4.5%                    |
| 6-30-01           | 15,473         | \$826,740            | 37.2        | 10.0            | \$53,431 | 5.9%                    |
| 6-30-02           | 15,557         | \$854,249            | 36.9        | 9.4             | \$54,911 | 2.8%                    |
| 6-30-03           | 15,530         | \$881,285            | 37.0        | 9.5             | \$56,747 | 3.3%                    |
| 6-30-04           | 15,852         | \$911,718            | 37.1        | 9.5             | \$57,514 | 1.4%                    |
| 6-30-05           | 16,317         | \$974,863            | 37.6        | 9.5             | \$59,745 | 3.9%                    |
| 6-30-06           | 17,324         | \$1,073,685          | 37.4        | 9.0             | \$61,977 | 3.7%                    |
| 6-30-07           | 18,624         | \$1,228,037          | 37.3        | 8.9             | \$65,903 | 6.3%                    |

# Actuarial Section

## Summary of Retirants and Inactive Data

### RETIRANTS AND BENEFICIARIES

| Valuation Date | Number Removed From Roles | Number Added to Roles | Totals | Annual Allowances Removed From Roles* | Annual Allowances Added to Roles* | Annual Pensions | Percent Increase | Average Pension |
|----------------|---------------------------|-----------------------|--------|---------------------------------------|-----------------------------------|-----------------|------------------|-----------------|
| 6/30/98        | 75                        | 335                   | 4,740  |                                       |                                   | \$115,542,977   | 10.7%            | \$24,584        |
| 6/30/99        | 73                        | 423                   | 5,090  |                                       |                                   | \$132,364,761   | 14.6%            | \$26,211        |
| 6/30/00        | 84                        | 436                   | 5,442  |                                       |                                   | \$152,227,372   | 15.0%            | \$27,973        |
| 6/30/01        | 89                        | 429                   | 5,782  |                                       |                                   | \$170,281,580   | 11.9%            | \$29,450        |
| 6/30/02        | 91                        | 298                   | 5,989  |                                       |                                   | \$184,212,972   | 8.2%             | \$30,759        |
| 6/30/03        | 104                       | 299                   | 6,184  |                                       |                                   | \$207,616,176   | 12.7%            | \$33,573        |
| 06/30/04**     | 119                       | 331                   | 6,396  | \$5,951,348                           | \$22,497,533                      | \$224,162,361   | 8.0%             | \$35,047        |
| 06/30/05**     | 103                       | 395                   | 6,688  | \$3,095,916                           | \$23,228,295                      | \$244,294,740   | 9.0%             | \$36,527        |
| 06/30/06**     | 164                       | 350                   | 6,874  | \$4,721,490                           | \$13,926,144                      | \$265,826,712   | 8.8%             | \$38,671        |
| 06/30/07**     | 159                       | 918                   | 7,633  | \$3,578,561                           | \$45,409,478                      | \$307,657,629   | 15.7%            | \$40,306        |

\* Effective June 30, 2004, started reporting the annual allowances removed from roles and annual allowances added to roles. This information was not available prior to the effective date.

\*\* Includes COLA

### SUMMARY OF INACTIVE MEMBER DATA

| Attained Age | Years of Service to Valuation Date |       |         |         |     | Totals |
|--------------|------------------------------------|-------|---------|---------|-----|--------|
|              | 0 - 4                              | 5 - 9 | 10 - 14 | 15 - 19 | 20+ |        |
| 20 - 29      | 255                                | 10    |         |         |     | 265    |
| 30 - 39      | 285                                | 69    | 25      | 1       |     | 380    |
| 40 - 44      | 68                                 | 17    | 12      | 8       | 1   | 106    |
| 45 - 49      | 38                                 | 6     | 12      | 9       | 1   | 66     |
| 50 - 54      | 15                                 | 8     | 12      | 1       |     | 36     |
| 55 - 59      | 3                                  | 1     | 8       | 3       |     | 15     |
| 60 - 69      | 5                                  |       | 6       | 1       |     | 12     |
| 70+          |                                    |       |         |         |     |        |
| Totals       | 669                                | 111   | 75      | 23      | 2   | 880    |

**Schedule of Experience Gain/(Loss)**  
**YEAR ENDED JUNE 30, 2007**  
(in thousands)

| Derivation                                    |           |
|-----------------------------------------------|-----------|
| (1) UAAL at start of year*                    | 1,495,101 |
| (2) Normal cost                               | 202,848   |
| (3) Funding method contributions              | 262,217   |
| (4) Interest accrual                          | 124,561   |
| (5) Expected UAAL before changes              | 1,560,293 |
| (6) Change from amendments***                 | none      |
| (7) Change from assumption revision           | 238,919   |
| (8) Expected UAAL after changes               | 1,799,212 |
| (9) Actual UAAL                               | 2,438,770 |
| (10) Gain(+)/Loss(-) (8)-(9)                  | (639,558) |
| (11) Percent of actuarial accrued liability** | (9.8%)    |

\*Unfunded Actuarial Accrued Liability

\*\*Actuarial Accrued Liability

\*\*\*Estimated







# Statistical Section

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**CHANGE IN NET ASSETS**  
LAST TEN YEARS ENDED JUNE 30, 2007  
(in thousands)

|                                            | 2007               | 2006               | 2005               | 2004               | 2003               | 2002               | 2001               | 2000               | 1999               | 1998               |
|--------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Additions:</b>                          |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Member Contributions                       | \$84,630           | \$75,616           | \$67,948           | \$71,874           | \$67,937           | \$62,487           | \$58,053           | \$52,451           | \$51,684           | \$43,095           |
| Employer Contributions                     | 177,588            | 127,219            | 104,498            | 79,000             | 50,801             | 51,983             | 52,540             | 46,891             | 44,384             | 45,321             |
| Net Investment Gain (Loss)                 | 815,524            | 379,512            | 383,530            | 562,613            | 233,425            | (654,570)          | (895,996)          | 588,133            | 723,370            | 750,793            |
| Member Service Purchase                    | 9,160              | 9,409              | 8,163              |                    |                    |                    |                    |                    |                    |                    |
| Amounts transferred from Other State Plans | 1,640              | 1,125              | 994                | 1,282              | 1,394              | 6,184              | 373                | 658                | 668                | 1,001              |
| <b>Total Additions</b>                     | <b>1,088,541</b>   | <b>592,881</b>     | <b>565,133</b>     | <b>714,769</b>     | <b>353,557</b>     | <b>(533,916)</b>   | <b>(785,030)</b>   | <b>688,133</b>     | <b>820,106</b>     | <b>840,210</b>     |
| <b>Deductions:</b>                         |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Pension and Insurance Benefits             | 450,345            | 284,028            | 257,449            | 229,885            | 209,715            | 185,035            | 164,728            | 145,302            | 125,879            | 112,374            |
| Refunds to Terminated Members              | 8,709              | 7,226              | 7,648              | 6,391              | 6,423              | 6,058              | 6,052              | 5,314              | 3,318              | 3,020              |
| Administrative Expenses                    | 3,971              | 2,980              | 1,600              | 1,100              | 813                | 735                | 679                | 615                | 624                | 608                |
| Amounts Transferred to Other State Plans   | 121                | 290                | 129                | 196                | 386                | -                  | -                  | -                  | -                  | -                  |
| <b>Total Deductions</b>                    | <b>463,146</b>     | <b>294,524</b>     | <b>266,826</b>     | <b>237,572</b>     | <b>217,337</b>     | <b>191,828</b>     | <b>171,459</b>     | <b>151,231</b>     | <b>129,821</b>     | <b>116,002</b>     |
| Net (Decrease) Increase                    | 625,395            | 298,357            | 298,307            | 477,197            | 136,220            | (725,744)          | (956,489)          | 536,902            | 690,285            | 724,208            |
| Net Assets Held In Trust                   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Beginning of Year - July 1</b>          | <b>4,906,399</b>   | <b>4,608,042</b>   | <b>4,309,735</b>   | <b>3,832,538</b>   | <b>3,696,318</b>   | <b>4,422,062</b>   | <b>5,378,551</b>   | <b>4,841,649</b>   | <b>4,151,364</b>   | <b>3,427,156</b>   |
| <b>Ending of Year - June 30</b>            | <b>\$5,531,794</b> | <b>\$4,906,399</b> | <b>\$4,608,042</b> | <b>\$4,309,735</b> | <b>\$3,832,538</b> | <b>\$3,696,318</b> | <b>\$4,422,062</b> | <b>\$5,378,551</b> | <b>\$4,841,649</b> | <b>\$4,151,364</b> |

<sup>1</sup>See Note 7 on Page 42.

### Principal Participating Employers - Current Year and Nine years ago

| Participating Employer      | 2007              |      |                 | 1998              |      |                 |
|-----------------------------|-------------------|------|-----------------|-------------------|------|-----------------|
|                             | Covered Employees | Rank | % of Membership | Covered Employees | Rank | % of Membership |
| Phoenix Police              | 2,921             | 1    | 15.68%          | 2,544             | 1    | 18.66%          |
| Phoenix Fire                | 1,419             | 2    | 7.62%           | 1,180             | 2    | 8.65%           |
| Department of Public Safety | 1,077             | 3    | 5.78%           | 1,004             | 3    | 7.36%           |
| Tucson Police               | 887               | 4    | 4.76%           | 830               | 4    | 6.09%           |
| Mesa Police                 | 782               | 5    | 4.20%           | 648               | 5    | 4.75%           |
| Maricopa County Sheriff     | 671               | 6    | 3.60%           | 508               | 6    | 3.73%           |
| Tucson Fire                 | 580               | 7    | 3.11%           | 459               | 7    | 3.37%           |
| Pima County Sheriff         | 495               | 8    | 2.66%           | 392               | 8    | 2.87%           |
| Glendale Police             | 367               | 9    | 1.97%           | 255               | 10   | 1.87%           |
| Scottsdale Police           | 367               | 10   | 1.97%           | 291               | 9    | 2.13%           |
| All Others                  | 9,058             |      | 48.64%          | 5,524             |      | 40.51%          |
|                             | 18,624            |      | 100.00%         | 13,635            |      | 100.00%         |

### Schedule of Benefit Expenses By Type

| Fiscal Year | Normal Benefits | Survivor Benefits | Disability Benefits | Deferred Benefits | Insurance Benefits <sup>1</sup> | DROP Benefits | Totals        |
|-------------|-----------------|-------------------|---------------------|-------------------|---------------------------------|---------------|---------------|
| 1998        | \$87,427,946    | \$8,853,712       | \$12,460,407        | \$31,274          | \$3,600,786                     | -             | \$112,374,125 |
| 1999        | \$97,398,707    | \$9,883,152       | \$14,628,479        | \$34,071          | \$3,934,962                     | -             | \$125,879,371 |
| 2000        | \$111,641,295   | \$12,187,246      | \$17,061,548        | \$46,197          | \$4,365,887                     | -             | \$145,302,173 |
| 2001        | \$126,279,381   | \$14,049,906      | \$19,543,264        | \$53,946          | \$4,801,247                     | -             | \$164,727,744 |
| 2002        | \$137,556,909   | \$15,342,508      | \$21,914,529        | \$70,335          | \$9,715,347                     | \$435,573     | \$185,035,202 |
| 2003        | \$151,170,457   | \$20,135,779      | \$24,102,353        | \$81,550          | \$11,196,923                    | \$3,028,175   | \$209,715,238 |
| 2004        | \$163,080,132   | \$26,321,345      | \$23,431,361        | \$102,458         | \$10,774,433                    | \$6,175,715   | \$229,885,444 |
| 2005        | \$176,394,304   | \$25,357,132      | \$28,883,283        | \$131,285         | \$11,417,919                    | \$15,265,160  | \$257,449,083 |
| 2006        | \$190,350,994   | \$27,991,410      | \$32,501,612        | \$140,587         | \$10,203,920                    | \$22,839,120  | \$284,027,642 |
| 2007        | \$220,950,477   | \$30,742,748      | \$35,536,324        | \$146,890         | \$11,009,305                    | \$151,959,720 | \$450,345,464 |

<sup>1</sup> See Note 7 on Page 42.

# Statistical Section

## Demographics

### Summary of Retired Members and Survivors

| FYE<br>06/30 | Service Pension |          | Disability Pension |          | Survivor Pension |          | Total Pensions |          |
|--------------|-----------------|----------|--------------------|----------|------------------|----------|----------------|----------|
|              | Number          | Average  | Number             | Average  | Number           | Average  | Number         | Average  |
| 1998         | 3,415           | \$27,115 | 626                | \$21,642 | 659              | \$14,258 | 4,700          | \$24,584 |
| 1999         | 3,655           | \$28,613 | 694                | \$22,880 | 701              | \$16,984 | 5,050          | \$26,211 |
| 2000         | 3,938           | \$30,535 | 763                | \$24,181 | 741              | \$18,261 | 5,442          | \$27,973 |
| 2001         | 4,182           | \$32,095 | 826                | \$25,513 | 774              | \$19,359 | 5,782          | \$29,450 |
| 2002         | 4,315           | \$33,458 | 872                | \$26,779 | 802              | \$20,560 | 5,989          | \$30,759 |
| 2003         | 4,419           | \$36,126 | 912                | \$28,217 | 853              | \$26,073 | 6,184          | \$33,573 |
| 2004         | 4,563           | \$37,688 | 942                | \$29,398 | 891              | \$27,494 | 6,396          | \$35,047 |
| 2005         | 4,733           | \$39,279 | 1,012              | \$30,907 | 943              | \$28,749 | 6,688          | \$36,527 |
| 2006         | 4,935           | \$40,844 | 1,061              | \$32,246 | 978              | \$30,726 | 6,974          | \$38,117 |
| 2007         | 5,625           | \$42,879 | 1,128              | \$33,696 | 880              | \$32,332 | 7,633          | \$40,306 |

### Summary of Retired Member and Survivor Data

|                           | Pensions Being Paid*        | Number | Annual Pensions | Average Pensions |
|---------------------------|-----------------------------|--------|-----------------|------------------|
| Retired Members           | - Service Pensions          | 5,625  | \$241,196,368   | \$42,879         |
|                           | - Disability Pensions       | 1,128  | \$38,009,516    | \$33,696         |
|                           | Totals                      | 6,753  | \$279,205,884   | \$41,345         |
| Survivors of Members      | - Spouses                   | 856    | \$27,772,592    | \$32,445         |
|                           | - Children with Guardians** | 24     | \$679,153       | \$28,298         |
|                           | Totals                      | 880    | \$28,451,745    | \$32,332         |
| Total Pensions Being Paid |                             | 7,633  | \$307,657,629   | \$40,306         |

\* Does not include DROP participants totaling 1,746 with annual pensions of \$88,105,680

\*\* Does not include pensions payable to children whose parent is being paid a survivor pension.

|                            | Average Age | Average Service (Years) | Average Retirement Age |
|----------------------------|-------------|-------------------------|------------------------|
| Normal retired members     | 61.8        | 23.5                    | 50.3                   |
| Disability retired members | 54.7        | 14.3                    | 43.4                   |
| Spouse beneficiaries       | 66.1        | 17.9                    | 43.8                   |
| DROP Participants          | 53.0        | 24.8                    | 50.6                   |

**Pension Benefits By Years Of Service**

| Service In Years | Service            |                  |                   | Disability        |                  |                   | Survivors         |                |                    | Drop            |                   |                    | Totals            |                   |  |
|------------------|--------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|----------------|--------------------|-----------------|-------------------|--------------------|-------------------|-------------------|--|
|                  | Annual Pensions    | Annual Subsidy   | Annual Pensions   | Annual Pensions   | Annual Subsidy   | Annual Pensions   | Annual Pensions   | Annual Subsidy | Annual Pensions    | Annual Pensions | Annual Subsidy    | Annual Pensions    | Annual Pensions   | Annual Subsidy    |  |
| Children         |                    |                  |                   |                   |                  |                   |                   |                |                    |                 |                   |                    |                   |                   |  |
| 0-4              | 134,024            | 7,015            | 2,281,884         | 679,153           | 2,830            | 3,016,634         | 679,153           | 41,552         | 5,432,542          |                 |                   |                    |                   |                   |  |
| 5-9              | 52,893             | 3,120            | 6,777,524         | 2,309,855         | 33,196           | 2,309,855         | 2,309,855         | 48,154         | 9,140,272          |                 |                   |                    |                   |                   |  |
| 10-14            | 186,000            | 10,800           | 9,303,977         | 2,521,488         | 48,154           | 2,521,488         | 2,521,488         | 69,379         | 12,011,465         |                 |                   |                    |                   |                   |  |
| 15-19            | 1,824,245          | 55,662           | 10,483,733        | 3,569,690         | 481,851          | 3,569,690         | 3,569,690         | 312,141        | 15,877,668         |                 |                   |                    |                   |                   |  |
| 20-24            | 128,074,453        | 5,383,461        | 4,340,399         | 10,840,468        | 250,059          | 10,840,468        | 10,840,468        | 19,644,520     | 162,899,840        |                 |                   |                    |                   |                   |  |
| 25-29            | 81,608,366         | 3,299,535        | 4,146,179         | 3,745,156         | 181,433          | 3,745,156         | 3,745,156         | 38,770,849     | 128,270,550        |                 |                   |                    |                   |                   |  |
| 30-34            | 26,912,748         | 907,384          | 675,820           | 1,575,147         | 24,900           | 1,575,147         | 1,575,147         | 9,134,609      | 38,298,324         |                 |                   |                    |                   |                   |  |
| 35-39            | 1,916,552          | 55,470           |                   | 194,154           | 4,800            | 194,154           | 194,154           | 264,596        | 2,375,302          |                 |                   |                    |                   |                   |  |
| 40-44            | 417,072            | 9,997            |                   |                   |                  | 417,072           |                   |                | 417,072            |                 |                   |                    |                   |                   |  |
| 45-49            | 70,015             | 1,800            |                   |                   |                  | 70,015            |                   |                | 70,015             |                 |                   |                    |                   |                   |  |
| <b>Totals</b>    | <b>241,196,368</b> | <b>9,734,244</b> | <b>38,009,516</b> | <b>28,451,745</b> | <b>1,778,040</b> | <b>28,451,745</b> | <b>28,451,745</b> | <b>651,077</b> | <b>375,472,203</b> | <b>0</b>        | <b>67,814,574</b> | <b>375,472,203</b> | <b>12,163,361</b> | <b>12,163,361</b> |  |

**SUMMARY OF BENEFIT INCREASES**

| <b>Fiscal Year Ended</b> | <b>Excess Yield per Statute</b> | <b>Excess Earnings</b> | <b>Utilized</b> | <b>Excess Earnings Available</b> | <b>Benefit Increase 4% Cap</b> |
|--------------------------|---------------------------------|------------------------|-----------------|----------------------------------|--------------------------------|
| 6/30/98                  | 13.23%                          | 248,240,392            | (26,935,849)    | 522,828,431                      | 81.95                          |
| 6/30/99                  | 8.70%                           | 172,804,837            | (42,154,215)    | 746,019,685                      | 87.37                          |
| 6/30/00                  | 3.31%                           | 72,225,529             | (47,639,499)    | 862,440,738                      | 93.24                          |
| 6/30/01                  | 0.00%                           | -                      | (54,178,336)    | 662,898,016                      | 98.17                          |
| 6/30/02                  | 0.00%                           | -                      | (61,603,276)    | 502,456,646                      | 102.53                         |
| 6/30/03                  | 0.00%                           | -                      | (67,995,889)    | 468,125,352                      | 111.90                         |
| 6/30/04                  | 5.97%                           | 107,495,840            | (77,066,484)    | 568,619,029                      | 116.82                         |
| 6/30/05                  | 0.11%                           | 2,198,002              | (85,121,958)    | 537,513,325                      | 121.76                         |
| 6/30/06                  | 0.00%                           | -                      | (91,412,190)    | 490,714,741                      | 127.06                         |
| 6/30/07                  | 8.05%                           | 190,317,350            | (101,767,604)   | 662,931,350                      | 134.34                         |

**SUMMARY OF GROWTH OF THE SYSTEM**

| <b>Fiscal Year</b> | <b>Total Assets at Book</b> | <b>Realized Earnings from Investments</b> | <b>Assumed Actuarial Yield</b> | <b>Net Effective Yield</b> | <b>Average Employer Cost</b> |
|--------------------|-----------------------------|-------------------------------------------|--------------------------------|----------------------------|------------------------------|
| 1997-98            | \$2,894,319,707             | \$305,281,778                             | 9.00%                          | 11.73%                     | 6.36%                        |
| 1998-99            | \$3,512,950,451             | \$652,015,871                             | 9.00%                          | 22.66%                     | 5.82%                        |
| 1999-00            | \$3,845,046,198             | \$383,638,465                             | 9.00%                          | 10.99%                     | 5.29%                        |
| 2000-01            | \$4,014,033,477             | \$229,978,521                             | 9.00%                          | 6.02%                      | 5.21%                        |
| 2001-02            | \$4,038,098,811             | \$95,669,176                              | 9.00%                          | 2.40%                      | 4.21%                        |
| 2002-03            | \$3,580,672,469             | \$(359,783,581)                           | 9.00%                          | -9.01%                     | 3.75%                        |
| 2003-04            | \$3,639,362,740             | \$144,657,402                             | 9.00%                          | 4.08%                      | 7.66%                        |
| 2004-05            | \$3,820,166,058             | \$266,719,194                             | 8.75%                          | 7.41%                      | 10.05%                       |
| 2005-06            | \$4,183,883,048             | \$445,686,514                             | 8.50%                          | 11.78%                     | 11.32%                       |
| 2006-07            | \$4,517,754,407             | \$529,659,234                             | 8.50%                          | 12.93%                     | 17.09%                       |

**STATEMENT OF CHANGES IN REFUNDABLE MEMBER RESERVES**  
**FISCAL YEAR ENDED JUNE 30, 2007**

| SYS<br># | SYSTEM                            | BALANCES<br>6/30/06 | RESERVE<br>TRANSFERS | CONTRIBUTIONS<br>RECEIVED | WITHDRAWN<br>MEMBERS | BALANCES<br>6/30/07 |
|----------|-----------------------------------|---------------------|----------------------|---------------------------|----------------------|---------------------|
| 224      | AK CHIN INDIAN COMM. FIRE DEPT.   | 61,028              | (11,275)             | 49,023                    | -                    | 98,776              |
| 225      | AK CHIN INDIAN COMM. POLICE DEPT. | 60,549              | (12,784)             | 44,259                    | -                    | 92,024              |
| 101      | APACHE COUNTY SHERIFF'S DEPT.     | 774,979             | (44,315)             | 117,921                   | (32,404)             | 816,181             |
| 148      | APACHE JUNCTION FIRE DISTRICT     | 2,498,741           | 14,891               | 385,932                   | (83,855)             | 2,815,709           |
| 070      | APACHE JUNCTION POLICE DEPARTMENT | 1,643,375           | (288,426)            | 269,487                   | (29,545)             | 1,594,892           |
| 160      | ARIZONA STATE CAPITOL POLICE      | 566,759             | (72,778)             | 95,209                    | -                    | 589,191             |
| 204      | ARIZONA STATE PARK RANGERS        | 1,872,184           | -                    | 137,454                   | -                    | 2,009,638           |
| 041      | ASU CAMPUS POLICE                 | 1,649,287           | (177,958)            | 354,446                   | -                    | 1,825,775           |
| 151      | ATTORNEY GENERAL INVESTIGATORS    | 1,304,292           | (308,088)            | 137,103                   | (57,311)             | 1,075,997           |
| 059      | AVONDALE FIRE DEPARTMENT          | 1,515,679           | -                    | 307,119                   | -                    | 1,822,799           |
| 139      | AVONDALE POLICE DEPARTMENT        | 1,920,011           | (45,499)             | 402,765                   | (84,223)             | 2,193,053           |
| 162      | AVRA VALLEY FIRE DISTRICT         | 271,807             | 112,025              | 86,842                    | (12,038)             | 458,636             |
| 164      | AZ DPT. LIQ. LIC. & CONTROL INVST | 962,396             | (194,732)            | 150,780                   | -                    | 918,445             |
| 037      | BENSON POLICE DEPARTMENT          | 268,940             | (29,655)             | 41,761                    | -                    | 281,046             |
| 001      | BISBEE FIRE DEPARTMENT            | 561,377             | (52,518)             | 64,853                    | -                    | 573,712             |
| 038      | BISBEE POLICE DEPARTMENT          | 460,071             | (65,233)             | 61,373                    | (21,126)             | 435,086             |
| 219      | BLACK CANYON FIRE DISTRICT        | 36,708              | -                    | 23,966                    | (9,220)              | 51,454              |
| 190      | BUCKEYE FIRE DEPARTMENT           | 705,609             | 64,001               | 275,475                   | (7,713)              | 1,037,372           |
| 106      | BUCKEYE POLICE DEPARTMENT         | 798,673             | 463,908              | 282,516                   | (72,709)             | 1,472,388           |
| 212      | BUCKEYE VALLEY FIRE DISTRICT      | 231,377             | (59,021)             | 156,341                   | (19,601)             | 309,097             |
| 064      | BUCKSKIN FIRE DISTRICT            | 190,601             | (5,708)              | 39,619                    | (13,850)             | 210,662             |
| 044      | BULLHEAD CITY FIRE DEPARTMENT     | 2,300,435           | (57,621)             | 357,620                   | (41,522)             | 2,558,913           |
| 114      | BULLHEAD CITY POLICE DEPARTMENT   | 3,154,877           | (464,708)            | 375,628                   | (13,955)             | 3,051,842           |
| 196      | CAMP VERDE FIRE DISTRICT          | 292,745             | -                    | 89,224                    | -                    | 381,969             |
| 121      | CAMP VERDE MARSHAL'S              | 328,857             | 3,467                | 66,583                    | (5,339)              | 393,569             |
| 218      | CAREFREE TOWN MARSHALS            | -                   | -                    | -                         | -                    | -                   |
| 002      | CASA GRANDE FIRE DEPARTMENT       | 1,168,486           | (110,608)            | 262,915                   | -                    | 1,320,793           |
| 003      | CASA GRANDE POLICE DEPARTMENT     | 2,100,723           | (114,005)            | 315,026                   | (32,210)             | 2,269,534           |
| 229      | CAVE CREEK MARSHALS               | 6,545               | -                    | 9,592                     | -                    | 16,137              |
| 062      | CENTRAL YAVAPAI FIRE DISTRICT     | 3,074,744           | (54,461)             | 423,622                   | (17,912)             | 3,425,993           |
| 004      | CHANDLER FIRE DEPARTMENT          | 8,085,240           | (367,067)            | 1,231,284                 | (80,015)             | 8,869,443           |
| 005      | CHANDLER POLICE DEPARTMENT        | 12,811,335          | (416,247)            | 1,833,747                 | (83,688)             | 14,145,147          |
| 138      | CHINO VALLEY FIRE DISTRICT        | 724,250             | (57,530)             | 144,537                   | -                    | 811,256             |
| 109      | CHINO VALLEY POLICE DEPARTMENT    | 732,324             | (34,559)             | 104,933                   | (39,591)             | 763,106             |
| 105      | CLARKDALE POLICE DEPARTMENT       | 263,788             | -                    | 29,528                    | -                    | 293,316             |
| 006      | CLIFTON FIRE DEPARTMENT           | 44,767              | -                    | -                         | -                    | 44,767              |
| 083      | CLIFTON POLICE DEPARTMENT         | 28,406              | (17,660)             | 6,760                     | -                    | 17,507              |
| 046      | COCHISE COUNTY SHERIFF'S DEPT     | 1,977,057           | (69,975)             | 269,257                   | (44,659)             | 2,131,680           |
| 061      | COCONINO COUNTY SHERIFF'S DEPT    | 1,766,795           | (91,268)             | 251,190                   | (40,966)             | 1,885,751           |
| 239      | COOLIDGE FIRE DEPARTMENT          | -                   | -                    | 3,138                     | -                    | 3,138               |
| 085      | COOLIDGE POLICE DEPARTMENT        | 668,733             | (53,920)             | 119,111                   | (10,987)             | 722,937             |
| 226      | CORONA DE TUCSON FIRE DISTRICT    | 30,860              | -                    | 39,978                    | -                    | 70,838              |

# Statistical Section

## Operating Information

| SYS # | SYSTEM                            | BALANCES 6/30/06 | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | BALANCES 6/30/07 |
|-------|-----------------------------------|------------------|-------------------|------------------------|-------------------|------------------|
| 102   | COTTONWOOD FIRE DEPARTMENT        | 309,368          | (6,584)           | 57,487                 | (5,547)           | 354,724          |
| 066   | COTTONWOOD POLICE DEPARTMENT      | 627,095          | (46,727)          | 107,041                | (38,787)          | 648,622          |
| 143   | DAISY MOUNTAIN FIRE DISTRICT      | 1,381,722        | 45,090            | 417,439                | -                 | 1,844,251        |
| 119   | DEPARTMENT OF EMER & MILITARY AFF | 986,398          | (134,750)         | 94,626                 | -                 | 946,273          |
| 007   | DEPARTMENT OF PUBLIC SAFETY       | 24,606,483       | (1,754,583)       | 2,293,380              | (100,093)         | 25,045,187       |
| 193   | DIAMOND STAR FIRE DISTRICT        | 100,615          | -                 | 23,990                 | -                 | 124,605          |
| 008   | DOUGLAS FIRE DEPARTMENT           | 622,786          | (60,242)          | 79,493                 | -                 | 642,037          |
| 009   | DOUGLAS POLICE DEPARTMENT         | 1,086,078        | (83,264)          | 119,086                | (34,850)          | 1,087,051        |
| 049   | DREXEL HEIGHTS FIRE DISTRICT      | 1,859,837        | (109,588)         | 297,511                | (15,142)          | 2,032,618        |
| 089   | EAGAR POLICE DEPARTMENT           | 237,382          | (2,234)           | 34,004                 | -                 | 269,152          |
| 127   | EL MIRAGE FIRE DEPARTMENT         | 351,358          | (18,650)          | 85,919                 | (5,474)           | 413,154          |
| 093   | EL MIRAGE POLICE DEPARTMENT       | 662,027          | (160,130)         | 122,350                | -                 | 624,246          |
| 213   | ELOY FIRE DISTRICT                | 89,970           | (827)             | 57,462                 | -                 | 146,605          |
| 079   | ELOY POLICE DEPARTMENT            | 909,666          | 24,473            | 138,607                | (47,557)          | 1,025,189        |
| 010   | FLAGSTAFF FIRE DEPARTMENT         | 4,150,653        | (382,868)         | 397,544                | (335)             | 4,164,995        |
| 011   | FLAGSTAFF POLICE DEPARTMENT       | 2,990,833        | (343,633)         | 620,428                | (45,872)          | 3,221,756        |
| 176   | FLORENCE FIRE DEPARTMENT          | 93,945           | 93,420            | 46,972                 | (7,349)           | 226,988          |
| 091   | FLORENCE POLICE DEPARTMENT        | 426,197          | 826               | 92,302                 | (52,130)          | 467,195          |
| 197   | FORT MCDOWELL TRIBAL FIRE DEPT.   | 196,510          | (19,175)          | 52,466                 | (33,024)          | 196,777          |
| 198   | FORT MCDOWELL TRIBAL POLICE DEPT. | 408,901          | (6,052)           | 109,628                | -                 | 512,476          |
| 134   | FORT MOJAVE MESA FIRE DISTRICT    | 923,311          | (61,192)          | 177,010                | (654)             | 1,038,475        |
| 211   | FORT MOJAVE TRIBAL POLICE DEPT.   | 159,792          | (35,263)          | 89,695                 | (9,555)           | 204,669          |
| 055   | FREDONIA MARSHALS                 | 40,740           | -                 | 10,040                 | -                 | 50,780           |
| 054   | FRY FIRE DISTRICT                 | 723,278          | (141,952)         | 162,210                | (1,627)           | 741,909          |
| 035   | GAME AND FISH DEPARTMENT          | 5,361,975        | (393,994)         | 629,942                | -                 | 5,597,923        |
| 112   | GILA COUNTY SHERIFF'S DEPARTMENT  | 1,113,341        | (180,504)         | 143,648                | (44,659)          | 1,031,827        |
| 179   | GILA RIVER FIRE DEPARTMENT        | 1,003,517        | (125,433)         | 274,379                | (35,323)          | 1,117,141        |
| 180   | GILA RIVER POLICE DEPARTMENT      | 1,170,209        | (26,718)          | 334,619                | (30,158)          | 1,447,952        |
| 149   | GILBERT FIRE DEPARTMENT           | 3,434,846        | 12,202            | 829,087                | (52,356)          | 4,223,779        |
| 081   | GILBERT POLICE DEPARTMENT         | 5,201,484        | (141,215)         | 1,216,854              | (54,959)          | 6,222,165        |
| 012   | GLENDALE FIRE DEPARTMENT          | 9,641,450        | (921,405)         | 1,202,559              | -                 | 9,922,603        |
| 013   | GLENDALE POLICE DEPARTMENT        | 14,150,797       | (929,524)         | 1,979,681              | (304,613)         | 14,896,341       |
| 014   | GLOBE FIRE DEPARTMENT             | 495,112          | (14,891)          | 63,293                 | -                 | 543,515          |
| 131   | GLOBE POLICE DEPARTMENT           | 548,160          | (99,413)          | 75,738                 | (7,552)           | 516,933          |
| 227   | GOLDEN SHORES FIRE DISTRICT       | 32,620           | 25,961            | 24,313                 | (2,708)           | 80,186           |
| 142   | GOLDEN VALLEY FIRE DISTRICT       | 287,020          | (63,502)          | 63,707                 | -                 | 287,224          |
| 133   | GOLDER RANCH FIRE DISTRICT        | 2,024,604        | -                 | 399,987                | -                 | 2,424,592        |
| 136   | GOODYEAR FIRE DEPARTMENT          | 1,670,528        | -                 | 411,630                | -                 | 2,082,159        |
| 137   | GOODYEAR POLICE DEPARTMENT        | 1,779,231        | (77,934)          | 427,327                | (3,336)           | 2,125,288        |
| 220   | GRAHAM COUNTY ATTORNEY INVEST.    | 37,478           | -                 | 4,188                  | -                 | 41,666           |
| 140   | GRAHAM COUNTY SHERIFF'S DEPT.     | 328,812          | (27,217)          | 66,555                 | (5,668)           | 362,481          |
| 194   | GREEN VALLEY FIRE DISTRICT        | 967,473          | 36,295            | 258,431                | -                 | 1,262,199        |
| 157   | GREENLEE CNTY ATTY INVESTIGATORS  | -                | -                 | -                      | -                 | -                |
| 123   | GREENLEE COUNTY SHERIFF'S DEPT.   | 359,224          | (1,648)           | 44,888                 | (68,940)          | 333,524          |



**Statistical Section**  
**Operating Information**

| <b>SYS #</b> | <b>SYSTEM</b>                     | <b>BALANCES 6/30/06</b> | <b>RESERVE TRANSFERS</b> | <b>CONTRIBUTIONS RECEIVED</b> | <b>WITHDRAWN MEMBERS</b> | <b>BALANCES 6/30/07</b> |
|--------------|-----------------------------------|-------------------------|--------------------------|-------------------------------|--------------------------|-------------------------|
| 232          | GROOM CREEK FIRE DISTRICT         | -                       | 7,690                    | 15,929                        | -                        | 23,619                  |
| 167          | GUADALUPE FIRE DEPARTMENT         | 213,887                 | 338                      | 33,799                        | -                        | 248,023                 |
| 178          | HAYDEN POLICE DEPARTMENT          | 38,651                  | 103,088                  | 15,648                        | (55,573)                 | 101,814                 |
| 192          | HEBER-OVERGAARD FIRE DISTRICT     | 148,531                 | (45,649)                 | 46,771                        | (2,336)                  | 147,316                 |
| 199          | HIGHLANDS FIRE DISTRICT           | 365,277                 | (2,987)                  | 92,033                        | (18,648)                 | 435,675                 |
| 086          | HOLBROOK POLICE DEPARTMENT        | 296,581                 | (26,397)                 | 52,672                        | (2,963)                  | 319,894                 |
| 206          | HUALAPAI INDIAN TRIBE POLICE DEPT | 61,902                  | -                        | 29,295                        | (15,928)                 | 75,269                  |
| 053          | HUALAPAI VALLEY FIRE DISTRICT     | 371,577                 | (34,021)                 | 103,795                       | (11,803)                 | 429,548                 |
| 210          | JEROME POLICE DEPARTMENT          | 19,901                  | -                        | 7,375                         | -                        | 27,276                  |
| 156          | KEARNY POLICE DEPARTMENT          | 84,452                  | 5,258                    | 10,609                        | (2,331)                  | 97,988                  |
| 015          | KINGMAN FIRE DEPARTMENT           | 1,904,311               | (77,352)                 | 218,297                       | (23,052)                 | 2,022,205               |
| 040          | KINGMAN POLICE DEPARTMENT         | 1,503,230               | (337)                    | 238,648                       | (65,867)                 | 1,675,674               |
| 173          | LA PAZ COUNTY ATTY. INVESTIGATORS | 45,415                  | -                        | 3,768                         | -                        | 49,183                  |
| 103          | LA PAZ COUNTY SHERIFF'S DEPT.     | 1,013,144               | (34,500)                 | 115,132                       | (6,929)                  | 1,086,846               |
| 042          | LAKE HAVASU CITY FIRE DEPARTMENT  | 2,957,252               | (446,103)                | 315,060                       | (3,129)                  | 2,823,081               |
| 067          | LAKE HAVASU CITY POLICE DEPT.     | 2,788,365               | (346,879)                | 424,813                       | (136)                    | 2,866,162               |
| 183          | LAKESIDE FIRE DISTRICT            | 203,452                 | 19,741                   | 66,488                        | (61,713)                 | 227,968                 |
| 205          | LINDEN FIRE DISTRICT              | 46,580                  | -                        | 17,983                        | -                        | 64,562                  |
| 130          | MAMMOTH POLICE DEPARTMENT         | 117,198                 | -                        | 11,784                        | (21,071)                 | 107,911                 |
| 107          | MARANA POLICE DEPARTMENT          | 1,775,195               | 72,661                   | 316,634                       | (3,998)                  | 2,160,491               |
| 165          | MARICOPA CNTY ATTY INVESTIGATORS  | 500,977                 | (139,425)                | 65,989                        | -                        | 427,542                 |
| 202          | MARICOPA COUNTY PARK RANGERS      | 112,864                 | (88,497)                 | 4,307                         | -                        | 28,674                  |
| 016          | MARICOPA COUNTY SHERIFF'S OFFICE  | 24,759,700              | (2,304,288)              | 3,679,716                     | (159,665)                | 25,975,463              |
| 228          | MARICOPA FIRE DISTRICT            | 150,882                 | 181,826                  | 191,939                       | -                        | 524,646                 |
| 168          | MAYER FIRE DISTRICT               | 221,503                 | 21,296                   | 50,999                        | (23,935)                 | 269,863                 |
| 017          | MESA FIRE DEPARTMENT              | 23,521,409              | (2,760,549)              | 2,461,096                     | (25,558)                 | 23,196,397              |
| 018          | MESA POLICE DEPARTMENT            | 37,141,959              | (2,547,807)              | 4,945,016                     | (354,438)                | 39,184,731              |
| 116          | MIAMI POLICE DEPARTMENT           | 82,916                  | (3,665)                  | 20,763                        | (105)                    | 99,909                  |
| 043          | MOHAVE COUNTY SHERIFF'S DEPT.     | 2,258,170               | (6,784)                  | 362,010                       | (13,806)                 | 2,599,591               |
| 072          | MOHAVE VALLEY FIRE DISTRICT       | 554,679                 | (4,137)                  | 119,679                       | -                        | 670,221                 |
| 191          | MONTEZUMA RIMROCK FIRE DISTRICT   | 123,778                 | (8,154)                  | 38,236                        | (11,854)                 | 142,006                 |
| 233          | MOUNT LEMMON FIRE DISTRICT        | -                       | -                        | 23,904                        | -                        | 23,904                  |
| 056          | NAU CAMPUS POLICE                 | 345,032                 | (98,218)                 | 64,191                        | -                        | 311,005                 |
| 158          | NAVAJO COUNTY ATTY'S INVESTIGATOR | -                       | -                        | -                             | -                        | -                       |
| 071          | NAVAJO COUNTY SHERIFF'S DEPT.     | 870,082                 | (135,784)                | 119,759                       | (43,304)                 | 810,752                 |
| 020          | NOGALES FIRE DEPARTMENT           | 1,129,941               | (979)                    | 176,045                       | -                        | 1,305,007               |
| 080          | NOGALES POLICE DEPARTMENT         | 1,481,860               | (88,434)                 | 225,490                       | (36,757)                 | 1,582,159               |
| 147          | NORTHWEST FIRE DISTRICT           | 4,110,817               | (90)                     | 824,928                       | (88,821)                 | 4,846,834               |
| 122          | ORO VALLEY POLICE DEPARTMENT      | 2,575,461               | (87,728)                 | 386,974                       | -                        | 2,874,707               |
| 097          | PAGE FIRE DEPARTMENT              | 59,815                  | 5,959                    | 47,465                        | (2,641)                  | 110,597                 |
| 096          | PAGE POLICE DEPARTMENT            | 309,350                 | 37,761                   | 94,387                        | (8,234)                  | 433,263                 |
| 076          | PARADISE VALLEY POLICE DEPARTMENT | 1,438,117               | (80,465)                 | 141,591                       | (1,548)                  | 1,497,696               |
| 060          | PARKER POLICE DEPARTMENT          | 211,194                 | (39,637)                 | 35,761                        | (17,144)                 | 190,174                 |
| 214          | PASCUA YAQUI TRIBE FIRE DEPT.     | 173,072                 | (33,443)                 | 82,745                        | -                        | 222,374                 |
| 215          | PASCUA YAQUI TRIBE POLICE DEPT.   | 199,082                 | (2,271)                  | 198,849                       | (34,416)                 | 361,244                 |

# Statistical Section

## Operating Information

| SYS # | SYSTEM                            | BALANCES 6/30/06 | RESERVE TRANSFERS | CONTRIBUTIONS RECEIVED | WITHDRAWN MEMBERS | BALANCES 6/30/07 |
|-------|-----------------------------------|------------------|-------------------|------------------------|-------------------|------------------|
| 128   | PATAGONIA MARSHALS                | 22,552           | 30,429            | 2,469                  | -                 | 55,450           |
| 051   | PAYSON FIRE DEPARTMENT            | 743,304          | -                 | 115,716                | -                 | 859,021          |
| 052   | PAYSON POLICE DEPARTMENT          | 1,073,081        | 37,610            | 121,830                | (14,324)          | 1,218,198        |
| 073   | PEORIA FIRE DEPARTMENT            | 4,899,440        | (109,219)         | 628,005                | -                 | 5,418,225        |
| 074   | PEORIA POLICE DEPARTMENT          | 4,606,533        | (310,535)         | 772,945                | (68,596)          | 5,000,348        |
| 021   | PHOENIX FIRE DEPARTMENT           | 92,642,753       | (9,085,393)       | 8,909,181              | (39,037)          | 92,427,504       |
| 022   | PHOENIX POLICE DEPARTMENT         | 152,245,685      | (15,272,936)      | 18,129,651             | (901,079)         | 154,201,320      |
| 145   | PICTURE ROCKS FIRE DISTRICT       | 381,948          | 18,646            | 56,488                 | -                 | 457,082          |
| 154   | PIMA COUNTY ATTORNEY INVESTIGATOR | 238,441          | 18,847            | 53,448                 | (914)             | 309,823          |
| 146   | PIMA COUNTY COMM. COLLEGE POLICE  | 904,398          | (210,152)         | 84,275                 | (36,741)          | 741,780          |
| 039   | PIMA COUNTY SHERIFF'S DEPARTMENT  | 10,007,543       | (807,190)         | 1,394,122              | (104,920)         | 10,489,555       |
| 100   | PIMA POLICE DEPARTMENT            | 11,982           | 14,080            | 7,372                  | -                 | 33,434           |
| 104   | PINAL COUNTY SHERIFF'S DEPARTMENT | 4,248,658        | (194,124)         | 887,669                | (131,141)         | 4,811,062        |
| 150   | PINE-STRAWBERRY FIRE DISTRICT     | 424,489          | (29,139)          | 67,306                 | -                 | 462,655          |
| 185   | PINETOP FIRE DISTRICT             | 344,381          | 32,791            | 127,959                | (28,883)          | 476,247          |
| 113   | PINETOP-LAKESIDE POLICE DEPT.     | 334,611          | 12,241            | 70,648                 | (20,753)          | 396,747          |
| 207   | PINEWOOD FIRE DISTRICT            | 85,288           | 2,987             | 57,383                 | -                 | 145,659          |
| 023   | PRESCOTT FIRE DEPARTMENT          | 2,605,969        | 3,710             | 362,950                | -                 | 2,972,628        |
| 024   | PRESCOTT POLICE DEPARTMENT        | 2,168,903        | (275,219)         | 308,610                | (46,726)          | 2,155,569        |
| 088   | PRESCOTT VALLEY POLICE DEPARTMENT | 1,412,427        | 28,639            | 261,575                | (34,208)          | 1,668,433        |
| 221   | QUARTZSITE FIRE DISTRICT          | 30,667           | 926               | 24,725                 | (3,441)           | 52,877           |
| 144   | QUARTZSITE POLICE DEPARTMENT      | 291,016          | 46,740            | 58,259                 | -                 | 396,015          |
| 208   | RINCON VALLEY FIRE DISTRICT       | 124,334          | 5,013             | 87,677                 | (2,505)           | 214,519          |
| 200   | RIO RICO FIRE DISTRICT            | 198,339          | (33,187)          | 93,255                 | -                 | 258,407          |
| 222   | RIO VERDE FIRE DISTRICT           | 214,760          | (6,781)           | 74,626                 | -                 | 282,605          |
| 047   | SAFFORD POLICE DEPARTMENT         | 538,070          | 28,614            | 97,227                 | -                 | 663,910          |
| 174   | SAHUARITA POLICE DEPARTMENT       | 411,924          | 87,284            | 107,658                | (63,577)          | 543,289          |
| 181   | SALT RIVER PIMA-MARICOPA FIRE     | 1,554,477        | (25,804)          | 361,221                | (3,863)           | 1,886,030        |
| 182   | SALT RIVER PIMA-MARICOPA POLICE   | 1,522,331        | 38,813            | 509,595                | (1,629)           | 2,069,111        |
| 163   | SAN LUIS FIRE DEPARTMENT          | 336,039          | (42,452)          | 76,692                 | (6,448)           | 363,830          |
| 095   | SAN LUIS POLICE DEPARTMENT        | 524,656          | 10,460            | 130,417                | -                 | 665,533          |
| 087   | SANTA CRUZ COUNTY SHERIFF'S DEPT. | 1,103,537        | (328,893)         | 141,373                | (58,198)          | 857,818          |
| 223   | SCOTTSDALE FIRE DEPARTMENT        | 2,167,865        | (8,493)           | 1,354,793              | (5,211)           | 3,508,954        |
| 025   | SCOTTSDALE POLICE DEPARTMENT      | 16,419,515       | (672,065)         | 2,235,527              | (165,287)         | 17,817,691       |
| 166   | SEDONA FIRE DISTRICT              | 1,614,943        | 3,781             | 410,640                | -                 | 2,029,364        |
| 129   | SEDONA POLICE DEPARTMENT          | 681,505          | -                 | 119,004                | (14,795)          | 785,714          |
| 186   | SHOW LOW FIRE DISTRICT            | 215,737          | 29,060            | 85,339                 | -                 | 330,136          |
| 078   | SHOW LOW POLICE DEPARTMENT        | 595,551          | 6,915             | 109,776                | (15,479)          | 696,763          |
| 026   | SIERRA VISTA FIRE DEPARTMENT      | 1,762,764        | -                 | 157,656                | -                 | 1,920,421        |
| 036   | SIERRA VISTA POLICE DEPARTMENT    | 1,981,999        | (147,719)         | 265,149                | (16,667)          | 2,082,761        |
| 065   | SNOWFLAKE POLICE DEPARTMENT       | 231,414          | (14,132)          | 46,581                 | (8,583)           | 255,280          |
| 171   | SOMERTON FIRE DEPARTMENT          | 225,227          | 42,452            | 58,175                 | -                 | 325,854          |
| 169   | SOMERTON POLICE DEPARTMENT        | 311,916          | (2,381)           | 63,886                 | (3,877)           | 369,544          |
| 058   | SOUTH TUCSON FIRE DEPARTMENT      | 279,976          | (40,915)          | 45,277                 | -                 | 284,337          |
| 069   | SOUTH TUCSON POLICE DEPARTMENT    | 424,110          | (97,851)          | 65,060                 | -                 | 391,319          |

**Statistical Section  
Operating Information**

| <b>SYS #</b> | <b>SYSTEM</b>                     | <b>BALANCES 6/30/06</b> | <b>RESERVE TRANSFERS</b> | <b>CONTRIBUTIONS RECEIVED</b> | <b>WITHDRAWN MEMBERS</b> | <b>BALANCES 6/30/07</b> |
|--------------|-----------------------------------|-------------------------|--------------------------|-------------------------------|--------------------------|-------------------------|
| 092          | SPRINGVILLE POLICE DEPARTMENT     | 223,236                 | (9,543)                  | 26,442                        | (15,290)                 | 224,845                 |
| 153          | ST. JOHNS POLICE DEPARTMENT       | 128,479                 | 444                      | 25,761                        | (444)                    | 154,239                 |
| 195          | SUMMIT FIRE DISTRICT              | 579,957                 | (18,254)                 | 173,277                       | -                        | 734,979                 |
| 177          | SUN CITY FIRE DISTRICT            | 4,626,776               | (630,570)                | 385,423                       | -                        | 4,381,628               |
| 170          | SUN CITY WEST FIRE DISTRICT       | 1,802,488               | -                        | 285,704                       | -                        | 2,088,192               |
| 155          | SUN LAKES FIRE DISTRICT           | 1,305,017               | (185,719)                | 212,314                       | -                        | 1,331,612               |
| 094          | SUPERIOR POLICE DEPARTMENT        | 149,021                 | 15,970                   | 15,691                        | (33,387)                 | 147,295                 |
| 120          | SURPRISE FIRE DEPARTMENT          | 2,077,211               | 2,921                    | 452,896                       | -                        | 2,533,028               |
| 110          | SURPRISE POLICE DEPARTMENT        | 2,112,750               | (9,689)                  | 497,947                       | (15,422)                 | 2,585,586               |
| 027          | TEMPE FIRE DEPARTMENT             | 7,794,419               | (1,338,408)              | 956,756                       | -                        | 7,412,767               |
| 028          | TEMPE POLICE DEPARTMENT           | 14,232,749              | (1,418,762)              | 1,985,852                     | (261,058)                | 14,538,781              |
| 117          | THATCHER POLICE DEPARTMENT        | 343,955                 | (74,512)                 | 32,078                        | -                        | 301,521                 |
| 188          | THREE POINTS FIRE DISTRICT        | 189,568                 | (41,613)                 | 60,369                        | (1,674)                  | 206,650                 |
| 235          | TOHONO O'ODHAM NATION FIRE        | -                       | -                        | 66,071                        | -                        | 66,071                  |
| 236          | TOHONO O'ODHAM NATION POLICE      | -                       | 20,260                   | 206,260                       | (1,933)                  | 224,588                 |
| 108          | TOLLESON FIRE DEPARTMENT          | 712,425                 | 25,152                   | 140,324                       | -                        | 877,901                 |
| 090          | TOLLESON POLICE DEPARTMENT        | 566,189                 | (27,452)                 | 108,572                       | (17,946)                 | 629,363                 |
| 132          | TOMBSTONE MARSHAL'S DEPARTMENT    | 62,932                  | 8,206                    | 22,232                        | (11,407)                 | 81,963                  |
| 209          | TONOPAH FIRE DISTRICT             | 55,851                  | (18,634)                 | 16,403                        | (2,847)                  | 50,773                  |
| 216          | TOWN OF SUPERIOR (FIRE DEPT)      | 22,055                  | (2,749)                  | 12,179                        | (4,091)                  | 27,394                  |
| 201          | TRI-CITY FIRE DISTRICT            | 132,808                 | (2,717)                  | 52,242                        | -                        | 182,334                 |
| 172          | TUBAC FIRE DISTRICT               | 358,103                 | (46,490)                 | 71,615                        | -                        | 383,228                 |
| 124          | TUCSON AIRPORT AUTHORITY FIRE DPT | 970,639                 | (48,724)                 | 66,161                        | -                        | 988,077                 |
| 125          | TUCSON AIRPORT AUTHORITY POLICE   | 919,971                 | (110,424)                | 151,572                       | (9,413)                  | 951,706                 |
| 029          | TUCSON FIRE DEPARTMENT            | 23,454,667              | (2,940,407)              | 1,929,353                     | (15,489)                 | 22,428,124              |
| 030          | TUCSON POLICE DEPARTMENT          | 36,211,253              | (2,743,961)              | 3,937,408                     | (153,472)                | 37,251,228              |
| 045          | U OF A CAMPUS POLICE DEPARTMENT   | 1,359,216               | 52,747                   | 229,940                       | (36,986)                 | 1,604,917               |
| 203          | VERDE VALLEY FIRE DISTRICT        | 523,325                 | 6,010                    | 91,893                        | -                        | 621,229                 |
| 111          | WELLTON POLICE                    | 43,042                  | 2,582                    | 16,204                        | -                        | 61,828                  |
| 217          | WICKENBURG FIRE DEPARTMENT        | 8,127                   | 6,629                    | 20,530                        | -                        | 35,286                  |
| 126          | WICKENBURG POLICE DEPARTMENT      | 333,815                 | (45,564)                 | 58,619                        | -                        | 346,869                 |
| 077          | WILLCOX POLICE DEPARTMENT         | 210,584                 | -                        | 34,145                        | (36,904)                 | 207,825                 |
| 115          | WILLIAMS POLICE DEPARTMENT        | 189,157                 | (55,916)                 | 37,410                        | (3,867)                  | 166,785                 |
| 237          | WILLIAMSON VALLEY FIRE DISTRICT   | -                       | 36,766                   | 16,133                        | -                        | 52,900                  |
| 031          | WINSLOW FIRE DEPARTMENT           | 252,584                 | -                        | 22,617                        | -                        | 275,202                 |
| 050          | WINSLOW POLICE DEPARTMENT         | 490,340                 | 22,842                   | 96,433                        | -                        | 609,614                 |
| 187          | YAVAPAI CNTY ATTRNY INVESTIGATORS | 72,861                  | -                        | -                             | -                        | 72,861                  |
| 098          | YAVAPAI COUNTY SHERIFF'S DEPT.    | 3,283,383               | (130,348)                | 527,342                       | (4,716)                  | 3,675,661               |
| 234          | YAVAPAI PRESCOTT TRIBAL POLICE    | -                       | -                        | 19,645                        | -                        | 19,645                  |
| 118          | YOUNGTOWN POLICE DEPARTMENT       | 222,148                 | 3,039                    | 38,934                        | (21,245)                 | 242,876                 |
| 034          | YUMA COUNTY SHERIFF'S DEPARTMENT  | 1,682,531               | (149,188)                | 283,081                       | (83,599)                 | 1,732,825               |
| 032          | YUMA FIRE DEPARTMENT              | 3,806,732               | (185,664)                | 442,917                       | -                        | 4,063,985               |
| 033          | YUMA POLICE DEPARTMENT            | 5,593,629               | (331,037)                | 709,752                       | (58,795)                 | 5,913,549               |
| 219          | TOTALS                            | 698,024,851             | (55,318,456)             | 93,789,492                    | (5,567,272)              | 730,928,615             |

**SCHEDULE OF CHANGES IN EMPLOYERS' RESERVE - YEAR ENDED JUNE 30, 2007**  
**AND UNFUNDED ACCRUED NORMAL COSTS AT JUNE 30, 2006**

| SYS #. | SYSTEM                            | FIRE             |                   |                  |                                |                 |              |                  |                          |                  |  | UNFUNDED ACCRUED NORMAL COSTS 6/30/06 |
|--------|-----------------------------------|------------------|-------------------|------------------|--------------------------------|-----------------|--------------|------------------|--------------------------|------------------|--|---------------------------------------|
|        |                                   | BALANCES 6/30/06 | RESERVE TRANSFERS | CONTRIB RECEIVED | INSURANCE PREMIUM TAX RECEIVED | PENSION PAYMENT | DROP PAYMENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 |  |                                       |
| 224    | AK CHIN INDIAN COMM. FIRE DEPT.   | 1,455,245        | 119               | 41,717           | -                              | (9,978)         | -            | 197,142          | 1,684,244                | (18,967)         |  |                                       |
| 225    | AK CHIN INDIAN COMM. POLICE DEPT. | 763,311          | (23,389)          | 28,927           | -                              | -               | -            | 107,065          | 875,915                  | (186,890)        |  |                                       |
| 101    | APACHE COUNTY SHERIFFS DEPT.      | 2,313,538        | (149,800)         | 280,987          | -                              | (431,051)       | -            | 374,007          | 2,354,537                | 3,422,068        |  |                                       |
| 148    | APACHE JUNCTION FIRE DISTRICT     | 5,765,240        | 29,182            | 449,497          | -                              | (184,287)       | -            | 1,087,336        | 7,117,547                | 2,223,892        |  |                                       |
| 070    | APACHE JUNCTION POLICE DEPARTMENT | 6,544,534        | (105,825)         | 415,260          | -                              | (686,750)       | (22,080)     | 1,012,222        | 7,157,362                | 4,779,709        |  |                                       |
| 160    | ARIZONA STATE CAPITOL POLICE      | 1,615,441        | 72,778            | 97,936           | -                              | (86,103)        | -            | 284,161          | 1,984,212                | 3,198,837        |  |                                       |
| 204    | ARIZONA STATE PARK RANGERS        | 4,007,687        | -                 | 193,515          | -                              | (80,385)        | -            | 763,258          | 4,884,075                | 546,645          |  |                                       |
| 041    | ASU CAMPUS POLICE                 | 9,076,539        | 150,413           | 392,281          | -                              | (823,500)       | -            | 1,356,626        | 10,152,358               | 350,909          |  |                                       |
| 151    | ATTORNEY GENERAL INVESTIGATORS    | 5,597,641        | 195,124           | 174,675          | -                              | (699,063)       | (296,134)    | 820,038          | 5,745,906                | 813,418          |  |                                       |
| 059    | AVONDALE FIRE DEPARTMENT          | 3,327,566        | -                 | 230,256          | 100,549                        | (91,239)        | -            | 650,319          | 4,217,451                | 2,975,248        |  |                                       |
| 139    | AVONDALE POLICE DEPARTMENT        | 4,934,687        | 35,458            | 454,361          | -                              | (363,571)       | -            | 893,587          | 5,906,973                | 1,414,275        |  |                                       |
| 162    | AVRA VALLEY FIRE DISTRICT         | 751,114          | 237,870           | 47,944           | 8,815                          | -               | -            | 145,494          | 1,191,236                | 2,282,280        |  |                                       |
| 164    | AZ DPT. LIQ. LIC. & CONTROL INVST | 2,524,412        | 258,686           | 116,574          | -                              | (173,992)       | (35,006)     | 421,065          | 3,111,739                | (284,121)        |  |                                       |
| 037    | BENSON POLICE DEPARTMENT          | 1,027,069        | (47,358)          | 66,927           | -                              | (98,049)        | -            | 160,505          | 1,109,095                | 403,411          |  |                                       |
| 001    | BISBEE FIRE DEPARTMENT            | 2,344,096        | 52,518            | 224,316          | -                              | (492,182)       | -            | 356,385          | 2,485,133                | 3,350,792        |  |                                       |
| 038    | BISBEE POLICE DEPARTMENT          | 1,505,018        | 65,233            | 201,446          | -                              | (341,659)       | -            | 242,873          | 1,664,461                | 2,624,731        |  |                                       |
| 219    | BLACK CANYON FIRE DISTRICT        | 39,544           | -                 | 22,958           | 5,041                          | -               | -            | 12,408           | 79,951                   | 154,048          |  |                                       |
| 190    | BUCKEYE FIRE DEPARTMENT           | 1,585,070        | (89,599)          | 180,046          | 28,640                         | -               | -            | 319,797          | 2,023,955                | (444,818)        |  |                                       |
| 106    | BUCKEYE POLICE DEPARTMENT         | 2,793,712        | 892,310           | 232,661          | -                              | (155,991)       | -            | 560,853          | 4,321,448                | 206,897          |  |                                       |
| 212    | BUCKEYE VALLEY FIRE DISTRICT      | 823,812          | (102,135)         | 97,733           | 20,392                         | -               | -            | 139,609          | 972,160                  | (154,766)        |  |                                       |
| 064    | BUCKSKIN FIRE DISTRICT            | 1,197,416        | (8,965)           | 72,557           | 12,999                         | (220,801)       | -            | 168,527          | 1,221,732                | 1,280,943        |  |                                       |
| 044    | BULLHEAD CITY FIRE DEPARTMENT     | 9,862,842        | (7,560)           | 321,069          | 71,144                         | (332,584)       | (211,221)    | 1,564,259        | 11,245,427               | 1,405,514        |  |                                       |
| 114    | BULLHEAD CITY POLICE DEPARTMENT   | 9,339,427        | 583,872           | 549,939          | -                              | (510,311)       | (696,481)    | 1,576,843        | 10,843,290               | 3,178,438        |  |                                       |
| 196    | CAMP VERDE FIRE DISTRICT          | 835,856          | -                 | 90,157           | 16,054                         | -               | -            | 155,865          | 1,097,932                | 221,084          |  |                                       |
| 121    | CAMP VERDE MARSHALS               | 1,041,088        | 3,866             | 72,328           | -                              | (55,663)        | -            | 179,538          | 1,241,156                | 201,862          |  |                                       |
| 218    | CAREFREE TOWN MARSHALS            | (0)              | -                 | -                | -                              | -               | -            | -                | (0)                      | -                |  |                                       |
| 002    | CASA GRANDE FIRE DEPARTMENT       | 5,317,863        | 2,689             | 296,151          | 46,398                         | (703,129)       | -            | 811,352          | 5,771,324                | 3,440,898        |  |                                       |
| 003    | CASA GRANDE POLICE DEPARTMENT     | 9,106,124        | 151,659           | 572,490          | -                              | (1,072,594)     | -            | 1,412,330        | 10,159,828               | 6,336,216        |  |                                       |
| 229    | CAVE CREEK MARSHALS               | 8,188            | -                 | 10,809           | -                              | -               | -            | 3,169            | 22,166                   | 36,178           |  |                                       |
| 062    | CENTRAL YAVAPAI FIRE DISTRICT     | 8,933,482        | 54,461            | 386,279          | 135,027                        | (453,990)       | (172,957)    | 1,545,033        | 10,422,856               | 4,448,845        |  |                                       |
| 004    | CHANDLER FIRE DEPARTMENT          | 25,130,478       | 751,427           | 589,875          | 577,888                        | (1,009,537)     | (423,785)    | 4,298,350        | 29,850,358               | 5,262,207        |  |                                       |
| 005    | CHANDLER POLICE DEPARTMENT        | 35,937,389       | 228,440           | 2,344,017        | -                              | (2,074,785)     | (736,527)    | 6,261,466        | 41,895,604               | 15,106,574       |  |                                       |

| SYS #. | SYSTEM                            | BALANCES 6/30/06 |                   |                  | RESERVE TRANSFERS |                  |                                | CONTRIB RECEIVED |               |                  | FIRE INSURANCE PREMIUM TAX RECEIVED |                  |                                | PENSION PAYMENT | DROP PAY-MENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 | UNFUNDED ACCRUED COSTS 6/30/06 |
|--------|-----------------------------------|------------------|-------------------|------------------|-------------------|------------------|--------------------------------|------------------|---------------|------------------|-------------------------------------|------------------|--------------------------------|-----------------|---------------|------------------|--------------------------|------------------|--------------------------------|
|        |                                   | BALANCES 6/30/06 | RESERVE TRANSFERS | CONTRIB RECEIVED | RESERVE TRANSFERS | CONTRIB RECEIVED | INSURANCE PREMIUM TAX RECEIVED | PENSION PAYMENT  | DROP PAY-MENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS            | BALANCES 6/30/07 | UNFUNDED ACCRUED COSTS 6/30/06 |                 |               |                  |                          |                  |                                |
| 138    | CHINO VALLEY FIRE DISTRICT        | 1,703,211        | 57,530            | 144,856          | 27,504            | (18,165)         | -                              | 327,515          | 2,242,452     | 534,418          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 109    | CHINO VALLEY POLICE DEPARTMENT    | 1,521,602        | 91,894            | 99,587           | -                 | (42,223)         | -                              | 295,400          | 1,926,668     | 93,192           |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 105    | CLARKDALE POLICE DEPARTMENT       | 730,951          | -                 | 44,582           | -                 | (22,189)         | -                              | 129,731          | 883,075       | 31,837           |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 006    | CLIFTON FIRE DEPARTMENT           | 375,001          | -                 | -                | 1,121             | (26,940)         | -                              | 51,712           | 400,894       | (106,307)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 083    | CLIFTON POLICE DEPARTMENT         | 379,181          | (46,380)          | 4,419            | -                 | (16,820)         | -                              | 47,376           | 367,775       | (261,373)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 046    | COCHISE COUNTY SHERIFF'S DEPT     | 9,114,194        | 274,251           | 664,871          | -                 | (1,414,350)      | -                              | 1,388,907        | 10,021,276    | 8,183,945        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 061    | COCONINO COUNTY SHERIFF'S DEPT    | 8,868,237        | 207,938           | 703,332          | -                 | (1,385,013)      | (78,506)                       | 1,322,747        | 9,616,203     | 8,728,369        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 239    | COOLIDGE FIRE DEPARTMENT          | -                | -                 | 4,143            | -                 | -                | -                              | 463              | 4,606         | -                |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 085    | COOLIDGE POLICE DEPARTMENT        | 2,311,226        | 36,642            | 170,750          | -                 | (190,319)        | (33,168)                       | 381,175          | 2,676,306     | 1,438,803        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 226    | CORONA DE TUCSON FIRE DISTRICT    | 85,948           | -                 | 88,090           | 7,183             | -                | -                              | 23,442           | 204,663       | 459,172          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 102    | COTTONWOOD FIRE DEPARTMENT        | 953,779          | (20,537)          | 71,164           | -                 | (60,019)         | -                              | 162,832          | 1,107,219     | 230,678          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 066    | COTTONWOOD POLICE DEPARTMENT      | 2,236,347        | 46,727            | 213,801          | -                 | (335,405)        | (155,644)                      | 348,599          | 2,321,949     | 2,579,154        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 143    | DAISY MOUNTAIN FIRE DISTRICT      | 2,344,748        | 123,853           | 235,696          | 107,610           | -                | -                              | 532,717          | 3,344,625     | 1,031,234        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 119    | DEPARTMENT OF EMER & MILITARY AFF | 3,647,635        | 131,436           | 138,641          | -                 | (295,125)        | (31,470)                       | 582,845          | 4,173,962     | 171,571          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 7      | DEPARTMENT OF PUBLIC SAFETY       | 374,254,206      | 4,477,065         | 16,255,560       | -                 | (37,755,798)     | (12,596,130)                   | 48,837,543       | 393,420,352   | 155,965,583      |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 193    | DIAMOND STAR FIRE DISTRICT        | 221,131          | -                 | 27,816           | -                 | -                | -                              | 44,186           | 293,133       | 155,159          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 008    | DOUGLAS FIRE DEPARTMENT           | 3,912,031        | 60,242            | 223,649          | 11,608            | (622,359)        | -                              | 556,828          | 4,141,999     | 3,150,194        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 009    | DOUGLAS POLICE DEPARTMENT         | 4,994,679        | 39,731            | 227,572          | -                 | (583,995)        | -                              | 752,077          | 5,418,653     | 3,092,296        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 049    | DREXEL HEIGHTS FIRE DISTRICT      | 4,565,455        | 151,339           | 308,573          | -                 | (109,072)        | -                              | 849,692          | 5,762,201     | 905,904          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 089    | EAGAR POLICE DEPARTMENT           | 853,265          | (2,300)           | 43,072           | -                 | (55,249)         | -                              | 139,720          | 978,508       | 217,557          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 127    | EL MIRAGE FIRE DEPARTMENT         | 995,230          | (61,954)          | 20,258           | 38,535            | (36,037)         | -                              | 172,588          | 1,128,619     | (159,718)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 93     | EL MIRAGE POLICE DEPARTMENT       | 1,696,071        | (308,309)         | 108,916          | -                 | (168,238)        | -                              | 284,642          | 1,613,082     | 665,830          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 213    | ELOY FIRE DISTRICT                | 238,295          | (93,560)          | 101,778          | -                 | -                | -                              | 45,844           | 292,357       | 705,373          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 079    | ELOY POLICE DEPARTMENT            | 2,190,459        | 53,204            | 157,088          | -                 | (46,751)         | -                              | 410,099          | 2,737,942     | 241,648          |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 010    | FLAGSTAFF FIRE DEPARTMENT         | 23,071,243       | 382,868           | 760,297          | 153,009           | (1,985,288)      | (1,021,771)                    | 3,352,094        | 24,712,451    | 8,434,828        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 011    | FLAGSTAFF POLICE DEPARTMENT       | 16,176,770       | (27,755)          | 947,163          | -                 | (2,035,407)      | (972,992)                      | 2,317,522        | 16,395,798    | 9,905,841        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 176    | FLORENCE FIRE DEPARTMENT          | 313,235          | 18,505            | 28,906           | 8,264             | -                | -                              | 63,746           | 432,655       | (162,417)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 91     | FLORENCE POLICE DEPARTMENT        | 1,369,943        | 20,045            | 60,525           | -                 | (53,936)         | -                              | 230,465          | 1,593,631     | (215,613)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 197    | FORT MCDOWELL TRIBAL FIRE DEPT.   | 487,051          | (44,818)          | 36,009           | -                 | -                | -                              | 86,056           | 559,864       | (277,768)        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 198    | FORT MCDOWELL TRIBAL POLICE DEPT. | 891,660          | (4,224)           | 91,208           | -                 | -                | -                              | 177,412          | 1,156,057     | (51,381)         |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 134    | FORT MOJAVE MESA FIRE DISTRICT    | 2,677,471        | 54,531            | 189,895          | 22,980            | (225,611)        | -                              | 467,635          | 3,186,900     | 1,565,517        |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 211    | FORT MOJAVE TRIBAL POLICE DEPT.   | 332,375          | (82,138)          | 59,119           | -                 | -                | -                              | 63,944           | 373,299       | (55,955)         |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 055    | FREDONIA MARSHALS                 | 197,751          | -                 | 6,562            | -                 | -                | -                              | 31,367           | 235,681       | (93,686)         |                                     |                  |                                |                 |               |                  |                          |                  |                                |
| 054    | FRY FIRE DISTRICT                 | 4,874,071        | 73,128            | 210,289          | -                 | (626,614)        | -                              | 690,798          | 5,221,672     | 2,246,585        |                                     |                  |                                |                 |               |                  |                          |                  |                                |

# Statistical Section

| SYS #. | SYSTEM                            | BALANCES   |           |           |         | RESERVE TRANSFERS |                  | CONTRIB RECEIVED               |                 | INSURANCE PREMIUM TAX RECEIVED |                  | PENSION PAYMENT          |            | DROP PAYMENT |         | ENHANCED REFUNDS |         | DISTRIBUTION OF EARNINGS |         | BALANCES |         | UNFUNDED ACCRUED NORMAL COSTS |         |
|--------|-----------------------------------|------------|-----------|-----------|---------|-------------------|------------------|--------------------------------|-----------------|--------------------------------|------------------|--------------------------|------------|--------------|---------|------------------|---------|--------------------------|---------|----------|---------|-------------------------------|---------|
|        |                                   | 6/30/06    | 6/30/06   | 6/30/06   | 6/30/06 | RESERVE TRANSFERS | CONTRIB RECEIVED | INSURANCE PREMIUM TAX RECEIVED | PENSION PAYMENT | DROP PAYMENT                   | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES   | 6/30/07      | 6/30/06 | 6/30/06          | 6/30/06 | 6/30/06                  | 6/30/06 | 6/30/06  | 6/30/06 | 6/30/06                       | 6/30/06 |
| 035    | GAME AND FISH DEPARTMENT          | 29,165,026 | 396,768   | 2,070,094 | -       | (4,132,963)       | (817,625)        | -                              | 4,245,543       | -                              | -                | 30,926,842               | 24,337,782 |              |         |                  |         |                          |         |          |         |                               |         |
| 112    | GILA COUNTY SHERIFF'S DEPARTMENT  | 4,135,321  | (284,615) | 246,045   | -       | (411,902)         | (10,680)         | -                              | 630,584         | (32,026)                       | -                | 4,272,728                | 1,977,801  |              |         |                  |         |                          |         |          |         |                               |         |
| 179    | GILA RIVER FIRE DEPARTMENT        | 1,772,026  | (167,037) | 208,138   | -       | (21,209)          | -                | -                              | 359,013         | (35,313)                       | -                | 2,115,618                | (101,445)  |              |         |                  |         |                          |         |          |         |                               |         |
| 180    | GILA RIVER POLICE DEPARTMENT      | 2,347,591  | (50,419)  | 261,936   | -       | (46,175)          | -                | -                              | 473,329         | (30,569)                       | -                | 2,955,693                | (246,139)  |              |         |                  |         |                          |         |          |         |                               |         |
| 149    | GILBERT FIRE DEPARTMENT           | 6,140,789  | 56,650    | 236,633   | 409,585 | (70,711)          | -                | (27,880)                       | 1,305,604       | (27,880)                       | -                | 8,050,671                | 952,891    |              |         |                  |         |                          |         |          |         |                               |         |
| 081    | GILBERT POLICE DEPARTMENT         | 12,287,344 | 172,630   | 1,232,216 | -       | (827,924)         | -                | (24,585)                       | 2,322,799       | (24,585)                       | -                | 15,162,480               | 6,774,518  |              |         |                  |         |                          |         |          |         |                               |         |
| 012    | GLENDALE FIRE DEPARTMENT          | 41,212,250 | 1,009,603 | 1,403,634 | 408,290 | (2,285,376)       | (2,921,125)      | -                              | 6,329,819       | -                              | -                | 45,157,095               | 13,629,154 |              |         |                  |         |                          |         |          |         |                               |         |
| 013    | GLENDALE POLICE DEPARTMENT        | 51,091,908 | 575,963   | 3,269,639 | -       | (4,936,541)       | (1,819,028)      | (255,557)                      | 8,138,573       | (255,557)                      | -                | 56,064,956               | 32,213,016 |              |         |                  |         |                          |         |          |         |                               |         |
| 014    | GLOBE FIRE DEPARTMENT             | 2,123,463  | (29,182)  | 107,595   | 8,317   | (262,370)         | -                | -                              | 324,736         | -                              | -                | 2,272,559                | 966,982    |              |         |                  |         |                          |         |          |         |                               |         |
| 131    | GLOBE POLICE DEPARTMENT           | 1,997,476  | 105,961   | 164,348   | -       | (243,665)         | (39,007)         | -                              | 320,781         | -                              | -                | 2,305,894                | 1,561,502  |              |         |                  |         |                          |         |          |         |                               |         |
| 227    | GOLDEN SHORES FIRE DISTRICT       | 111,906    | 69,714    | 27,227    | 3,462   | -                 | -                | -                              | 27,773          | -                              | -                | 240,081                  | (179)      |              |         |                  |         |                          |         |          |         |                               |         |
| 142    | GOLDEN VALLEY FIRE DISTRICT       | 1,120,140  | 53,633    | 55,814    | -       | (49,777)          | -                | -                              | 182,655         | -                              | -                | 1,362,466                | (83,461)   |              |         |                  |         |                          |         |          |         |                               |         |
| 133    | GOLDER RANCH FIRE DISTRICT        | 4,559,791  | -         | 416,370   | -       | (45,272)          | -                | -                              | 885,881         | -                              | -                | 5,816,770                | 425,021    |              |         |                  |         |                          |         |          |         |                               |         |
| 136    | GOODYEAR FIRE DEPARTMENT          | 2,977,670  | -         | 207,553   | 117,613 | -                 | -                | -                              | 637,610         | -                              | -                | 3,940,446                | (24,359)   |              |         |                  |         |                          |         |          |         |                               |         |
| 137    | GOODYEAR POLICE DEPARTMENT        | 4,331,405  | 62,500    | 452,954   | -       | (264,769)         | -                | -                              | 814,586         | -                              | -                | 5,396,676                | 1,567,823  |              |         |                  |         |                          |         |          |         |                               |         |
| 220    | GRAHAM COUNTY ATTORNEY INVEST.    | 126,399    | -         | 2,737     | -       | -                 | -                | -                              | 21,269          | -                              | -                | 150,405                  | (47,377)   |              |         |                  |         |                          |         |          |         |                               |         |
| 140    | GRAHAM COUNTY SHERIFF'S DEPT.     | 845,819    | (43,990)  | 95,612    | -       | (110,398)         | -                | -                              | 147,700         | -                              | -                | 934,744                  | 605,543    |              |         |                  |         |                          |         |          |         |                               |         |
| 194    | GREEN VALLEY FIRE DISTRICT        | 3,031,027  | 98,857    | 222,185   | 71,042  | -                 | -                | -                              | 551,857         | -                              | -                | 3,974,968                | 1,066,614  |              |         |                  |         |                          |         |          |         |                               |         |
| 157    | GREENLEE CNTY ATTY INVESTIGATORS  | 28,512     | -         | -         | -       | -                 | -                | -                              | 3,624           | -                              | -                | 32,136                   | (34,073)   |              |         |                  |         |                          |         |          |         |                               |         |
| 123    | GREENLEE COUNTY SHERIFF'S DEPT.   | 1,535,285  | (30)      | 66,833    | -       | (74,440)          | -                | (80,607)                       | 233,551         | -                              | -                | 1,680,593                | 22,836     |              |         |                  |         |                          |         |          |         |                               |         |
| 232    | GROOM CREEK FIRE DISTRICT         | -          | 10,652    | 24,861    | -       | -                 | -                | -                              | 3,758           | -                              | -                | 39,271                   | -          |              |         |                  |         |                          |         |          |         |                               |         |
| 167    | GUADALUPE FIRE DEPARTMENT         | 366,917    | 6         | 24,786    | -       | -                 | -                | -                              | 77,383          | -                              | -                | 469,093                  | (82,135)   |              |         |                  |         |                          |         |          |         |                               |         |
| 178    | HAYDEN POLICE DEPARTMENT          | 124,297    | 347,116   | 10,718    | -       | -                 | -                | -                              | 43,933          | (55,573)                       | -                | 470,492                  | (30,541)   |              |         |                  |         |                          |         |          |         |                               |         |
| 192    | HEBER-OVERGAARD FIRE DISTRICT     | 215,308    | (76,291)  | 31,082    | 20,335  | -                 | -                | -                              | 44,586          | -                              | -                | 235,020                  | (35,110)   |              |         |                  |         |                          |         |          |         |                               |         |
| 199    | HIGHLANDS FIRE DISTRICT           | 1,001,179  | (2,687)   | 173,815   | -       | (23,369)          | -                | (7,273)                        | 187,079         | -                              | -                | 1,328,744                | 822,865    |              |         |                  |         |                          |         |          |         |                               |         |
| 086    | HOLBROOK POLICE DEPARTMENT        | 1,577,621  | (41,274)  | 134,607   | -       | (260,351)         | -                | -                              | 229,079         | -                              | -                | 1,639,682                | 1,667,310  |              |         |                  |         |                          |         |          |         |                               |         |
| 206    | HUALAPAI INDIAN TRIBE POLICE DEPT | 115,549    | -         | 19,147    | -       | -                 | -                | -                              | 24,620          | -                              | -                | 159,317                  | (32,221)   |              |         |                  |         |                          |         |          |         |                               |         |
| 053    | HUALAPAI VALLEY FIRE DISTRICT     | 1,081,768  | (64,043)  | 148,635   | -       | (100,776)         | -                | -                              | 187,376         | -                              | -                | 1,252,960                | 971,411    |              |         |                  |         |                          |         |          |         |                               |         |
| 210    | JEROME POLICE DEPARTMENT          | 42,524     | -         | 15,253    | -       | -                 | -                | -                              | 9,372           | -                              | -                | 67,149                   | 39,149     |              |         |                  |         |                          |         |          |         |                               |         |
| 156    | KEARNY POLICE DEPARTMENT          | 746,898    | 7,666     | 7,225     | -       | (53,226)          | -                | -                              | 104,089         | -                              | -                | 812,653                  | 29,299     |              |         |                  |         |                          |         |          |         |                               |         |
| 015    | KINGMAN FIRE DEPARTMENT           | 5,526,101  | 97,218    | 283,961   | 43,889  | (297,811)         | -                | (16,136)                       | 958,961         | -                              | -                | 6,596,183                | 2,358,051  |              |         |                  |         |                          |         |          |         |                               |         |
| 040    | KINGMAN POLICE DEPARTMENT         | 6,298,168  | (27,839)  | 374,038   | -       | (573,983)         | -                | (3,969)                        | 987,790         | -                              | -                | 7,054,206                | 3,259,508  |              |         |                  |         |                          |         |          |         |                               |         |
| 173    | LA PAZ COUNTY ATTY. INVESTIGATORS | 100,095    | -         | 5,182     | -       | -                 | -                | -                              | 13,270          | -                              | -                | 118,546                  | 3,308      |              |         |                  |         |                          |         |          |         |                               |         |
| 103    | LA PAZ COUNTY SHERIFF'S DEPT.     | 3,518,521  | (48,651)  | 216,870   | -       | (345,276)         | -                | -                              | 569,407         | -                              | -                | 3,910,872                | 2,663,756  |              |         |                  |         |                          |         |          |         |                               |         |

| SYS #. | SYSTEM                            | BALANCES    |           |           |         | RESERVE      |             | CONTRIB   |                      | FIRE INSURANCE |            | PENSION PAYMENT | DROP PAYMENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 | NORMAL COSTS 6/30/06 | UNFUNDED ACCRUED |
|--------|-----------------------------------|-------------|-----------|-----------|---------|--------------|-------------|-----------|----------------------|----------------|------------|-----------------|--------------|------------------|--------------------------|------------------|----------------------|------------------|
|        |                                   | 6/30/06     | TRANSFERS | 6/30/06   | 6/30/06 | RECEIVED     | RECEIVED    | RECEIVED  | PREMIUM TAX RECEIVED |                |            |                 |              |                  |                          |                  |                      |                  |
| 042    | LAKE HAVASU CITY FIRE DEPARTMENT  | 14,498,729  | 514,656   | 271,546   | 146,797 | (858,217)    | (1,055,086) | -         | 2,147,834            | 15,666,259     | 4,952,036  |                 |              |                  |                          |                  |                      |                  |
| 67     | LAKE HAVASU CITY POLICE DEPT.     | 9,890,016   | 422,969   | 578,055   | -       | (879,742)    | (386,495)   | -         | 1,599,515            | 11,224,318     | 4,866,179  |                 |              |                  |                          |                  |                      |                  |
| 183    | LAKESIDE FIRE DISTRICT            | 383,435     | 31,186    | 35,394    | 18,042  | -            | -           | (15,571)  | 80,540               | 533,026        | (110,325)  |                 |              |                  |                          |                  |                      |                  |
| 205    | LINDEN FIRE DISTRICT              | 104,420     | -         | 4,680     | 7,100   | -            | -           | -         | 21,084               | 137,284        | (65,926)   |                 |              |                  |                          |                  |                      |                  |
| 130    | MAMMOTH POLICE DEPARTMENT         | 67,626      | -         | 21,150    | -       | -            | -           | (14,750)  | 23,308               | 97,334         | 68,021     |                 |              |                  |                          |                  |                      |                  |
| 107    | MARANA POLICE DEPARTMENT          | 4,587,658   | 42,966    | 386,239   | -       | (176,213)    | -           | -         | 849,283              | 5,089,934      | 1,749,994  |                 |              |                  |                          |                  |                      |                  |
| 165    | MARICOPA CNTY ATTY INVESTIGATORS  | 3,442,213   | 130,706   | 171,511   | -       | (521,811)    | (94,776)    | -         | 484,914              | 3,612,757      | 1,974,228  |                 |              |                  |                          |                  |                      |                  |
| 202    | MARICOPA COUNTY PARK RANGERS      | 840,385     | 88,497    | 16,800    | -       | (118,681)    | (158,644)   | -         | 104,876              | 773,233        | 646,613    |                 |              |                  |                          |                  |                      |                  |
| 016    | MARICOPA COUNTY SHERIFF'S OFFICE  | 122,995,927 | 2,136,370 | 6,635,820 | -       | (12,220,857) | (6,177,605) | (19,878)  | 18,244,022           | 131,593,798    | 57,761,766 |                 |              |                  |                          |                  |                      |                  |
| 228    | MARICOPA FIRE DISTRICT            | 390,150     | 380,347   | 237,816   | 15,654  | -            | -           | -         | 132,797              | 1,156,764      | (167,166)  |                 |              |                  |                          |                  |                      |                  |
| 168    | MAYER FIRE DISTRICT               | 521,542     | 206,125   | 26,976    | 6,507   | (19,757)     | -           | -         | 98,387               | 839,781        | (144,570)  |                 |              |                  |                          |                  |                      |                  |
| 017    | MESA FIRE DEPARTMENT              | 99,071,013  | 2,563,832 | 2,596,971 | 904,642 | (5,876,158)  | (8,546,743) | (6,390)   | 15,029,347           | 105,736,514    | 31,117,075 |                 |              |                  |                          |                  |                      |                  |
| 018    | MESA POLICE DEPARTMENT            | 147,864,467 | 1,274,173 | 7,112,462 | -       | (11,161,543) | (3,115,244) | (253,762) | 23,253,731           | 164,974,284    | 49,845,128 |                 |              |                  |                          |                  |                      |                  |
| 019    | MIAMI FIRE DEPARTMENT             | 258,759     | -         | -         | -       | (21,902)     | -           | -         | 31,496               | 268,354        | (83,720)   |                 |              |                  |                          |                  |                      |                  |
| 116    | MIAMI POLICE DEPARTMENT           | 407,027     | (2,883)   | 27,757    | -       | (43,899)     | -           | -         | 62,143               | 450,144        | 145,870    |                 |              |                  |                          |                  |                      |                  |
| 043    | MOHAVE COUNTY SHERIFFS DEPT.      | 9,987,641   | (387)     | 559,816   | -       | (797,995)    | -           | -         | 1,549,559            | 11,298,633     | 4,801,378  |                 |              |                  |                          |                  |                      |                  |
| 072    | MOHAVE VALLEY FIRE DISTRICT       | 1,550,366   | (4,929)   | 67,512    | 10,716  | -            | -           | -         | 279,553              | 1,903,217      | (455,208)  |                 |              |                  |                          |                  |                      |                  |
| 191    | MONTEZUMA RIMROCK FIRE DISTRICT   | 265,713     | (12,315)  | 32,499    | 6,887   | -            | -           | -         | 52,383               | 345,167        | 78,670     |                 |              |                  |                          |                  |                      |                  |
| 233    | MOUNT LEMMON FIRE DISTRICT        | -           | -         | 117,336   | -       | -            | -           | -         | 8,976                | 126,312        | -          |                 |              |                  |                          |                  |                      |                  |
| 056    | NAU CAMPUS POLICE                 | 2,656,868   | 82,180    | 144,829   | -       | (391,206)    | -           | -         | 368,945              | 2,861,615      | 1,530,267  |                 |              |                  |                          |                  |                      |                  |
| 158    | NAVAJO COUNTY ATTY'S INVESTIGATOR | 203,653     | -         | -         | -       | (22,909)     | -           | -         | 24,429               | 205,173        | 26,769     |                 |              |                  |                          |                  |                      |                  |
| 071    | NAVAJO COUNTY SHERIFF'S DEPT.     | 4,759,439   | 137,684   | 254,684   | -       | (742,270)    | (375,008)   | (26,767)  | 663,974              | 4,671,736      | 3,041,328  |                 |              |                  |                          |                  |                      |                  |
| 020    | NOGALES FIRE DEPARTMENT           | 3,937,894   | (225)     | 275,157   | 28,751  | (436,157)    | -           | -         | 646,830              | 4,452,249      | 2,907,639  |                 |              |                  |                          |                  |                      |                  |
| 080    | NOGALES POLICE DEPARTMENT         | 5,344,196   | 104,050   | 314,234   | -       | (437,360)    | -           | (36,859)  | 870,413              | 6,158,675      | 1,797,241  |                 |              |                  |                          |                  |                      |                  |
| 147    | NORTHWEST FIRE DISTRICT           | 9,980,788   | 194,318   | 602,631   | 218,035 | (245,814)    | -           | (80,718)  | 1,881,572            | 12,550,813     | 1,799,370  |                 |              |                  |                          |                  |                      |                  |
| 122    | ORO VALLEY POLICE DEPARTMENT      | 6,918,462   | 120,012   | 478,027   | -       | (407,028)    | -           | -         | 1,237,836            | 8,347,308      | 1,308,724  |                 |              |                  |                          |                  |                      |                  |
| 097    | PAGE FIRE DEPARTMENT              | 302,786     | 13,369    | 37,401    | 13,655  | (54,872)     | -           | -         | 49,921               | 362,260        | 312,454    |                 |              |                  |                          |                  |                      |                  |
| 96     | PAGE POLICE DEPARTMENT            | 1,919,214   | 204,166   | 85,874    | -       | (190,191)    | -           | -         | 297,471              | 2,316,533      | 450,840    |                 |              |                  |                          |                  |                      |                  |
| 76     | PARADISE VALLEY POLICE DEPARTMENT | 6,484,923   | 80,465    | 382,203   | -       | (815,301)    | -           | -         | 998,397              | 7,120,686      | 5,649,234  |                 |              |                  |                          |                  |                      |                  |
| 060    | PARKER POLICE DEPARTMENT          | 1,201,278   | (141,278) | 23,373    | -       | (82,152)     | -           | (4,286)   | 165,204              | 1,162,139      | (77,532)   |                 |              |                  |                          |                  |                      |                  |
| 214    | PASCUA YAQUI TRIBE FIRE DEPT.     | 406,388     | (184,147) | 120,121   | -       | -            | -           | -         | 72,714               | 415,076        | 945,374    |                 |              |                  |                          |                  |                      |                  |
| 215    | PASCUA YAQUI TRIBE POLICE DEPT.   | 344,052     | 3,538     | 114,727   | -       | (10,932)     | -           | (2,822)   | 85,980               | 534,543        | 1,158,315  |                 |              |                  |                          |                  |                      |                  |
| 128    | PATAGONIA MARSHALS                | 105,057     | 155,773   | 1,530     | -       | -            | -           | -         | 28,306               | 290,667        | (114,700)  |                 |              |                  |                          |                  |                      |                  |
| 051    | PAYSON FIRE DEPARTMENT            | 2,001,867   | -         | 104,100   | 47,012  | (98,458)     | -           | -         | 359,612              | 2,414,133      | 1,013,971  |                 |              |                  |                          |                  |                      |                  |

# Statistical Section

| SYS #. | SYSTEM                            | BALANCES    |            |            |                   | RESERVE TRANSFERS |                  | CONTRIB RECEIVED               |                 | INSURANCE PREMIUM TAX RECEIVED |                  | FIRE                     |                  |                      | UNFUNDED ACCRUED NORMAL COSTS         |  |  |
|--------|-----------------------------------|-------------|------------|------------|-------------------|-------------------|------------------|--------------------------------|-----------------|--------------------------------|------------------|--------------------------|------------------|----------------------|---------------------------------------|--|--|
|        |                                   | 6/30/06     | 6/30/07    | BALANCES   | RESERVE TRANSFERS | CONTRIB RECEIVED  | CONTRIB RECEIVED | INSURANCE PREMIUM TAX RECEIVED | PENSION PAYMENT | DROP PAYMENT                   | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 | NORMAL COSTS 6/30/06 | UNFUNDED ACCRUED NORMAL COSTS 6/30/06 |  |  |
| 052    | PAYSON POLICE DEPARTMENT          | 3,361,329   | 84,068     | 304,018    | -                 | (362,540)         | -                | 574,460                        | 3,961,335       | 4,493,804                      |                  |                          |                  |                      |                                       |  |  |
| 073    | PEORIA FIRE DEPARTMENT            | 13,305,162  | (71,432)   | 332,991    | 312,253           | (349,649)         | -                | 2,361,023                      | 15,890,349      | 1,155,011                      |                  |                          |                  |                      |                                       |  |  |
| 074    | PEORIA POLICE DEPARTMENT          | 17,585,192  | 514,612    | 1,358,007  | -                 | (1,026,556)       | -                | 2,898,057                      | 21,308,693      | 5,607,868                      |                  |                          |                  |                      |                                       |  |  |
| 021    | PHOENIX FIRE DEPARTMENT           | 454,720,358 | 9,418,819  | 13,157,215 | 3,242,069         | (33,196,810)      | (32,506,668)     | 67,019,614                     | 481,823,723     | 183,610,728                    |                  |                          |                  |                      |                                       |  |  |
| 022    | PHOENIX POLICE DEPARTMENT         | 779,882,868 | 15,034,767 | 32,180,647 | -                 | (67,353,361)      | (48,167,259)     | 114,216,144                    | 825,147,334     | 323,172,850                    |                  |                          |                  |                      |                                       |  |  |
| 145    | PICTURE ROCKS FIRE DISTRICT       | 1,397,788   | 61,964     | 26,707     | 10,622            | (29,983)          | -                | 235,384                        | 1,702,483       | (339,012)                      |                  |                          |                  |                      |                                       |  |  |
| 154    | PIMA COUNTY ATTORNEY INVESTIGATOR | 1,080,482   | 15,295     | 37,100     | -                 | (65,715)          | -                | 171,325                        | 1,238,487       | 349,123                        |                  |                          |                  |                      |                                       |  |  |
| 146    | PIMA COUNTY COMM. COLLEGE POLICE  | 2,930,295   | (185,961)  | 123,824    | -                 | (168,210)         | -                | 460,100                        | 3,123,587       | 457,945                        |                  |                          |                  |                      |                                       |  |  |
| 039    | PIMA COUNTY SHERIFF'S DEPARTMENT  | 101,662,157 | 599,640    | 5,421,621  | -                 | (10,322,538)      | (1,411,550)      | 13,856,371                     | 109,735,602     | 47,634,117                     |                  |                          |                  |                      |                                       |  |  |
| 100    | PIMA POLICE DEPARTMENT            | 114,639     | 18,835     | 4,818      | -                 | -                 | -                | 18,960                         | 157,253         | (123,903)                      |                  |                          |                  |                      |                                       |  |  |
| 104    | PINAL COUNTY SHERIFF'S DEPARTMENT | 16,869,616  | 300,547    | 1,398,406  | -                 | (1,759,252)       | -                | 2,708,027                      | 19,391,163      | 8,662,496                      |                  |                          |                  |                      |                                       |  |  |
| 150    | PINE-STRAWBERRY FIRE DISTRICT     | 1,238,550   | 29,139     | 73,916     | 17,895            | (43,839)          | (142,512)        | 209,642                        | 1,382,792       | 791,536                        |                  |                          |                  |                      |                                       |  |  |
| 185    | PINETOP FIRE DISTRICT             | 811,905     | 142,145    | 140,091    | 32,861            | (57,952)          | -                | 171,071                        | 1,230,447       | 647,624                        |                  |                          |                  |                      |                                       |  |  |
| 113    | PINETOP-LAKESIDE POLICE DEPT.     | 1,374,717   | 32,985     | 100,295    | -                 | (179,330)         | -                | 217,751                        | 1,538,116       | 958,556                        |                  |                          |                  |                      |                                       |  |  |
| 207    | PINEWOOD FIRE DISTRICT            | 584,341     | 2,687      | 76,159     | 14,860            | (68,813)          | -                | 90,529                         | 699,762         | 644,770                        |                  |                          |                  |                      |                                       |  |  |
| 023    | PRESCOTT FIRE DEPARTMENT          | 12,736,035  | 3,540      | 546,853    | 143,623           | (1,243,901)       | -                | 1,938,328                      | 14,124,478      | 9,252,404                      |                  |                          |                  |                      |                                       |  |  |
| 024    | PRESCOTT POLICE DEPARTMENT        | 8,906,710   | 390,919    | 868,514    | -                 | (1,566,570)       | (218,273)        | 1,370,570                      | 9,706,141       | 12,171,485                     |                  |                          |                  |                      |                                       |  |  |
| 88     | PRESCOTT VALLEY POLICE DEPARTMENT | 3,290,611   | 155,808    | 283,117    | -                 | (113,818)         | -                | 632,513                        | 4,214,020       | 812,915                        |                  |                          |                  |                      |                                       |  |  |
| 221    | QUARTZSITE FIRE DISTRICT          | 62,506      | 775        | 29,605     | -                 | -                 | -                | 15,184                         | 108,070         | 161,925                        |                  |                          |                  |                      |                                       |  |  |
| 144    | QUARTZSITE POLICE DEPARTMENT      | 630,966     | 149,953    | 53,842     | -                 | -                 | -                | 136,808                        | 971,570         | (79,827)                       |                  |                          |                  |                      |                                       |  |  |
| 208    | RINCON VALLEY FIRE DISTRICT       | 285,622     | 313        | 78,130     | 13,243            | -                 | -                | 63,663                         | 440,971         | 256,159                        |                  |                          |                  |                      |                                       |  |  |
| 200    | RIO RICO FIRE DISTRICT            | 324,800     | (61,707)   | 72,915     | 14,148            | -                 | -                | 71,920                         | 422,075         | (35,022)                       |                  |                          |                  |                      |                                       |  |  |
| 222    | RIO VERDE FIRE DISTRICT           | 425,175     | (7,234)    | 87,998     | -                 | -                 | -                | 90,780                         | 596,719         | (145,751)                      |                  |                          |                  |                      |                                       |  |  |
| 047    | SAFFORD POLICE DEPARTMENT         | 2,326,253   | 60,688     | 241,605    | -                 | (345,348)         | -                | 369,317                        | 2,652,515       | 2,494,134                      |                  |                          |                  |                      |                                       |  |  |
| 174    | SAHUARITA POLICE DEPARTMENT       | 800,221     | 179,292    | 79,934     | -                 | -                 | -                | 175,452                        | 1,180,859       | (265,037)                      |                  |                          |                  |                      |                                       |  |  |
| 181    | SALT RIVER PIMA-MARICOPA FIRE     | 3,766,320   | (118,328)  | 432,521    | -                 | (21,729)          | -                | 715,931                        | 4,774,714       | 1,752,122                      |                  |                          |                  |                      |                                       |  |  |
| 182    | SALT RIVER PIMA-MARICOPA POLICE   | 2,800,259   | 262,746    | 557,080    | -                 | (205,197)         | -                | 623,210                        | 4,038,098       | 3,347,385                      |                  |                          |                  |                      |                                       |  |  |
| 163    | SAN LUIS FIRE DEPARTMENT          | 753,813     | (211,531)  | 61,113     | 10,165            | -                 | -                | 159,933                        | 773,493         | (86,470)                       |                  |                          |                  |                      |                                       |  |  |
| 095    | SAN LUIS POLICE DEPARTMENT        | 1,564,159   | (18,472)   | 127,860    | -                 | (105,426)         | -                | 274,693                        | 1,842,814       | 284,078                        |                  |                          |                  |                      |                                       |  |  |
| 087    | SANTA CRUZ COUNTY SHERIFF'S DEPT. | 3,163,669   | (138,472)  | 238,489    | -                 | (345,538)         | (562,015)        | 473,437                        | 2,798,238       | 2,400,292                      |                  |                          |                  |                      |                                       |  |  |
| 223    | SCOTTSDALE FIRE DEPARTMENT        | 4,409,243   | (9,802)    | 438,055    | 1,432,412         | -                 | -                | 1,039,424                      | 7,309,331       | (1,863,821)                    |                  |                          |                  |                      |                                       |  |  |
| 025    | SCOTTSDALE POLICE DEPARTMENT      | 71,812,033  | 454,191    | 3,468,160  | -                 | (5,746,987)       | (848,378)        | 11,129,821                     | 80,215,142      | 26,334,296                     |                  |                          |                  |                      |                                       |  |  |
| 166    | SEDONA FIRE DISTRICT              | 4,448,803   | (2,865)    | 283,110    | 142,931           | (168,248)         | -                | 821,484                        | 5,525,214       | 2,407,507                      |                  |                          |                  |                      |                                       |  |  |
| 129    | SEDONA POLICE DEPARTMENT          | 2,005,132   | -          | 136,583    | -                 | (90,786)          | -                | 351,005                        | 2,401,934       | 622,261                        |                  |                          |                  |                      |                                       |  |  |
| 186    | SHOW LOW FIRE DISTRICT            | 731,160     | 54,652     | 55,777     | -                 | (34,693)          | -                | 132,434                        | 939,330         | (27,894)                       |                  |                          |                  |                      |                                       |  |  |



| SYS #. | SYSTEM                            | BALANCES    |           | RESERVE TRANSFERS |          | CONTRIB RECEIVED |              | INSURANCE PREMIUM TAX RECEIVED |             | PENSION PAYMENT | DROP PAYMENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 | UNFUNDED ACCRUED NORMAL COSTS 6/30/06 |
|--------|-----------------------------------|-------------|-----------|-------------------|----------|------------------|--------------|--------------------------------|-------------|-----------------|--------------|------------------|--------------------------|------------------|---------------------------------------|
|        |                                   | 6/30/06     | 6/30/06   | TRANSFERS         | RECEIVED | RECEIVED         | RECEIVED     | RECEIVED                       | RECEIVED    |                 |              |                  |                          |                  |                                       |
| 078    | SHOW LOW POLICE DEPARTMENT        | 2,337,035   | 11,404    | 160,717           | -        | (205,248)        | -            | 376,813                        | 2,676,852   | 716,684         |              |                  |                          |                  |                                       |
| 026    | SIERRA VISTA FIRE DEPARTMENT      | 6,996,155   | -         | 98,741            | 62,442   | (304,790)        | -            | 1,114,153                      | 7,966,702   | 491,064         |              |                  |                          |                  |                                       |
| 036    | SIERRA VISTA POLICE DEPARTMENT    | 8,823,193   | 631       | 471,723           | -        | (892,229)        | (411,377)    | 1,326,920                      | 9,318,861   | 4,322,293       |              |                  |                          |                  |                                       |
| 065    | SNOWFLAKE POLICE DEPARTMENT       | 812,002     | 2,580     | 98,765            | -        | (121,229)        | -            | 132,871                        | 924,989     | 694,314         |              |                  |                          |                  |                                       |
| 171    | SOMERTON FIRE DEPARTMENT          | 367,838     | 211,531   | 64,916            | 5,296    | (19,474)         | -            | 84,998                         | 715,104     | 234,653         |              |                  |                          |                  |                                       |
| 169    | SOMERTON POLICE DEPARTMENT        | 760,274     | (4,078)   | 82,676            | -        | (26,174)         | -            | 156,628                        | 969,326     | 400,320         |              |                  |                          |                  |                                       |
| 058    | SOUTH TUCSON FIRE DEPARTMENT      | 1,131,647   | (78,863)  | 55,042            | -        | (107,933)        | -            | 171,322                        | 1,171,214   | 325,196         |              |                  |                          |                  |                                       |
| 69     | SOUTH TUCSON POLICE DEPARTMENT    | 637,542     | (24,741)  | 214,911           | -        | (338,326)        | -            | 123,437                        | 612,823     | 3,328,934       |              |                  |                          |                  |                                       |
| 092    | SPRINGERVILLE POLICE DEPARTMENT   | 556,514     | (23,230)  | 18,250            | -        | -                | (6,116)      | 87,812                         | 633,231     | (145,482)       |              |                  |                          |                  |                                       |
| 153    | ST. JOHNS POLICE DEPARTMENT       | 271,644     | (444)     | 24,414            | -        | -                | -            | 54,016                         | 349,630     | (66,995)        |              |                  |                          |                  |                                       |
| 195    | SUMMIT FIRE DISTRICT              | 1,546,239   | 48,917    | 123,343           | 21,038   | (24,984)         | (63,347)     | 286,762                        | 1,937,969   | 42,594          |              |                  |                          |                  |                                       |
| 177    | SUN CITY FIRE DISTRICT            | 6,931,242   | 527,201   | 601,511           | 103,475  | (309,926)        | (1,188,727)  | 1,436,514                      | 8,101,290   | 9,336,582       |              |                  |                          |                  |                                       |
| 170    | SUN CITY WEST FIRE DISTRICT       | 4,540,674   | -         | 326,336           | 94,937   | (176,050)        | -            | 839,699                        | 5,625,595   | 3,556,897       |              |                  |                          |                  |                                       |
| 155    | SUN LAKES FIRE DISTRICT           | 3,187,898   | 149,244   | 162,516           | 56,550   | (72,157)         | -            | 591,561                        | 4,075,611   | 1,494           |              |                  |                          |                  |                                       |
| 094    | SUPERIOR POLICE DEPARTMENT        | 485,062     | 10,373    | 12,589            | -        | (24,696)         | -            | 79,355                         | 546,679     | (79,045)        |              |                  |                          |                  |                                       |
| 120    | SURPRISE FIRE DEPARTMENT          | 4,332,125   | 2,333     | 202,549           | 194,148  | (12,518)         | -            | 868,158                        | 5,586,794   | 539,144         |              |                  |                          |                  |                                       |
| 110    | SURPRISE POLICE DEPARTMENT        | 5,511,972   | (25,075)  | 450,556           | -        | (259,816)        | -            | 1,009,681                      | 6,687,318   | 1,185,705       |              |                  |                          |                  |                                       |
| 027    | TEMPE FIRE DEPARTMENT             | 49,640,707  | 1,338,982 | 1,127,587         | 473,147  | (4,029,704)      | (4,001,470)  | 6,952,201                      | 51,501,450  | 14,808,169      |              |                  |                          |                  |                                       |
| 028    | TEMPE POLICE DEPARTMENT           | 58,610,515  | 1,389,469 | 3,154,840         | -        | (6,208,934)      | (1,280,789)  | 9,080,490                      | 64,585,523  | 35,247,128      |              |                  |                          |                  |                                       |
| 117    | THATCHER POLICE DEPARTMENT        | 1,543,954   | 56,921    | 65,665            | -        | (106,773)        | (142,346)    | 229,216                        | 1,646,637   | 612,310         |              |                  |                          |                  |                                       |
| 188    | THREE POINTS FIRE DISTRICT        | 356,176     | (107,401) | 56,371            | -        | -                | -            | 67,207                         | 372,353     | (37,640)        |              |                  |                          |                  |                                       |
| 235    | TOHONO O'ODHAM NATION FIRE        | -           | -         | 972,375           | -        | -                | -            | 65,993                         | 1,038,369   | -               |              |                  |                          |                  |                                       |
| 236    | TOHONO O'ODHAM NATION POLICE      | -           | 87,296    | 5,594,397         | -        | -                | -            | 375,345                        | 6,057,038   | -               |              |                  |                          |                  |                                       |
| 108    | TOLLESON FIRE DEPARTMENT          | 1,289,847   | 62,212    | 125,315           | 21,979   | (34,053)         | -            | 276,155                        | 1,741,455   | 544,324         |              |                  |                          |                  |                                       |
| 090    | TOLLESON POLICE DEPARTMENT        | 1,966,500   | 58,636    | 137,525           | -        | (241,490)        | -            | 323,040                        | 2,244,212   | 863,896         |              |                  |                          |                  |                                       |
| 132    | TOMBSTONE MARSHAL'S DEPARTMENT    | 22,829      | 172,562   | 14,531            | -        | -                | -            | 23,999                         | 233,922     | 13,402          |              |                  |                          |                  |                                       |
| 209    | TONOPAH FIRE DISTRICT             | 77,608      | (32,013)  | 16,536            | -        | -                | -            | 15,656                         | 77,787      | (36,227)        |              |                  |                          |                  |                                       |
| 216    | TOWN OF SUPERIOR (FIRE DEPT)      | 52,146      | (5,713)   | 13,190            | -        | -                | -            | 10,245                         | 69,869      | 23,061          |              |                  |                          |                  |                                       |
| 201    | TRI-CITY FIRE DISTRICT            | 263,135     | (2,161)   | 47,185            | 3,486    | -                | -            | 56,555                         | 368,201     | (30,022)        |              |                  |                          |                  |                                       |
| 172    | TUBAC FIRE DISTRICT               | 841,733     | (91,162)  | 62,951            | 10,026   | (31,958)         | -            | 170,146                        | 961,736     | 179,904         |              |                  |                          |                  |                                       |
| 124    | TUCSON AIRPORT AUTHORITY FIRE DPT | 4,307,293   | (205,162) | 152,088           | -        | (369,673)        | (14,755)     | 644,131                        | 4,513,922   | 3,220,920       |              |                  |                          |                  |                                       |
| 125    | TUCSON AIRPORT AUTHORITY POLICE   | 2,913,096   | 83,390    | 260,268           | -        | (470,424)        | -            | 481,145                        | 3,267,475   | 3,882,928       |              |                  |                          |                  |                                       |
| 029    | TUCSON FIRE DEPARTMENT            | 164,992,019 | 3,065,145 | 6,426,137         | 834,781  | (16,883,027)     | (10,338,153) | 22,812,472                     | 170,905,896 | 78,128,570      |              |                  |                          |                  |                                       |
| 030    | TUCSON POLICE DEPARTMENT          | 245,993,132 | 2,700,014 | 11,594,623        | -        | (22,314,820)     | (6,291,659)  | 35,019,334                     | 266,614,415 | 104,424,248     |              |                  |                          |                  |                                       |

# Statistical Section

| SYS #. | SYSTEM                            | BALANCES      |            |             | RESERVE TRANSFERS |               | CONTRIB RECEIVED |             | FIRE INSURANCE PREMIUM TAX RECEIVED |               | PENSION PAYMENT | DROP PAYMENT | ENHANCED REFUNDS | DISTRIBUTION OF EARNINGS | BALANCES 6/30/07 | NORMAL COSTS | UNFUNDED ACCRUED COSTS 6/30/06 |
|--------|-----------------------------------|---------------|------------|-------------|-------------------|---------------|------------------|-------------|-------------------------------------|---------------|-----------------|--------------|------------------|--------------------------|------------------|--------------|--------------------------------|
|        |                                   | 6/30/06       | 6/30/06    | 6/30/06     | 6/30/06           | 6/30/06       | 6/30/06          | 6/30/06     | 6/30/06                             |               |                 |              |                  |                          |                  |              |                                |
| 045    | U OF A CAMPUS POLICE DEPARTMENT   | 5,271,399     | 234,888    | 408,783     | -                 | (681,427)     | -                | (15,143)    | 855,005                             | 6,073,505     | 4,033,289       |              |                  |                          |                  |              |                                |
| 203    | VERDE VALLEY FIRE DISTRICT        | 1,844,926     | 28,555     | 39,042      | 32,503            | (72,947)      | -                | -           | 308,953                             | 2,181,031     | (251,031)       |              |                  |                          |                  |              |                                |
| 111    | WELLTON POLICE                    | 21,773        | 5,430      | 20,991      | -                 | -             | -                | -           | 11,111                              | 59,305        | 104,690         |              |                  |                          |                  |              |                                |
| 217    | WICKENBURG FIRE DEPARTMENT        | 12,017        | 10,194     | 20,718      | -                 | -             | -                | -           | 6,251                               | 49,179        | 17,326          |              |                  |                          |                  |              |                                |
| 126    | WICKENBURG POLICE DEPARTMENT      | 876,063       | 147,605    | 114,933     | -                 | (109,555)     | (151,793)        | -           | 154,681                             | 1,031,933     | 989,444         |              |                  |                          |                  |              |                                |
| 077    | WILLCOX POLICE DEPARTMENT         | 973,951       | -          | 87,511      | -                 | (132,273)     | -                | -           | 147,535                             | 1,076,724     | 810,746         |              |                  |                          |                  |              |                                |
| 115    | WILLIAMS POLICE DEPARTMENT        | 825,440       | (144,333)  | 31,386      | -                 | (49,991)      | -                | -           | 117,179                             | 779,681       | (73,377)        |              |                  |                          |                  |              |                                |
| 237    | WILLIAMSON VALLEY FIRE DISTRICT   | -             | 76,050     | 12,854      | -                 | -             | -                | -           | 9,012                               | 97,915        | -               |              |                  |                          |                  |              |                                |
| 031    | WINSLOW FIRE DEPARTMENT           | 3,440,886     | -          | 21,826      | -                 | (31,370)      | -                | -           | 470,272                             | 3,901,614     | (2,976,967)     |              |                  |                          |                  |              |                                |
| 050    | WINSLOW POLICE DEPARTMENT         | 2,542,894     | 18,676     | 114,218     | -                 | (235,899)     | -                | -           | 386,559                             | 2,826,448     | 426,754         |              |                  |                          |                  |              |                                |
| 187    | YAVAPAI CNTY ATTRNY INVESTIGATORS | 266,933       | -          | -           | -                 | (28,786)      | -                | -           | 41,358                              | 279,505       | 247,641         |              |                  |                          |                  |              |                                |
| 098    | YAVAPAI COUNTY SHERIFF'S DEPT.    | 9,272,549     | (83,608)   | 994,134     | -                 | (1,182,895)   | -                | -           | 1,603,482                           | 10,603,662    | 10,191,795      |              |                  |                          |                  |              |                                |
| 234    | YAVAPAI PRESCOTT TRIBAL POLICE    | -             | -          | 41,653      | -                 | -             | -                | -           | 3,896                               | 45,549        | -               |              |                  |                          |                  |              |                                |
| 118    | YOUNGTOWN POLICE DEPARTMENT       | 655,790       | 6,878      | 46,415      | -                 | (54,551)      | -                | (8,498)     | 112,283                             | 758,318       | 268,365         |              |                  |                          |                  |              |                                |
| 34     | YUMA COUNTY SHERIFF'S DEPARTMENT  | 8,597,039     | (67,021)   | 541,000     | -                 | (1,070,365)   | (33,276)         | (56,071)    | 1,266,154                           | 9,177,460     | 4,534,012       |              |                  |                          |                  |              |                                |
| 32     | YUMA FIRE DEPARTMENT              | 20,005,189    | 119,797    | 1,022,729   | 97,590            | (2,520,464)   | (593,229)        | -           | 2,923,783                           | 21,055,395    | 11,245,369      |              |                  |                          |                  |              |                                |
| 33     | YUMA POLICE DEPARTMENT            | 27,548,778    | 352,593    | 1,134,675   | -                 | (2,324,226)   | (591,205)        | (4,592)     | 4,141,687                           | 30,257,709    | 7,431,631       |              |                  |                          |                  |              |                                |
| 219    | TOTALS                            | 3,485,858,197 | 56,837,602 | 166,281,936 | 11,305,571        | (298,385,744) | (151,959,720)    | (3,141,255) | 519,942,132                         | 3,786,738,719 | 1,495,100,928   |              |                  |                          |                  |              |                                |

EARNINGS DISTRIBUTION - FISCAL YEAR ENDED JUNE 30, 2007

| SYS # | SYSTEM                      | EMPLOYER RESERVE 6/30/05 | EMPLOYER RESERVE 6/30/06 | MEMBER RESERVE 6/30/05 | MEMBER RESERVE 6/30/06 | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|-------|-----------------------------|--------------------------|--------------------------|------------------------|------------------------|-------------------|--------------|--------|---------------------|
| 041   | A.S.U. Campus Police        | 9,076,539                | 8,795,733                | 1,649,287              | 1,825,775              | 21,347,334        | 10,673,667   | 0.26%  | 1,356,626           |
| 224   | Ak Chin Indian Comm. Fire   | 1,455,245                | 1,487,102                | 61,028                 | 98,776                 | 3,102,152         | 1,551,076    | 0.04%  | 197,142             |
| 225   | Ak Chin Indian Comm. Police | 763,311                  | 768,850                  | 60,549                 | 92,024                 | 1,684,733         | 842,367      | 0.02%  | 107,065             |
| 101   | Apache Cnty Sheriff         | 2,313,538                | 1,980,530                | 774,979                | 816,181                | 5,885,228         | 2,942,614    | 0.07%  | 374,007             |
| 148   | Apache Junction Fire        | 5,765,240                | 6,030,211                | 2,498,741              | 2,815,709              | 17,109,901        | 8,554,950    | 0.21%  | 1,087,336           |
| 070   | Apache Junction Police      | 6,544,534                | 6,145,140                | 1,643,375              | 1,594,892              | 15,927,941        | 7,963,970    | 0.19%  | 1,012,222           |
| 204   | Arizona State Park Rangers  | 4,007,687                | 4,120,817                | 1,872,184              | 2,009,638              | 12,010,327        | 6,005,163    | 0.15%  | 763,258             |
| 151   | Attorny Genrl Investigtr    | 5,597,641                | 4,925,868                | 1,304,292              | 1,075,997              | 12,903,798        | 6,451,899    | 0.16%  | 820,038             |
| 059   | Avondale Fire               | 3,327,566                | 3,567,131                | 1,515,679              | 1,822,799              | 10,233,175        | 5,116,588    | 0.13%  | 650,319             |
| 139   | Avondale Police             | 4,934,687                | 5,013,386                | 1,920,011              | 2,193,053              | 14,061,137        | 7,030,568    | 0.17%  | 893,587             |
| 162   | Avra Valley Fire            | 751,114                  | 1,045,743                | 271,807                | 458,636                | 2,527,300         | 1,263,650    | 0.03%  | 145,494             |
| 164   | AZ Dept. of Liquor/Liens    | 2,524,412                | 2,690,674                | 962,396                | 918,445                | 7,095,927         | 3,547,964    | 0.09%  | 421,065             |
| 160   | AZ State Capitol Police     | 1,615,441                | 1,700,051                | 566,759                | 589,191                | 4,471,442         | 2,235,721    | 0.05%  | 284,161             |
| 037   | Benson Police               | 1,027,069                | 948,590                  | 268,940                | 281,046                | 2,525,645         | 1,262,822    | 0.03%  | 160,505             |
| 001   | Bisbee Fire                 | 2,344,096                | 2,128,748                | 561,377                | 573,712                | 5,607,932         | 2,803,966    | 0.07%  | 356,385             |
| 038   | Bisbee Police               | 1,505,018                | 1,421,588                | 460,071                | 435,086                | 3,821,762         | 1,910,881    | 0.05%  | 242,873             |
| 219   | Black Canyon Fire District  | 39,544                   | 67,543                   | 36,708                 | 51,454                 | 195,249           | 97,625       | 0.00%  | 12,408              |
| 212   | Buckeye Valley Fire         | 823,812                  | 832,551                  | 231,377                | 309,097                | 2,196,837         | 1,098,419    | 0.03%  | 139,609             |
| 190   | Buckeye Fire                | 1,585,070                | 1,704,158                | 705,609                | 1,037,372              | 5,032,209         | 2,516,105    | 0.06%  | 319,797             |
| 106   | Buckeye Police              | 2,793,712                | 3,760,595                | 798,673                | 1,472,388              | 8,825,368         | 4,412,684    | 0.11%  | 560,853             |
| 064   | Buckskin Fire               | 1,197,416                | 1,053,205                | 190,601                | 210,662                | 2,651,883         | 1,325,941    | 0.03%  | 168,527             |
| 044   | Bullhead City Fire          | 9,862,842                | 9,681,168                | 2,300,435              | 2,558,913              | 24,403,358        | 12,201,679   | 0.30%  | 1,564,259           |
| 114   | Bullhead City Police        | 9,339,427                | 9,266,447                | 3,154,877              | 3,051,842              | 24,812,593        | 12,406,297   | 0.30%  | 1,576,843           |
| 196   | Camp Verde Fire             | 835,856                  | 942,067                  | 292,745                | 381,969                | 2,452,636         | 1,226,318    | 0.03%  | 155,865             |
| 121   | Camp Verde Marshalls        | 1,041,088                | 1,061,619                | 328,857                | 393,569                | 2,825,133         | 1,412,566    | 0.03%  | 179,538             |
| 218   | Carefree Town Marshalls     | (0)                      | -                        | 0                      | -                      | 0                 | 0            | 0.00%  | -                   |
| 002   | Casa Grande Fire            | 5,317,863                | 4,959,973                | 1,168,486              | 1,320,793              | 12,767,114        | 6,383,557    | 0.16%  | 811,352             |
| 003   | Casa Grande Police          | 9,106,124                | 8,747,498                | 2,100,723              | 2,269,534              | 22,223,879        | 11,111,940   | 0.27%  | 1,412,330           |
| 229   | Cave Creek Marshalls        | 8,188                    | 18,997                   | 6,545                  | 16,137                 | 49,867            | 24,934       | 0.00%  | 3,169               |
| 062   | Central Yavapai Fire        | 8,933,482                | 8,877,823                | 3,074,744              | 3,425,993              | 24,312,042        | 12,156,021   | 0.30%  | 1,545,033           |

# Statistical Section

| SYS # | SYSTEM                         | EMPLOYER RESERVE | EMPLOYER RESERVE | MEMBER RESERVE | MEMBER RESERVE | MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR     | INVESTMENT EARNINGS |
|-------|--------------------------------|------------------|------------------|----------------|----------------|----------------|-------------------|--------------|------------|---------------------|
|       |                                | 6/30/05          | 6/30/06          | 6/30/05        | 6/30/06        | 6/30/06        |                   |              |            |                     |
| 004   | Chandler Fire                  | 25,130,478       | 25,552,008       | 8,085,240      | 8,869,443      | 67,637,171     | 33,818,585        | 0.83%        | 4,298,350  |                     |
| 005   | Chandler Police                | 35,937,389       | 35,634,138       | 12,811,335     | 14,145,147     | 98,528,007     | 49,264,004        | 1.20%        | 6,261,466  |                     |
| 138   | Chino Valley Fire Dist.        | 1,703,211        | 1,914,936        | 724,250        | 811,256        | 5,153,655      | 2,576,827         | 0.06%        | 327,515    |                     |
| 109   | Chino Valley Police            | 1,521,602        | 1,631,268        | 732,324        | 763,106        | 4,648,300      | 2,324,150         | 0.06%        | 295,400    |                     |
| 105   | Clarksdale Police              | 730,951          | 753,344          | 263,788        | 293,316        | 2,041,399      | 1,020,700         | 0.02%        | 129,731    |                     |
| 006   | Clifton Fire                   | 375,001          | 349,182          | 44,767         | 44,767         | 813,717        | 406,858           | 0.01%        | 51,712     |                     |
| 083   | Clifton Police                 | 379,181          | 320,399          | 28,406         | 17,507         | 745,493        | 372,746           | 0.01%        | 47,376     |                     |
| 046   | Cochise Cnty Sheriff           | 9,114,194        | 8,632,369        | 1,977,057      | 2,131,680      | 21,855,300     | 10,927,650        | 0.27%        | 1,388,907  |                     |
| 061   | Coconino Cnty Sheriff          | 8,868,237        | 8,293,456        | 1,766,795      | 1,885,751      | 20,814,239     | 10,407,120        | 0.25%        | 1,322,747  |                     |
| 239   | Coolidge Fire Department       | -                | 4,143            | -              | 3,138          | 7,281          | 3,640             | 0.00%        | 463        |                     |
| 085   | Coolidge Police                | 2,311,226        | 2,295,131        | 668,733        | 722,937        | 5,998,026      | 2,999,013         | 0.07%        | 381,175    |                     |
| 226   | Corona De Tucson Fire District | 85,948           | 181,222          | 30,860         | 70,838         | 368,867        | 184,434           | 0.00%        | 23,442     |                     |
| 102   | Cottonwood Fire                | 953,779          | 944,387          | 309,368        | 354,724        | 2,562,258      | 1,281,129         | 0.03%        | 162,832    |                     |
| 066   | Cottonwood Police              | 2,236,347        | 1,973,350        | 627,095        | 648,622        | 5,485,413      | 2,742,707         | 0.07%        | 348,599    |                     |
| 119   | D.E.M.A.                       | 3,647,635        | 3,591,117        | 986,398        | 946,273        | 9,171,423      | 4,585,711         | 0.11%        | 582,845    |                     |
| 143   | Daisy Mountain Fire            | 2,344,748        | 2,811,908        | 1,381,722      | 1,844,251      | 8,382,629      | 4,191,315         | 0.10%        | 532,717    |                     |
| 007   | Dept. of Public Safety         | 374,254,206      | 344,582,809      | 24,606,483     | 25,045,187     | 768,488,685    | 384,244,343       | 9.39%        | 48,837,543 |                     |
| 193   | Diamond Star Fire              | 221,131          | 248,947          | 100,615        | 124,605        | 695,298        | 347,649           | 0.01%        | 44,186     |                     |
| 008   | Douglas Fire                   | 3,912,031        | 3,585,172        | 622,786        | 642,037        | 8,762,025      | 4,381,013         | 0.11%        | 556,828    |                     |
| 009   | Douglas Police                 | 4,994,679        | 4,666,577        | 1,086,078      | 1,087,051      | 11,834,385     | 5,917,192         | 0.14%        | 752,077    |                     |
| 049   | Drexel Heights Fire            | 4,565,455        | 4,912,509        | 1,859,837      | 2,032,618      | 13,370,419     | 6,685,210         | 0.16%        | 849,692    |                     |
| 089   | Eagar Police                   | 853,265          | 838,788          | 237,382        | 269,152        | 2,198,586      | 1,099,293         | 0.03%        | 139,720    |                     |
| 127   | El Mirage fire                 | 995,230          | 956,031          | 351,358        | 413,154        | 2,715,774      | 1,357,887         | 0.03%        | 172,588    |                     |
| 093   | El Mirage Police               | 1,696,071        | 1,328,440        | 662,027        | 624,246        | 4,310,784      | 2,155,392         | 0.05%        | 284,642    |                     |
| 213   | Eloy Fire                      | 238,295          | 246,513          | 89,970         | 146,605        | 721,382        | 360,691           | 0.01%        | 45,844     |                     |
| 079   | Eloy Police                    | 2,190,459        | 2,327,843        | 909,666        | 1,025,189      | 6,453,156      | 3,226,578         | 0.08%        | 410,099    |                     |
| 010   | Flagstaff Fire                 | 23,071,243       | 21,360,357       | 4,150,653      | 4,164,995      | 52,747,247     | 26,373,624        | 0.64%        | 3,352,094  |                     |
| 011   | Flagstaff Police               | 16,176,770       | 14,078,276       | 2,990,833      | 3,221,756      | 36,467,635     | 18,233,818        | 0.45%        | 2,317,522  |                     |
| 176   | Florence Fire Dept             | 313,235          | 368,910          | 93,945         | 226,988        | 1,003,078      | 501,539           | 0.01%        | 63,746     |                     |
| 091   | Florence Police                | 1,369,943        | 1,363,166        | 426,197        | 467,195        | 3,626,501      | 1,813,251         | 0.04%        | 230,465    |                     |
| 197   | Fort McDowell Fire             | 487,051          | 473,808          | 196,510        | 196,777        | 1,354,146      | 677,073           | 0.02%        | 86,056     |                     |

| SYS # | SYSTEM                               | EMPLOYER RESERVE | EMPLOYER RESERVE | MEMBER RESERVE | MEMBER RESERVE | MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR    | INVESTMENT EARNINGS |
|-------|--------------------------------------|------------------|------------------|----------------|----------------|----------------|-------------------|--------------|-----------|---------------------|
|       |                                      | 6/30/05          | 6/30/06          | 6/30/05        | 6/30/06        | 6/30/06        |                   |              |           |                     |
| 198   | Fort McDowell Police                 | 891,660          | 978,645          | 408,901        | 512,476        | 2,791,682      | 1,395,841         | 0.03%        | 177,412   |                     |
| 134   | Fort Mohave Mesa Fire                | 2,677,471        | 2,719,265        | 923,311        | 1,038,475      | 7,358,523      | 3,679,262         | 0.09%        | 467,635   |                     |
| 211   | Fort Mojave Tribal Police            | 332,375          | 309,355          | 159,792        | 204,669        | 1,006,191      | 503,095           | 0.01%        | 63,944    |                     |
| 055   | Fredonia Marshalls                   | 197,751          | 204,313          | 40,740         | 50,780         | 493,584        | 246,792           | 0.01%        | 31,367    |                     |
| 054   | Fry Fire                             | 4,874,071        | 4,530,874        | 723,278        | 741,909        | 10,870,131     | 5,435,066         | 0.13%        | 690,798   |                     |
| 035   | Game & Fish                          | 29,165,026       | 26,681,299       | 5,361,975      | 5,597,923      | 66,806,222     | 33,403,111        | 0.82%        | 4,245,543 |                     |
| 112   | Gila Cnty Sheriff                    | 4,135,321        | 3,642,144        | 1,113,341      | 1,031,827      | 9,922,633      | 4,961,316         | 0.12%        | 630,584   |                     |
| 179   | Gila River Fire Dept                 | 1,772,026        | 1,756,605        | 1,003,517      | 1,117,141      | 5,649,289      | 2,824,644         | 0.07%        | 359,013   |                     |
| 180   | Gila River Police Dept               | 2,347,591        | 2,482,365        | 1,170,209      | 1,447,952      | 7,448,117      | 3,724,059         | 0.09%        | 473,329   |                     |
| 149   | Gilbert Fire                         | 6,140,789        | 6,745,067        | 3,434,846      | 4,223,779      | 20,544,481     | 10,272,241        | 0.25%        | 1,305,604 |                     |
| 081   | Gilbert Police                       | 12,287,344       | 12,839,681       | 5,201,484      | 6,222,165      | 36,550,674     | 18,275,337        | 0.45%        | 2,322,799 |                     |
| 012   | Glendale Fire                        | 41,212,250       | 38,827,277       | 9,641,450      | 9,922,603      | 99,603,580     | 49,801,790        | 1.22%        | 6,329,819 |                     |
| 013   | Glendale Police                      | 51,091,908       | 47,926,384       | 14,150,797     | 14,896,341     | 128,065,430    | 64,032,715        | 1.57%        | 8,138,573 |                     |
| 014   | Globe Fire                           | 2,123,463        | 1,947,823        | 495,112        | 543,515        | 5,109,914      | 2,554,957         | 0.06%        | 324,736   |                     |
| 131   | Globe Police                         | 1,997,476        | 1,985,113        | 548,160        | 516,933        | 5,047,683      | 2,523,841         | 0.06%        | 320,781   |                     |
| 227   | Golden Shores Fire District          | 111,906          | 212,308          | 32,620         | 80,186         | 437,020        | 218,510           | 0.01%        | 27,773    |                     |
| 142   | Golden Valley Fire                   | 1,120,140        | 1,179,811        | 287,020        | 287,224        | 2,874,195      | 1,437,097         | 0.04%        | 182,655   |                     |
| 133   | Golder Ranch Fire Dist.              | 4,559,791        | 4,930,889        | 2,024,604      | 2,424,592      | 13,939,876     | 6,969,938         | 0.17%        | 885,881   |                     |
| 136   | Goodyear Fire                        | 2,977,670        | 3,302,836        | 1,670,528      | 2,082,159      | 10,033,192     | 5,016,596         | 0.12%        | 637,610   |                     |
| 137   | Goodyear Police                      | 4,331,405        | 4,582,090        | 1,779,231      | 2,125,288      | 12,818,013     | 6,409,007         | 0.16%        | 814,586   |                     |
| 140   | Graham Cnty Sheriff                  | 845,819          | 787,043          | 328,812        | 362,481        | 2,324,156      | 1,162,078         | 0.03%        | 147,700   |                     |
| 220   | Graham County Attorney Investigators | 126,399          | 129,136          | 37,478         | 41,666         | 334,679        | 167,339           | 0.00%        | 21,269    |                     |
| 194   | Green Valley Fire                    | 3,031,027        | 3,423,111        | 967,473        | 1,262,199      | 8,683,810      | 4,341,905         | 0.11%        | 551,857   |                     |
| 157   | Greenlee Cnty Atmy Invst             | 28,512           | 28,512           | -              | -              | 57,024         | 28,512            | 0.00%        | 3,624     |                     |
| 123   | Greenlee Cnty Sheriff                | 1,535,285        | 1,447,041        | 359,224        | 333,524        | 3,675,075      | 1,837,537         | 0.04%        | 233,551   |                     |
| 232   | Groom Creek Fire District            | -                | 35,514           | -              | 23,619         | 59,133         | 29,566            | 0.00%        | 3,758     |                     |
| 167   | Guadalupe Fire                       | 366,917          | 391,710          | 213,887        | 248,023        | 1,220,537      | 610,269           | 0.01%        | 77,383    |                     |
| 178   | Hayden Police                        | 124,297          | 426,558          | 38,651         | 101,814        | 691,320        | 345,660           | 0.01%        | 43,933    |                     |
| 192   | Heber-Overgaard Fire                 | 215,308          | 190,434          | 148,531        | 147,316        | 701,589        | 350,794           | 0.01%        | 44,586    |                     |
| 199   | Highlands Fire                       | 1,001,179        | 1,141,666        | 365,277        | 435,675        | 2,943,797      | 1,471,898         | 0.04%        | 187,079   |                     |
| 086   | Holbrook Police                      | 1,577,621        | 1,410,603        | 296,581        | 319,894        | 3,604,700      | 1,802,350         | 0.04%        | 229,079   |                     |

# Statistical Section

| SYS # | SYSTEM                     | EMPLOYER RESERVE 6/30/05 | EMPLOYER RESERVE 6/30/06 | MEMBER RESERVE 6/30/05 | MEMBER RESERVE 6/30/06 | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|-------|----------------------------|--------------------------|--------------------------|------------------------|------------------------|-------------------|--------------|--------|---------------------|
| 206   | Hualapai Tribal Police     | 115,549                  | 134,696                  | 61,902                 | 75,269                 | 387,417           | 193,708      | 0.00%  | 24,620              |
| 053   | Hualapai Valley Fire       | 1,081,768                | 1,065,584                | 371,577                | 429,548                | 2,948,477         | 1,474,239    | 0.04%  | 187,376             |
| 210   | Jerome Police              | 42,524                   | 57,777                   | 19,901                 | 27,276                 | 147,478           | 73,739       | 0.00%  | 9,372               |
| 156   | Kearny Police              | 746,898                  | 708,564                  | 84,452                 | 97,988                 | 1,637,902         | 818,951      | 0.02%  | 104,089             |
| 015   | Kingman Fire               | 5,526,101                | 5,637,222                | 1,904,311              | 2,022,205              | 15,089,839        | 7,544,919    | 0.18%  | 958,961             |
| 040   | Kingman Police             | 6,298,168                | 6,066,416                | 1,503,230              | 1,675,674              | 15,543,488        | 7,771,744    | 0.19%  | 987,790             |
| 103   | La Paz Cnty Sheriff        | 3,518,521                | 3,341,464                | 1,013,144              | 1,086,846              | 8,959,976         | 4,479,988    | 0.11%  | 569,407             |
| 042   | Lake Havasu Fire           | 14,498,729               | 13,518,425               | 2,957,252              | 2,823,081              | 33,797,487        | 16,898,744   | 0.41%  | 2,147,834           |
| 067   | Lake Havasu Police         | 9,890,016                | 9,624,803                | 2,788,365              | 2,866,162              | 25,169,346        | 12,584,673   | 0.31%  | 1,599,515           |
| 183   | Lakeside Fire District     | 383,435                  | 452,486                  | 203,452                | 227,968                | 1,267,341         | 633,671      | 0.02%  | 80,540              |
| 173   | LaPaz Cnty Attny Invest    | 100,095                  | 105,276                  | 45,415                 | 49,183                 | 299,968           | 149,984      | 0.00%  | 13,270              |
| 205   | Linden Fire                | 104,420                  | 116,201                  | 46,580                 | 64,562                 | 331,762           | 165,881      | 0.00%  | 21,084              |
| 130   | Mammoth Police             | 67,626                   | 74,026                   | 117,198                | 107,911                | 366,762           | 183,381      | 0.00%  | 23,308              |
| 107   | Marana Marshalls           | 4,587,658                | 4,840,650                | 1,775,195              | 2,160,491              | 13,363,995        | 6,681,998    | 0.16%  | 849,283             |
| 165   | Maricopa Cnty Attny Invest | 3,442,213                | 3,127,843                | 500,977                | 427,542                | 7,498,575         | 3,749,287    | 0.09%  | 484,914             |
| 016   | Maricopa County Sheriff    | 122,995,927              | 113,349,776              | 24,759,700             | 25,975,463             | 287,080,866       | 143,540,433  | 3.51%  | 18,244,022          |
| 228   | Maricopa Fire District     | 390,150                  | 1,023,967                | 150,882                | 524,646                | 2,089,644         | 1,044,822    | 0.03%  | 132,797             |
| 202   | Maricopa Park Rangers      | 840,385                  | 668,358                  | 112,864                | 28,674                 | 1,650,281         | 825,141      | 0.02%  | 104,876             |
| 168   | Mayer Fire District        | 521,542                  | 741,393                  | 221,503                | 269,863                | 1,754,301         | 877,151      | 0.02%  | 98,387              |
| 017   | Mesa Fire                  | 99,071,013               | 90,707,167               | 23,521,409             | 23,196,397             | 236,495,986       | 118,247,993  | 2.89%  | 15,029,347          |
| 018   | Mesa Police                | 147,864,467              | 141,720,553              | 37,141,959             | 39,184,731             | 365,911,710       | 182,955,855  | 4.47%  | 23,253,731          |
| 019   | Miami Fire                 | 258,759                  | 236,857                  | -                      | -                      | 495,616           | 247,808      | 0.01%  | 31,496              |
| 116   | Miami Police               | 407,027                  | 388,001                  | 82,916                 | 99,909                 | 977,852           | 488,926      | 0.01%  | 62,143              |
| 043   | Mohave Cnty Sheriff        | 9,987,641                | 9,749,074                | 2,258,170              | 2,599,591              | 24,594,476        | 12,297,238   | 0.30%  | 1,549,559           |
| 072   | Mohave Valley Fire         | 1,550,366                | 1,623,664                | 554,679                | 670,221                | 4,398,930         | 2,199,465    | 0.05%  | 279,553             |
| 191   | Montezuma/Rimrock          | 265,713                  | 292,784                  | 123,778                | 142,006                | 824,281           | 412,141      | 0.01%  | 52,383              |
| 233   | Mount Lemmon Fire District | -                        | 117,336                  | -                      | 23,904                 | 141,240           | 70,620       | 0.00%  | 8,976               |
| 056   | N.A.U. Police              | 2,656,868                | 2,492,670                | 345,032                | 311,005                | 5,805,574         | 2,902,787    | 0.07%  | 368,945             |
| 158   | Navajo Cnty Attny Invest   | 203,653                  | 180,744                  | (0)                    | -                      | 384,397           | 192,199      | 0.00%  | 24,429              |
| 071   | Navajo County Sheriff      | 4,759,439                | 4,007,762                | 870,082                | 810,752                | 10,448,035        | 5,224,017    | 0.13%  | 663,974             |
| 020   | Nogales Fire               | 3,937,894                | 3,805,419                | 1,129,941              | 1,305,007              | 10,178,261        | 5,089,131    | 0.12%  | 646,830             |

| SYS # | SYSTEM                     | EMPLOYER RESERVE | EMPLOYER RESERVE | MEMBER RESERVE | MEMBER RESERVE | MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR      | INVESTMENT EARNINGS |
|-------|----------------------------|------------------|------------------|----------------|----------------|----------------|-------------------|--------------|-------------|---------------------|
|       |                            | 6/30/05          | 6/30/06          | 6/30/05        | 6/30/06        | 6/30/06        |                   | 6/30/06      |             |                     |
| 080   | Nogales Police             | 5,344,196        | 5,288,262        | 1,481,860      | 1,582,159      | 13,686,478     | 6,848,239         | 0.17%        | 870,413     |                     |
| 147   | Northwest Fire             | 9,980,788        | 10,669,241       | 4,110,817      | 4,846,834      | 29,607,681     | 14,803,841        | 0.36%        | 1,881,572   |                     |
| 122   | Oro Valley Police          | 6,918,462        | 7,109,473        | 2,575,461      | 2,874,707      | 19,478,103     | 9,739,051         | 0.24%        | 1,237,836   |                     |
| 097   | Page Fire                  | 302,786          | 312,339          | 59,815         | 110,597        | 785,537        | 392,768           | 0.01%        | 49,921      |                     |
| 096   | Page Police                | 1,919,214        | 2,019,062        | 309,350        | 433,263        | 4,680,889      | 2,340,445         | 0.06%        | 297,471     |                     |
| 076   | Paradise Valley Police     | 6,484,923        | 6,132,290        | 1,438,117      | 1,497,696      | 15,553,026     | 7,776,513         | 0.19%        | 988,397     |                     |
| 060   | Parker Police              | 1,201,278        | 996,935          | 211,194        | 190,174        | 2,599,582      | 1,299,791         | 0.03%        | 165,204     |                     |
| 215   | Pascua Yaqui Tribal Fire   | 344,052          | 448,564          | 199,082        | 361,244        | 1,352,942      | 676,471           | 0.02%        | 85,980      |                     |
| 214   | Pascua Yaqui Tribal Police | 406,388          | 342,362          | 173,072        | 222,374        | 1,144,197      | 572,098           | 0.01%        | 72,714      |                     |
| 128   | Patagonia Marshall         | 105,057          | 262,361          | 22,552         | 55,450         | 445,420        | 222,710           | 0.01%        | 28,306      |                     |
| 051   | Payson Fire                | 2,001,867        | 2,054,521        | 743,304        | 859,021        | 5,658,713      | 2,829,356         | 0.07%        | 359,612     |                     |
| 052   | Payson Police              | 3,361,329        | 3,386,875        | 1,073,081      | 1,218,198      | 9,039,484      | 4,519,742         | 0.11%        | 574,460     |                     |
| 073   | Peoria Fire                | 13,305,162       | 13,529,325       | 4,899,440      | 5,418,225      | 37,152,152     | 18,576,076        | 0.45%        | 2,361,023   |                     |
| 074   | Peoria Police              | 17,585,192       | 18,410,636       | 4,606,533      | 5,000,348      | 45,602,709     | 22,801,354        | 0.56%        | 2,898,057   |                     |
| 021   | Phoenix Fire               | 454,720,358      | 414,804,109      | 92,642,753     | 92,427,504     | 1,054,594,724  | 527,297,362       | 12.89%       | 67,019,614  |                     |
| 022   | Phoenix Police             | 779,882,868      | 710,931,190      | 152,245,685    | 154,201,320    | 1,797,261,062  | 898,630,531       | 21.97%       | 114,216,144 |                     |
| 145   | Picturerock Fire           | 1,397,788        | 1,467,099        | 381,948        | 457,082        | 3,703,916      | 1,851,958         | 0.05%        | 235,384     |                     |
| 146   | Pima Cmnty Coll. PD        | 2,930,295        | 2,663,487        | 904,398        | 741,780        | 7,239,960      | 3,619,980         | 0.09%        | 460,100     |                     |
| 154   | Pima Cnty Attny Invst      | 1,080,482        | 1,067,162        | 238,441        | 309,823        | 2,695,907      | 1,347,954         | 0.03%        | 171,325     |                     |
| 039   | Pima County Sheriff        | 101,662,157      | 95,879,232       | 10,007,543     | 10,489,555     | 218,038,487    | 109,019,243       | 2.66%        | 13,856,371  |                     |
| 100   | Pima Police                | 114,639          | 138,293          | 11,982         | 33,434         | 298,348        | 149,174           | 0.00%        | 18,960      |                     |
| 104   | Pinal Cnty Sheriff         | 16,869,616       | 16,683,136       | 4,248,658      | 4,811,062      | 42,612,472     | 21,306,236        | 0.52%        | 2,708,027   |                     |
| 150   | Pine-Strawberry Fire       | 1,238,550        | 1,173,150        | 424,489        | 462,655        | 3,298,844      | 1,649,422         | 0.04%        | 209,642     |                     |
| 185   | Pinetop Fire District      | 811,905          | 1,059,376        | 344,381        | 476,247        | 2,691,909      | 1,345,955         | 0.03%        | 171,071     |                     |
| 113   | Pinetop-Lakeside Police    | 1,374,717        | 1,320,366        | 334,611        | 396,747        | 3,426,440      | 1,713,220         | 0.04%        | 217,751     |                     |
| 207   | Pinewood Fire              | 584,341          | 609,233          | 85,288         | 145,659        | 1,424,521      | 712,261           | 0.02%        | 90,529      |                     |
| 023   | Prescott Fire              | 12,736,035       | 12,186,150       | 2,605,969      | 2,972,628      | 30,500,783     | 15,250,391        | 0.37%        | 1,938,328   |                     |
| 024   | Prescott Police            | 8,906,710        | 8,335,571        | 2,168,903      | 2,155,569      | 21,566,753     | 10,783,376        | 0.26%        | 1,370,570   |                     |
| 088   | Prescott Valley Police     | 3,290,611        | 3,581,507        | 1,412,427      | 1,668,433      | 9,952,978      | 4,976,489         | 0.12%        | 632,513     |                     |
| 221   | Quartzsite Fire            | 62,506           | 92,886           | 30,667         | 52,877         | 238,935        | 119,468           | 0.00%        | 15,184      |                     |
| 144   | Quartzsite Marshall        | 630,966          | 834,762          | 291,016        | 396,015        | 2,152,759      | 1,076,380         | 0.03%        | 136,808     |                     |

# Statistical Section

| SYS # | SYSTEM                    | EMPLOYER RESERVE 6/30/05 | EMPLOYER RESERVE 6/30/06 | MEMBER RESERVE 6/30/05 | MEMBER RESERVE 6/30/06 | COMBINED RESERVES | MEAN BALANCE | FACTOR | INVESTMENT EARNINGS |
|-------|---------------------------|--------------------------|--------------------------|------------------------|------------------------|-------------------|--------------|--------|---------------------|
| 208   | Rincon Valley Fire        | 285,622                  | 377,308                  | 124,334                | 214,519                | 1,001,784         | 500,892      | 0.01%  | 63,663              |
| 200   | Rio Rico Fire             | 324,800                  | 350,155                  | 198,339                | 258,407                | 1,131,701         | 565,851      | 0.01%  | 71,920              |
| 222   | Rio Verde Fire            | 425,175                  | 505,939                  | 214,760                | 282,605                | 1,428,478         | 714,239      | 0.02%  | 90,780              |
| 047   | Safford Police            | 2,326,253                | 2,283,198                | 538,070                | 663,910                | 5,811,431         | 2,905,716    | 0.07%  | 369,317             |
| 174   | Sahuarita Police          | 800,221                  | 1,005,407                | 411,924                | 543,289                | 2,760,840         | 1,380,420    | 0.03%  | 175,452             |
| 181   | SaltRiverPima-MaricopFire | 3,766,320                | 4,058,783                | 1,554,477              | 1,886,030              | 11,265,610        | 5,632,805    | 0.14%  | 715,931             |
| 182   | SaltRiverPima-MaricopPD   | 2,800,259                | 3,414,888                | 1,522,331              | 2,069,111              | 9,806,589         | 4,903,294    | 0.12%  | 623,210             |
| 163   | San Luis Fire             | 753,813                  | 613,560                  | 336,039                | 363,830                | 2,067,242         | 1,033,621    | 0.03%  | 159,933             |
| 095   | San Luis Police           | 1,564,159                | 1,568,121                | 524,656                | 665,533                | 4,322,469         | 2,161,234    | 0.05%  | 274,693             |
| 087   | Santa Cruz Cnty Deputy    | 3,163,669                | 2,324,801                | 1,103,537              | 857,818                | 7,449,825         | 3,724,912    | 0.09%  | 473,437             |
| 223   | Scottsdale Fire           | 4,409,243                | 6,269,907                | 2,167,865              | 3,508,954              | 16,355,969        | 8,177,985    | 0.20%  | 1,039,424           |
| 025   | Scottsdale Police         | 71,812,033               | 69,085,320               | 16,419,515             | 17,817,691             | 175,134,560       | 87,567,280   | 2.14%  | 11,129,821          |
| 166   | Sedona Fire District      | 4,448,803                | 4,703,730                | 1,614,943              | 2,029,364              | 12,796,840        | 6,398,420    | 0.16%  | 821,484             |
| 129   | Sedona Police             | 2,005,132                | 2,050,929                | 681,505                | 785,714                | 5,523,280         | 2,761,640    | 0.07%  | 351,005             |
| 186   | Show Low Fire District    | 731,160                  | 806,896                  | 215,737                | 330,136                | 2,083,930         | 1,041,965    | 0.03%  | 132,434             |
| 078   | Show Low Police           | 2,337,035                | 2,300,039                | 595,551                | 696,763                | 5,929,388         | 2,964,694    | 0.07%  | 376,813             |
| 026   | Sierra Vista Fire         | 6,996,155                | 6,852,548                | 1,762,764              | 1,920,421              | 17,531,888        | 8,765,944    | 0.21%  | 1,114,153           |
| 036   | Sierra Vista Police       | 8,823,193                | 7,991,941                | 1,981,999              | 2,082,761              | 20,879,895        | 10,439,948   | 0.26%  | 1,326,920           |
| 065   | Snowflake Police          | 812,002                  | 792,118                  | 231,414                | 255,280                | 2,090,814         | 1,045,407    | 0.03%  | 132,871             |
| 171   | Somerton Fire             | 367,838                  | 630,107                  | 225,227                | 325,854                | 1,549,025         | 774,512      | 0.02%  | 84,998              |
| 169   | Somerton Police           | 760,274                  | 812,698                  | 311,916                | 369,544                | 2,254,432         | 1,127,216    | 0.03%  | 156,628             |
| 058   | South Tucson Fire         | 1,131,647                | 999,893                  | 279,976                | 284,337                | 2,695,852         | 1,347,926    | 0.03%  | 171,322             |
| 069   | South Tucson Police       | 637,542                  | 489,386                  | 424,110                | 391,319                | 1,942,357         | 971,179      | 0.02%  | 123,437             |
| 092   | Springerville Police      | 556,514                  | 545,419                  | 223,236                | 224,845                | 1,550,014         | 775,007      | 0.02%  | 87,812              |
| 153   | St. Johns Police          | 271,644                  | 295,614                  | 128,479                | 154,239                | 849,976           | 424,988      | 0.01%  | 54,016              |
| 195   | Summit Fire               | 1,546,239                | 1,651,207                | 579,957                | 734,979                | 4,512,382         | 2,256,191    | 0.06%  | 286,762             |
| 177   | Sun City Fire Dept        | 6,931,242                | 6,664,776                | 4,626,776              | 4,381,628              | 22,604,422        | 11,302,211   | 0.28%  | 1,436,514           |
| 155   | Sun Lakes Fire Dist.      | 3,187,898                | 3,484,050                | 1,305,017              | 1,331,612              | 9,308,576         | 4,654,288    | 0.11%  | 591,561             |
| 170   | SunCity West Fire Dstrct  | 4,540,674                | 4,785,896                | 1,802,488              | 2,088,192              | 13,217,250        | 6,608,625    | 0.16%  | 839,958             |
| 094   | Superior Police           | 485,062                  | 467,323                  | 149,021                | 147,295                | 1,248,701         | 624,351      | 0.02%  | 79,355              |
| 120   | Surprise Fire             | 4,332,125                | 4,718,636                | 2,077,211              | 2,533,028              | 13,661,000        | 6,830,500    | 0.17%  | 868,158             |



| SYS # | SYSTEM                          | EMPLOYER RESERVE | EMPLOYER RESERVE | MEMBER RESERVE | MEMBER RESERVE | MEMBER RESERVE | COMBINED RESERVES | MEAN BALANCE | FACTOR     | INVESTMENT EARNINGS |
|-------|---------------------------------|------------------|------------------|----------------|----------------|----------------|-------------------|--------------|------------|---------------------|
|       |                                 | 6/30/05          | 6/30/06          | 6/30/05        | 6/30/06        | 6/30/06        |                   |              |            |                     |
| 110   | Surprise Police                 | 5,511,972        | 5,677,637        | 2,112,750      | 2,585,586      | 15,887,946     | 7,943,973         | 0.19%        | 1,009,681  |                     |
| 027   | Tempe Fire                      | 49,640,707       | 44,549,249       | 7,794,419      | 7,412,767      | 109,397,142    | 54,698,571        | 1.34%        | 6,952,201  |                     |
| 028   | Tempe Police                    | 58,610,515       | 55,505,033       | 14,232,749     | 14,538,781     | 142,887,078    | 71,443,539        | 1.75%        | 9,080,490  |                     |
| 117   | Thatcher Police                 | 1,543,954        | 1,417,421        | 343,955        | 301,521        | 3,606,852      | 1,803,426         | 0.04%        | 229,216    |                     |
| 188   | Three Points Fire District      | 356,176          | 305,146          | 189,568        | 206,650        | 1,057,541      | 528,770           | 0.01%        | 67,207     |                     |
| 235   | Tohono O'Odham Nation Fire      | -                | 972,375          | -              | 66,071         | 1,038,446      | 519,223           | 0.01%        | 65,993     |                     |
| 236   | Tohono O'Odham Nation Police    | -                | 5,681,693        | -              | 224,588        | 5,906,281      | 2,953,140         | 0.07%        | 375,345    |                     |
| 108   | Tolleson Fire                   | 1,289,847        | 1,465,300        | 712,425        | 877,901        | 4,345,473      | 2,172,736         | 0.05%        | 276,155    |                     |
| 090   | Tolleson Police                 | 1,966,500        | 1,921,172        | 566,189        | 629,363        | 5,083,225      | 2,541,612         | 0.06%        | 323,040    |                     |
| 132   | Tombstone Police                | 22,829           | 209,922          | 62,932         | 81,963         | 377,646        | 188,823           | 0.00%        | 23,999     |                     |
| 209   | Tonopah Fire                    | 77,608           | 62,131           | 55,851         | 50,773         | 246,362        | 123,181           | 0.00%        | 15,656     |                     |
| 216   | Town of Superior Fire           | 52,146           | 59,623           | 22,055         | 27,394         | 161,219        | 80,609            | 0.00%        | 10,245     |                     |
| 201   | Tri-City Fire                   | 263,135          | 311,646          | 132,808        | 182,334        | 889,924        | 444,962           | 0.01%        | 56,555     |                     |
| 172   | Tubac Fire District             | 841,733          | 791,590          | 358,103        | 383,228        | 2,374,654      | 1,187,327         | 0.03%        | 170,146    |                     |
| 124   | Tucson Airprt Auth. Fire        | 4,307,293        | 3,869,791        | 970,639        | 988,077        | 10,135,800     | 5,067,900         | 0.12%        | 644,131    |                     |
| 125   | Tucson Airprt Auth. PD          | 2,913,096        | 2,786,331        | 919,971        | 951,706        | 7,571,104      | 3,785,552         | 0.09%        | 481,145    |                     |
| 029   | Tucson Fire                     | 164,992,019      | 148,093,424      | 23,454,667     | 22,428,124     | 358,968,235    | 179,484,117       | 4.39%        | 22,812,472 |                     |
| 030   | Tucson Police                   | 245,993,132      | 231,595,081      | 36,211,253     | 37,251,228     | 551,050,694    | 275,525,347       | 6.74%        | 35,019,334 |                     |
| 045   | U of A Campus Police            | 5,271,399        | 5,218,499        | 1,359,216      | 1,604,917      | 13,454,032     | 6,727,016         | 0.16%        | 855,005    |                     |
| 203   | Verde Valley Fire               | 1,844,926        | 1,872,078        | 523,325        | 621,229        | 4,861,558      | 2,430,779         | 0.06%        | 308,953    |                     |
| 111   | Welton Police                   | 21,773           | 48,195           | 43,042         | 61,828         | 174,837        | 87,419            | 0.00%        | 11,111     |                     |
| 217   | Wickenburg Fire                 | 12,017           | 42,928           | 8,127          | 35,286         | 98,358         | 49,179            | 0.00%        | 6,251      |                     |
| 126   | Wickenburg Police               | 876,063          | 877,252          | 333,815        | 346,869        | 2,433,999      | 1,217,000         | 0.03%        | 154,681    |                     |
| 077   | Willcox Police                  | 973,951          | 929,189          | 210,584        | 207,825        | 2,321,549      | 1,160,775         | 0.03%        | 147,535    |                     |
| 115   | Williams Police                 | 825,440          | 662,502          | 189,157        | 166,785        | 1,843,884      | 921,942           | 0.02%        | 117,179    |                     |
| 237   | Williamson Valley Fire District | -                | 88,904           | -              | 52,900         | 141,803        | 70,902            | 0.00%        | 9,012      |                     |
| 031   | Winslow Fire                    | 3,440,886        | 3,431,342        | 252,584        | 275,202        | 7,400,014      | 3,700,007         | 0.09%        | 470,272    |                     |
| 050   | Winslow Police                  | 2,542,894        | 2,439,890        | 490,340        | 609,614        | 6,082,738      | 3,041,369         | 0.07%        | 386,559    |                     |
| 187   | Yavapai Cnty Attrny Inv.        | 266,933          | 238,147          | 72,861         | 72,861         | 650,801        | 325,400           | 0.01%        | 41,358     |                     |
| 98    | Yavapai Cnty Sheriff            | 9,272,549        | 9,000,180        | 3,283,383      | 3,675,661      | 25,231,773     | 12,615,887        | 0.31%        | 1,603,482  |                     |
| 234   | Yavapai Prescott Tribal Police  | -                | 41,653           | -              | 19,645         | 61,299         | 30,649            | 0.00%        | 3,896      |                     |

# Statistical Section

| SYS # | SYSTEM              | EMPLOYER RESERVE 6/30/05 | EMPLOYER RESERVE 6/30/06 | MEMBER RESERVE 6/30/05 | MEMBER RESERVE 6/30/06 | COMBINED RESERVES | MEAN BALANCE  | FACTOR  | INVESTMENT EARNINGS |
|-------|---------------------|--------------------------|--------------------------|------------------------|------------------------|-------------------|---------------|---------|---------------------|
| 118   | Youngtown Police    | 655,790                  | 646,034                  | 222,148                | 242,876                | 1,766,849         | 883,425       | 0.02%   | 112,283             |
| 34    | Yuma County Sheriff | 8,597,039                | 7,911,307                | 1,682,531              | 1,732,825              | 19,923,702        | 9,961,851     | 0.24%   | 1,266,154           |
| 32    | Yuma Fire           | 20,005,189               | 18,131,612               | 3,806,732              | 4,063,985              | 46,007,518        | 23,003,759    | 0.56%   | 2,923,783           |
| 33    | Yuma Police         | 27,548,778               | 26,116,022               | 5,593,629              | 5,913,549              | 65,171,977        | 32,585,989    | 0.80%   | 4,141,687           |
| 219   | TOTALS              | 3,485,858,197            | 3,266,796,587            | 698,024,851            | 730,928,615            | 8,181,608,250     | 4,090,804,125 | 100.00% | 519,942,132         |

# PARTICIPATING EMPLOYERS

AK CHIN INDIAN COMM. FIRE DEPT.  
AK CHIN INDIAN COMM. POLICE DEPT.  
APACHE COUNTY SHERIFF'S DEPT.  
APACHE JUNCTION FIRE DISTRICT  
APACHE JUNCTION POLICE DEPARTMENT  
ARIZONA STATE CAPITOL POLICE  
ARIZONA STATE PARK RANGERS  
ASU CAMPUS POLICE  
ATTORNEY GENERAL INVESTIGATORS  
AVONDALE FIRE DEPARTMENT  
AVONDALE POLICE DEPARTMENT  
AVRA VALLEY FIRE DISTRICT  
AZ DPT. LIQ. LIC. & CONTROL INVST  
BENSON POLICE DEPARTMENT  
BISBEE FIRE DEPARTMENT  
BISBEE POLICE DEPARTMENT  
BLACK CANYON FIRE DISTRICT  
BUCKEYE FIRE DEPARTMENT  
BUCKEYE POLICE DEPARTMENT  
BUCKEYE VALLEY FIRE DISTRICT  
BUCKSKIN FIRE DISTRICT  
BULLHEAD CITY FIRE DEPARTMENT  
BULLHEAD CITY POLICE DEPARTMENT  
CAMP VERDE FIRE DISTRICT  
CAMP VERDE MARSHAL'S  
CAREFREE TOWN MARSHALS  
CASA GRANDE FIRE DEPARTMENT  
CASA GRANDE POLICE DEPARTMENT  
CAVE CREEK MARSHALS  
CENTRAL YAVAPAI FIRE DISTRICT  
CHANDLER FIRE DEPARTMENT  
CHANDLER POLICE DEPARTMENT  
CHINO VALLEY FIRE DISTRICT  
CHINO VALLEY POLICE DEPARTMENT  
CLARKDALE POLICE DEPARTMENT  
CLIFTON FIRE DEPARTMENT  
CLIFTON POLICE DEPARTMENT  
COCHISE COUNTY SHERIFF'S DEPT  
COCONINO COUNTY SHERIFF'S DEPT  
COOLIDGE POLICE DEPARTMENT  
CORONA DE TUCSON FIRE DISTRICT  
COTTONWOOD FIRE DEPARTMENT  
COTTONWOOD POLICE DEPARTMENT  
DAISY MOUNTAIN FIRE DISTRICT  
DEPARTMENT OF EMER & MILITARY AFF  
DEPARTMENT OF PUBLIC SAFETY  
DIAMOND STAR FIRE DISTRICT  
DOUGLAS FIRE DEPARTMENT  
DOUGLAS POLICE DEPARTMENT  
DREXEL HEIGHTS FIRE DISTRICT  
EAGAR POLICE DEPARTMENT  
EL MIRAGE FIRE DEPARTMENT  
EL MIRAGE POLICE DEPARTMENT  
ELOY FIRE DISTRICT

ELOY POLICE DEPARTMENT  
FLAGSTAFF FIRE DEPARTMENT  
FLAGSTAFF POLICE DEPARTMENT  
FLORENCE FIRE DEPARTMENT  
FLORENCE POLICE DEPARTMENT  
FORT MCDOWELL TRIBAL FIRE DEPT.  
FORT MCDOWELL TRIBAL POLICE DEPT.  
FORT MOJAVE MESA FIRE DISTRICT  
FORT MOJAVE TRIBAL POLICE DEPT.  
FREDONIA MARSHALS  
FRY FIRE DISTRICT  
GAME AND FISH DEPARTMENT  
GILA COUNTY SHERIFF'S DEPARTMENT  
GILA RIVER FIRE DEPARTMENT  
GILA RIVER POLICE DEPARTMENT  
GILBERT FIRE DEPARTMENT  
GILBERT POLICE DEPARTMENT  
GLENDALE FIRE DEPARTMENT  
GLENDALE POLICE DEPARTMENT  
GLOBE FIRE DEPARTMENT  
GLOBE POLICE DEPARTMENT  
GOLDEN SHORES FIRE DISTRICT  
GOLDEN VALLEY FIRE DISTRICT  
GOLDER RANCH FIRE DISTRICT  
GOODYEAR FIRE DEPARTMENT  
GOODYEAR POLICE DEPARTMENT  
GRAHAM COUNTY ATTORNEY INVEST.  
GRAHAM COUNTY SHERIFF'S DEPT.  
GREEN VALLEY FIRE DISTRICT  
GREENLEE CNTY ATTY INVESTIGATORS  
GREENLEE COUNTY SHERIFF'S DEPT.  
GUADALUPE FIRE DEPARTMENT  
HAYDEN POLICE DEPARTMENT  
HEBER-OVERGAARD FIRE DISTRICT  
HIGHLANDS FIRE DISTRICT  
HOLBROOK POLICE DEPARTMENT  
HUALAPAI INDIAN TRIBE POLICE DEPT  
HUALAPAI VALLEY FIRE DISTRICT  
JEROME POLICE DEPARTMENT  
KEARNY POLICE DEPARTMENT  
KINGMAN FIRE DEPARTMENT  
KINGMAN POLICE DEPARTMENT  
LA PAZ COUNTY ATTY. INVESTIGATORS  
LA PAZ COUNTY SHERIFF'S DEPT.  
LAKE HAVASU CITY FIRE DEPARTMENT  
LAKE HAVASU CITY POLICE DEPT.  
LAKESIDE FIRE DISTRICT  
LINDEN FIRE DISTRICT  
MAMMOTH POLICE DEPARTMENT  
MARANA POLICE DEPARTMENT  
MARICOPA CNTY ATTY INVESTIGATORS  
MARICOPA COUNTY PARK RANGERS  
MARICOPA COUNTY SHERIFF'S OFFICE

# PARTICIPATING EMPLOYERS

MARICOPA FIRE DISTRICT  
MAYER FIRE DISTRICT  
MESA FIRE DEPARTMENT  
MESA POLICE DEPARTMENT  
MIAMI FIRE DEPARTMENT  
MIAMI POLICE DEPARTMENT  
MOHAVE COUNTY SHERIFF'S DEPT.  
MOHAVE VALLEY FIRE DISTRICT  
MONTEZUMA RIMROCK FIRE DISTRICT  
NAU CAMPUS POLICE  
NAVAJO COUNTY ATTY'S INVESTIGATOR  
NAVAJO COUNTY SHERIFF'S DEPT.  
NOGALES FIRE DEPARTMENT  
NOGALES POLICE DEPARTMENT  
NORTHWEST FIRE DISTRICT  
ORO VALLEY POLICE DEPARTMENT  
PAGE FIRE DEPARTMENT  
PAGE POLICE DEPARTMENT  
PARADISE VALLEY POLICE DEPARTMENT  
PARKER POLICE DEPARTMENT  
PASCUA YAQUI TRIBE FIRE DEPT.  
PASCUA YAQUI TRIBE POLICE DEPT.  
PATAGONIA MARSHALS  
PAYSON FIRE DEPARTMENT  
PAYSON POLICE DEPARTMENT  
PEORIA FIRE DEPARTMENT  
PEORIA POLICE DEPARTMENT  
PHOENIX FIRE DEPARTMENT  
PHOENIX POLICE DEPARTMENT  
PICTURE ROCKS FIRE DISTRICT  
PIMA COUNTY ATTORNEY INVESTIGATOR  
PIMA COUNTY COMM. COLLEGE POLICE  
PIMA COUNTY SHERIFF'S DEPARTMENT  
PIMA POLICE DEPARTMENT  
PINAL COUNTY SHERIFF'S DEPARTMENT  
PINE-STRAWBERRY FIRE DISTRICT  
PINETOP FIRE DISTRICT  
PINETOP-LAKESIDE POLICE DEPT.  
PINWOOD FIRE DISTRICT  
PRESCOTT FIRE DEPARTMENT  
PRESCOTT POLICE DEPARTMENT  
PRESCOTT VALLEY POLICE DEPARTMENT  
QUARTZSITE FIRE DISTRICT  
QUARTZSITE POLICE DEPARTMENT  
RINCON VALLEY FIRE DISTRICT  
RIO RICO FIRE DISTRICT  
RIO VERDE FIRE DISTRICT  
SAFFORD POLICE DEPARTMENT  
SAHUARITA POLICE DEPARTMENT  
SALT RIVER PIMA-MARICOPA FIRE  
SALT RIVER PIMA-MARICOPA POLICE  
SAN LUIS FIRE DEPARTMENT  
SAN LUIS POLICE DEPARTMENT

SANTA CRUZ COUNTY SHERIFF'S DEPT.  
SCOTTSDALE FIRE DEPARTMENT  
SCOTTSDALE POLICE DEPARTMENT  
SEDONA FIRE DISTRICT  
SEDONA POLICE DEPARTMENT  
SHOW LOW FIRE DISTRICT  
SHOW LOW POLICE DEPARTMENT  
SIERRA VISTA FIRE DEPARTMENT  
SIERRA VISTA POLICE DEPARTMENT  
SNOWFLAKE POLICE DEPARTMENT  
SOMERTON FIRE DEPARTMENT  
SOMERTON POLICE DEPARTMENT  
SOUTH TUCSON FIRE DEPARTMENT  
SOUTH TUCSON POLICE DEPARTMENT  
SPRINGVILLE POLICE DEPARTMENT  
ST. JOHNS POLICE DEPARTMENT  
SUMMIT FIRE DISTRICT  
SUN CITY FIRE DISTRICT  
SUN CITY WEST FIRE DISTRICT  
SUN LAKES FIRE DISTRICT  
SUPERIOR POLICE DEPARTMENT  
SURPRISE FIRE DEPARTMENT  
SURPRISE POLICE DEPARTMENT  
TEMPE FIRE DEPARTMENT  
TEMPE POLICE DEPARTMENT  
THATCHER POLICE DEPARTMENT  
THREE POINTS FIRE DISTRICT  
TOLLESON FIRE DEPARTMENT  
TOLLESON POLICE DEPARTMENT  
TOMBSTONE MARSHAL'S DEPARTMENT  
TONOPAH FIRE DISTRICT  
TOWN OF SUPERIOR (FIRE DEPT)  
TRI-CITY FIRE DISTRICT  
TUBAC FIRE DISTRICT  
TUCSON AIRPORT AUTHORITY FIRE DPT  
TUCSON AIRPORT AUTHORITY POLICE  
TUCSON FIRE DEPARTMENT  
TUCSON POLICE DEPARTMENT  
U OF A CAMPUS POLICE DEPARTMENT  
VERDE VALLEY FIRE DISTRICT  
WELLTON POLICE  
WICKENBURG FIRE DEPARTMENT  
WICKENBURG POLICE DEPARTMENT  
WILLCOX POLICE DEPARTMENT  
WILLIAMS POLICE DEPARTMENT  
WINSLOW FIRE DEPARTMENT  
WINSLOW POLICE DEPARTMENT  
YAVAPAI CNTY ATTRNY INVESTIGATORS  
YAVAPAI COUNTY SHERIFF'S DEPT.  
YOUNGTOWN POLICE DEPARTMENT  
YUMA COUNTY SHERIFF'S DEPARTMENT  
YUMA FIRE DEPARTMENT  
YUMA POLICE DEPARTMENT