



ARIZONA
COMMERCE
AUTHORITY

ANNUAL REPORT

FISCAL YEAR 2016



MISSION



The mission of the Arizona Commerce Authority is to grow and strengthen Arizona's economy and facilitate the creation of quality jobs for its citizens by supporting and attracting businesses in targeted, high-value base sectors throughout the State.

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FROM THE PRESIDENT AND CEO



Momentum is the best word to describe the progress and success in growing and strengthening Arizona's economy during Fiscal Year 2016.

Through an intense focus on assisting businesses of all sizes, the Arizona Commerce Authority (ACA) has exceeded its annual goal for job creation and surpassed our collective four-year goals in job creation and capital investment.

In Fiscal Year 2016, ACA efforts directly led to 17,629 projected new jobs, exceeding our goal of 17,000. During the last four years, the ACA has supported the projected creation of 67,659 new jobs, nearly 19 percent above the goal of 57,000 jobs. During the same period, company relocation and expansion projects delivered \$7 billion in capital investment commitments, exceeding our goal of \$4.6 billion.

The ACA continued to focus and build international economic development opportunities, including forging relationships with key markets in Mexico through more than 12 trade missions, with a special focus on the Arizona-Sonora Region. In fact, the ACA has entered into a one-of-a-kind partnership with Sonora, Mexico to leverage shared economic strengths and promote the benefits of doing business in the Arizona-Sonora Region.

The results of our successes are being noticed as Arizona continues to receive national recognition. Our state consistently ranks near the top for key indicators such as cost of doing business, regulatory environment, top talent, and quality of life.

Recent ranking highlights include:

- #1 in Projected Job Growth by Forbes
- #1 in Aerospace Manufacturing by PricewaterhouseCoopers
- #2 Fastest Job Growth in 2016 by Kiplinger
- #3 in Tech and Information Jobs by Forbes
- #3 in Entrepreneurial Activity by the Information Technology and Innovation Foundation
- #6 Best State for Business in the U.S. by Chief Executive Magazine
- A Top 10 State for Most Favorable Regulatory Climate by Area Development
- A Top 10 State for Workforce and Business Friendliness by CNBC

Under the leadership of Governor Ducey and the ACA Board of Directors, we will continue to prove that Arizona is the absolute best place for business.

Sincerely,

A handwritten signature in black ink that reads "S. Watson". The signature is fluid and cursive, written over a light blue horizontal line.

Sandra Watson

President and CEO, Arizona Commerce Authority

BOARD OF DIRECTORS

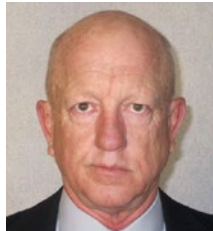


Governor Doug Ducey
Chairman
Executive Committee Member

The ACA is guided by a Board of Directors, led by Governor Doug Ducey as Chairman. The Board represents an incredible collection of subject matter expertise combined with business and policy experience, all leveraged to advance the ACA's mission to strengthen the state's overall economy.



Brian Mueller
Co-Chairman
Executive Committee Member
President and CEO
Grand Canyon University



Gary Abrams
Executive Committee Member
CEO and President
Abrams Airborne
Manufacturing



Richard Adkerson
Executive Committee Member
President and CEO
Freeport McMoRan
Copper & Gold



Michael Bidwill
President
Arizona Cardinals



**Honorable President
Andy Biggs**
2016 Ex-Officio Member
Arizona Senate



Mark Bonsall
General Manager and CEO
Salt River Project



Dr. Rita Cheng
2016 Ex-Officio Member
President
Northern Arizona University



Dr. Michael Crow
2016 Ex-Officio Member
President
Arizona State University



Dr. Wyatt Decker, M.D.
Mayo Clinic
Vice President and CEO
Mayo Clinic in Arizona



David Goldstein
President
Diamond Ventures, Inc.



**Honorable Speaker
David Gowan**
2016 Ex-Officio Member
Arizona House of
Representatives



Dr. Ann Hart
2016 Ex-Officio Member
President
University of Arizona



Mignonne Hollis
 President and CEO
 Business & Tax Analyst, LLC



John Kaites
 Founding Partner
 Global Security Innovative
 Strategies



James Keeley
 Founding Partner
 Colliers International
 Scottsdale Office



Eileen Klein
 2016 Ex-Officio Member
 President
 Arizona Board of Regents



Dr. Taylor Lawrence
 Vice President and
 President
 Raytheon Missile Systems



Stephen Macias
 President and CEO
 Pivot Manufacturing



Honorable Mark Mitchell
 2016 Ex-Officio Member
 Mayor of Tempe



William Pilcher
 CEO
 USI Insurance Services, LLC



Kimberly Smith
 Vice President
 Attack Helicopter Programs
 The Boeing Company



Victor Smith
 President and Owner
 JV Farms



Sandra Watson
 Executive Committee Member
 President and CEO
 Arizona Commerce Authority



Judith Wood
 2016 Ex-Officio Member
 President
 Contact One Call Center

EXECUTIVE SUMMARY

The ACA has a targeted strategy to improve Arizona's economy by attracting new companies and investments to the state, growing and retaining businesses in the state, and creating and nurturing technology-oriented companies. These efforts are measured through job creation, capital investment and an increase in average wages.

MOMENTUM IS BUILDING

Arizona has received prominent national features and accolades for job growth, its pro-business environment, and removing unnecessary regulations.

The New York Times Magazine

Forbes

Chief Executive



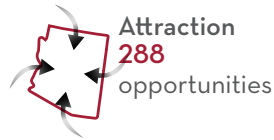
Kiplinger

NATIONAL REVIEW



COMPANY ENGAGEMENT

In Fiscal Year 2016, the ACA led engagements with more than 1,947 businesses.



ANNUAL RESULTS

The ACA exceeded its goal for job creation in Fiscal Year 2016 and continues to surpass nearly all of its cumulative four year goals of its five-year plan.

ACA FISCAL YEAR 2016 ANNUAL RESULTS

PROJECTED JOBS	17,000 GOAL	17,629 PERFORMANCE	103% OF GOAL
PROJECTED CAPITAL INVESTMENT	\$1.3 BILLION GOAL	\$0.92 BILLION PERFORMANCE	70.8% OF GOAL
PROJECTED AVERAGE WAGE	\$55,121 GOAL	\$50,789 PERFORMANCE	92.1% OF GOAL

ACA FISCAL YEAR 2013 TO FISCAL YEAR 2016 CUMMULATIVE RESULTS

PROJECTED JOBS	57,000 4-YR GOAL	67,659 PERFORMANCE	118% OF GOAL
PROJECTED CAPITAL INVESTMENT	\$4.6 BILLION 4-YR GOAL	\$7 BILLION PERFORMANCE	152% OF GOAL
PROJECTED AVERAGE WAGE	\$52,836 4-YR GOAL	\$50,687 PERFORMANCE	95.9% OF GOAL

ECONOMIC IMPACT

Using an analysis by Elliott D. Pollack & Co., Fiscal Year 2016 efforts will result in the following over a five-year period:

38,392	\$27.11 billion	\$0.59 billion
DIRECT, INDIRECT AND INDUCED JOBS	ECONOMIC OUTPUT	TAX REVENUE

These results, in combination with results in Fiscal Year 2013 through Fiscal Year 2015, reveal a cumulative four-year economic impact of:

151,297	\$86.04 billion	\$2.28 billion
DIRECT, INDIRECT AND INDUCED JOBS	ECONOMIC OUTPUT	TAX REVENUE

MOVING AHEAD

The ACA is boldly moving forward with various strategic initiatives that are rooted in Fiscal Year 2016 to drive economic development, including:

- Implementing Governor Ducey's vision for economic development in Arizona that aligns state agencies to better market our state and uses real-time data to drive economic development.
- Expansion of its proven CEO Forum events to further recruit businesses to Arizona.
- Marketing the Arizona-Sonora Region to leverage shared economic resources and business opportunities.

GROWING COMPANIES IN ARIZONA

FISCAL YEAR 2016 CLIENTS AND TOTALS

Companies	105
Projected New Jobs	17,629*
Capital Investment	\$920.8M*
Average Salary	\$50,803*

* Three-year projections

COMPANY • 1ST QUARTER

Abrazo Community Health Network

Applegate Insulation

Arizona Fireplaces

CVS Pharmacy, Inc.

D Stevens, LLC

Groupon, Inc.

GW Plastics - Tucson

InEight, Inc. (FKA Hard Dollar)

International Towers Inc.

Metco Metal Finishing, LLC

Metromile

Mist America

N1, LLC

OpenTech Alliance, Inc.

Pinnacle Transplant Technologies

PLC Central

Quik Tek Assembly

Republic Services

Special Devices, Inc.

Stitch Fix

Tp3 Global Ltd.

Vincent Benjamin

COMPANY • 2ND QUARTER

Alliance Fence, LLC

ASM (Advanced Semiconductor Materials)

Aventa Senior Care, LLC

Blue Marble Landscape, LLC

Booker Software, Inc.

Brokers Alliance, Inc.

Cenlar

Essai Inc.- Phoenix

Forms+Surfaces - Arizona

Heritage Gilbert AL Partners, LP

iFactor Consulting

Isagenix International, LLC

Jordan Manufacturing

KW International

Modern Industries

Orbital ATK, Inc.

PlaSteelAZ (was Plastics Engineering)

Santander Consumer USA Holdings, Inc.

SAP - Scottsdale Office

Truly Nolen

Tucson Medical Center

COMPANY • 3RD QUARTER

ADP, Inc. - Headquarters

Amazon.com, Inc.

Apache Railroad

Apex Tactical Specialties, Inc.

Arizona Fleixble Packaging

Arizona Turbine Technology, Inc.

Aspire Loyalty Travel Solutions

Carlisle Companies Incorporated

Celgene - Phoenix

Daikin Applied

Daphne's Headcovers

Davis Research, LLC

Farmers Insurance - Woodland Hills

Freedom Financial Network

Gabriel Partners

Hartford Fire Insurance Company

Inteplast Group, Ltd. - Phoenix

Kudelski SA

Novembal USA Inc

Otto Environmental Systems (AZ), LLC

Scientific Games - HQ

Southwest Mobile Storage, Inc.

Sub-Zero Freezer Co., Inc.

The Adam Corporation

Vinyl Visions

Wells Fargo

World View Enterprises, Inc.

ZipRecruiter

COMPANY • 4TH QUARTER

American Express - Phoenix

Arcadia Custom

B2G Now

Cardinal Glass

Carvana

Caterpillar Inc.

Center for Employment Dispute Resolution

Centurion Investments, Inc.

Connexa, LLC

DexCom, Inc.

Discover Financial Services - Phoenix

Dot Transportation, Inc.

Erickson Framing AZ, LLC

Geoworld SRL

HTG Molecular Diagnostics, Inc.

LeaseStation (DBA QuickSpark)

Level 3 Communications - Phoenix/50th St.

Mainstreet

Mainstreet

McFarlin Group

McKesson Corporation

Northstar Aerospace

Oscar Health Insurance

Progexion - Phoenix

QuikTrip - Tolleson

Revana

Sante Operations, LLC

Silicon Valley Bank - Tempe

SmartThings

Superstition Meadery

The Money Source

The Regency Senior Club
dba Medical Care Solutions, PLLC

Tyr Tactical

XPO Logistics, Inc

STRATEGIC INITIATIVES

ACA 2.0

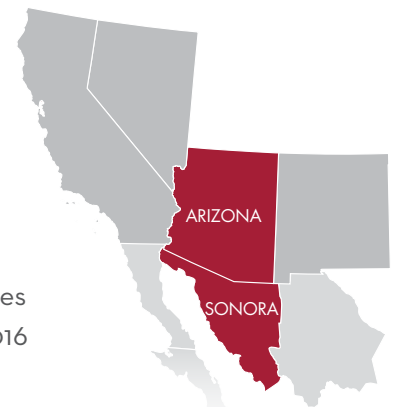
In January 2016, during his State of the State address, Governor Ducey announced his vision for economic development in Arizona: ACA 2.0. He emphasized that this new approach will have a renewed focus on marketing Arizona's unique assets. In May 2016, Governor Ducey signed two pieces of legislation that make this vision a reality: S.B. 1501, continuing the ACA, and H.B. 2666, creating the new Office of Economic Opportunity (OEO). Both pieces of legislation took effect on August 6, 2016.

The Office of Economic Opportunity will support the ACA, Arizona Office of Tourism, Arizona-Mexico Commission and Arizona Zanjeros in their economic development and marketing efforts for the State of Arizona. To do so, the OEO will use real-time data to analyze Arizona's competitiveness against other states, identify ways to drive down regulatory and tax burdens, and develop a statewide workforce plan that aligns with Arizona's economic development priorities.

ARIZONA-SONORA REGION

In July 2016, the ACA entered into a first-of-its-kind agreement to work collaboratively with the State of Sonora, Mexico to leverage shared economic resources and business opportunities. As a part of this agreement, Arizona and Sonora will focus on marketing the attractiveness of the Arizona-Sonora Region.

As the first deliverable, the two states launched a joint marketing and branding campaign highlighting the collective strengths of the region in the target industries of aerospace, automotive and mining. These items were presented during the 2016 Arizona-Mexico Commission Summit held in Scottsdale, Arizona.



CEO FORUM EVENTS

The CEO Forum events are presented in partnership with Governor Ducey and the Arizona Zanjeros. Each event brings business leaders from companies in target industries to Arizona for customized experiences that showcase both business opportunities and why life is better in Arizona. The ACA held three visiting CEO Forums in Fiscal Year 2016 coinciding with three of Arizona's biggest sporting events, including the NCAA Football Championship Game (January 7 - 12, 2016), Phoenix Waste Management Open (February 4 - 7, 2016), MLB Spring Training (March 18 - 20, 2016).

12 companies that attended a CEO Forum have selected Arizona, representing **2,464 jobs** and **\$178 million** in capital investment.



Arizona Cardinals' President Michael Bidwill and General Manager Steve Keim hosting the College Football Playoffs CEO Forum Brunch.



Phoenix Waste Management Open



Arizona Diamondbacks' Chief Baseball Officer Tony La Russa and announcer Paul Calvisi hosting the MLB Spring Training CEO Forum Brunch.

MARKETING ARIZONA

MARKETING

Website Highlights

During Fiscal Year 2016, activity on AZCommerce.com was as follows:

239,000 SESSIONS

171,000 UNIQUE USERS

717,000 NEW USER SESSIONS

70% NEW USER SESSIONS

AVERAGE 3:09 MINUTES
SESSION 3 PAGES VIEWED

Newsletter Highlights

The ACA Monthly Update includes business attraction and business expansion updates, small business innovation news, rural updates, international initiatives, infrastructure news, positive stories about Arizona and updates from the Governor's Office.

59,110 UNIQUE OPENS

17% OPEN RATE

The Arizona Innovation Connection is sent weekly to Arizona's innovation ecosystem. It includes information relating to federal grants, incubators and accelerators, innovation events and funding successes.

15,030 UNIQUE OPENS

26% OPEN RATE

Social Media Highlights

In Fiscal Year 2016, the ACA significantly increased its audience on social media channels through consistent content creation and sharing.



37,589
LIKES



10,254
FOLLOWERS



3,428
LIKES

PUBLIC RELATIONS

Earned media coverage in Fiscal Year 2016 continued to position the ACA as the leading economic development agency in Arizona and raised awareness of the organization's critical role in supporting key growth sectors of the state's economy. Notable headlines from Fiscal Year 2016 include:



Caterpillar Inc. bringing regional HQ to downtown Tucson, 600 jobs

Gabriela Rico Arizona Daily Star May 3, 2016 (25)



Sale to Keep Arizona Freight Railroad Alive

Judge clears local investors to buy short-line Apache Railway after local leaders raise concerns they would lose economic lifeline



Spurring the startups: Arizona Commerce Authority keeping growing entrepreneurs through Innovation Challenge

Hayley Ringle
Reporter
Phoenix Business Journal
May 20, 2016, 3:00am MST



MARKET NEWS | Wed Jun 1, 2016 | 11:39am EDT

BRIEF-Kudelski to establish a second headquarters in Phoenix, Arizona



Phoenix lands new headquarters for N.C. manufacturer

Ronald J. Hansen, The Republic | azcentral.com 10:51 a.m. MST February 15, 2016

CONFERENCES, TRADE SHOWS AND MISSIONS

During Fiscal Year 2016, the ACA completed **17** missions across the United States and **15** internationally to facilitate business attraction and expansion efforts, as well as enhance entrepreneurial engagement. The ACA shared its customized approach to assisting businesses and Arizona's unique value proposition with companies and consultants representing clients interested in doing business in Arizona.

DOMESTIC

ATLANTA, GA
July 2015

SAN FRANCISCO, CA
July 2015

SAN DIEGO, CA
September 2015

LOS ANGELES, CA
October 2015

ANCHORAGE, AK
October 2015

PHILADELPHIA, PA
October 2015

NASHVILLE, TN
February 2016

CHICAGO, IL
April 2016

GREENVILLE, SC
April 2016

SAN FRANCISCO, CA
May 2016

PASADENA, CA
May 2016

SAN FRANCISCO, CA
June 2016

NEW YORK, NY
June 2016

WASHINGTON, DC
June 2016

INTERNATIONAL

**BAJA CALIFORNIA (TIJUANA AND MEXICALI)
AND MEXICO CITY, MEXICO**
July 2015

NOGALES, MEXICO
August 2015

VANCOUVER, CANADA
August 2015

MEXICO CITY, MEXICO
September 2015

TORONTO, CANADA
October, 2015

**U.S. MEXICO BINATIONAL BRIDGES AND
BORDERS CROSSING GROUP**
Ensenada, Baja California, Mexico
October 2015

ACAPULCO, MEXICO
October 2015

TIJUANA, MEXICO
November 2015

MEXICALI, MEXICO
December 2015

TORONTO, CANADA
December 2015

MEXICALI, MEXICO
February 2016

U.S. MEXICO JOINT WORKING COMMITTEE
Monterrey, Nuevo Leon, Mexico
April 2016

GUAYMAS/EMPALME, MEXICO
May, 2016

**U.S. MEXICO BINATIONAL BRIDGES AND
BORDERS CROSSING GROUP**
Mexico City, Mexico
May 2016

MEXICO CITY, MEXICO
June 2016

WORKFORCE COUNCIL AND SECTOR PARTNERSHIPS

Workforce Arizona Council

The ACA, in its capacity as the administrative agency for the Governor's Workforce Arizona Council, implements programs and policies designed to meet both the staffing needs of Arizona industry and the quality employment needs of Arizona individuals.

The mission of the Workforce Arizona Council is to advise the Governor and lead a statewide network of programs and resources that produces a high quality workforce capable of meeting the needs of employers and job seekers in Arizona.



During Fiscal Year 2016, Governor Ducey appointed a new Workforce Arizona Council and they have taken a very active role in shaping the workforce system in Arizona.

Communities That Work Partnership

Through the work of an information technology sector partnership with the Arizona Technology Council and Cox Communications, the Arizona Commerce Authority was selected through a nationally competitive review process as one of the seven participating states in the Aspen Institute's Communities That Work Partnership. The selected regional team will lead job-driven talent development strategies in Arizona. The team began their 15-month intensive accelerated learning exchange designed around IT talent development strategies to promote economic growth. The Communities That Work Partnership will culminate in a number of publications outlining systems-change progress and lessons learned among the seven regional site teams, which will be disseminated nationally in the fall of 2016. They will describe how networks of local leaders can work in new ways across traditional silos to build more effective regional workforce initiatives, and begin to influence and guide similar strategies in other communities across America.

Navigator Program

The Arizona Commerce Authority's Navigator Program offers no-cost talent acquisition assistance to companies moving to or expanding in Arizona. Arizona is one of the few states to assist companies navigating through federal workforce programs as well as building strategic partnerships between companies and vital community resources. Program results during Fiscal Year 2016:



20 COMPANIES ASSISTED
1,159 JOB OPENINGS FILLED

INTERNATIONAL TRADE AND FOREIGN DIRECT INVESTMENT

During Fiscal Year 2016, the ACA's Mexico City office assisted **83 Arizona companies** and entities looking to export to the Mexican market via a variety of export assistance tools, including market research, company-supplier matchmaking, and trade show assistance. The ACA also assisted companies that are new to exporting with marketing plans and go-to-market strategies in markets around the world, including Australia, Bahrain, Brazil, Canada, China, Germany, Indonesia, Israel, Kuwait, Mexico, Saudi Arabia, South Korea, Spain, UAE and the UK.

Also in Fiscal Year 2016, the ACA undertook an in-depth assessment of best practices in foreign direct investment. The year-long effort culminated in the development of a robust framework to increase job creation and attract new businesses and investment from global markets. The ACA's successful foreign direct investment plan includes three pillars of activities:

- Attracting international businesses to the state.
- Working directly with the foreign companies that already exist to help them expand.
- Facilitating public private-partnership (P3) transactions to fund critical infrastructure.

Recognizing the value of a comprehensive approach, ACA worked with the Consulate of Canada, Los Angeles and the Canada Arizona Business Council to host a forum featuring Canadian P3 experts. With over **80** attendees from around the state, the event emphasized not only the tremendous interest

in Arizona but the breadth of projects in water/wastewater, health care, energy, education, broadband, and sports and community facilities sectors that successfully utilized this financial structure and the existence of a strong capital market in one of our largest trading partners.



STRENGTHENING RURAL ARIZONA

During Fiscal Year 2016, the ACA worked in partnership with Clearinghouse CDFI, to provide **\$2.5 million** in financing for the continued operation of the Apache Railway, which has been providing critical transportation services in northern Arizona since 1917. The railroad has already hired **18 additional employees** and added **three new freight clients**.

Certified Sites Program

Providing a platform for exposure of rural Arizona, the Certified Sites program promotes Arizona rural-employer real estate offerings globally. The program showcases the development-ready land and commercial buildings in rural communities to an audience that may otherwise lack knowledge of such “turn-key” employment assets. Cognizant that not all areas or sites are fully development ready, the ACA has integrated a “tiered” system that ranks the assets by Gold, Silver and Bronze status designations. During Fiscal Year 2016, the ACA has **certified 11 land sites and four buildings**.



SMALL BUSINESS AND ENTREPRENEURSHIP

ARIZONA INNOVATION CHALLENGE

The Arizona Innovation Challenge is a highly competitive technology business plan competition with one of the largest award pools in the country for programs of its kind – \$3 million annually, made up of \$1.5 million in the spring and \$1.5 million in the fall. Awardees represent ACA-targeted industries that demonstrate the most potential for commercialization and include life sciences, information technology, advanced materials and advanced manufacturing.



During Fiscal Year 2016, the ACA announced a total of **11 Arizona Innovation Challenge grant recipients:**

Clear Voice	Technology: Content Marketing Software	Clean Router	Technology: Internet Content Filtering Hardware and Software
Beacon Biomedical	Healthcare: Cancer Screening Tests	Allbound	Technology: Channel Partnership Software
Paraffin International	Healthcare: Manufacturer of Paraffin Wax Treatments	Anicel Biotech, LLC	Biotechnology: Regenerative Treatments for Animals
Smart Clinic	Technology/Healthcare: Medical Communication Software	Salutaris Medical Devices, Inc.	Healthcare: Macular Degeneration Treatment
Medical Memory	Technology/Healthcare: HIPAA-Compliant Video Records	Smart Brain Aging	Healthcare: Cognitive Assessment and Therapy Program
Beckoncall	Technology/Healthcare: Medical Communication Software		

VENTURE READY

The Venture Ready mentor program connects Arizona talent with the state's incredibly rich resources, partnering an entrepreneur with a seasoned CEO to coach the entrepreneur through a series of rigorous panels that produce a stronger business model. The program is part of a collaborative effort to create winning companies while developing and retaining entrepreneurial talent in Arizona.

Venture Ready continues to recruit early-stage companies and CEO mentors. At the conclusion of FY2016, **thirteen** Venture Ready clients were working toward graduation from the program, which averages 13 months to complete, and ACA's assistance with follow-on capital formation.



RevAZ

Created through a partnership between the ACA and the NIST Manufacturing Extension Partnership, RevAZ is dedicated to providing customized solutions that deliver operational and business expertise to Arizona manufacturers to accelerate their growth and enhance their competitiveness.



**MEP • MANUFACTURING
EXTENSION PARTNERSHIP**

During Fiscal Year 2016, RevAZ assisted more than 80 companies in achieving client-reported impacts that include:

- **\$2,700,000 in increased sales**
- **\$3,000,000 in cost savings**
- **Creation of 80 new jobs**
- **Retention of 180 jobs**
- **Increased business investment of \$11 million**

EXPORTECH PROGRAM

The ExporTech Program, created through a partnership between the ACA, the U.S. NIST Manufacturing Extension Partnership, and U.S. Department of Commerce’s U.S. Export Assistance Centers, is a unique, three-session interactive workshop series conducted by industry experts intended to help Arizona companies expand into global markets. As a result of the work completed within the 90-day workshop series, ExporTech participants graduate the program with a comprehensive export plan customized specifically to their unique products or services. Multiple program areas within the ACA work together to provide ongoing services and assistance to these companies as they begin implementation of their international growth plans.

In Fiscal Year 2016, the ACA executed two ExporTech series, graduating **14 Arizona companies** from the program. These companies have already undertaken go-to-market export initiatives in countries including **Australia, Canada, Chile, China, Finland, France, Germany, Indonesia, Ireland, Japan, Malaysia, Mexico, Nigeria, Panama, Philippines, Saudi Arabia, South Korea, Spain, Thailand, Ukraine, United Arab Emirates, United Kingdom and Vietnam**. One of the two series offered was an aerospace and defense industry-specific ExporTech series, launched as part of a special invitation-only pilot program created by NIST MEP and the US Commercial Service from which **seven** Arizona aerospace and defense companies graduated.

ARIZONA INNOVATION ACCELERATOR FUND

The Arizona Innovation Accelerator Fund (AIAF) Loan Participation Program is an **\$18.2 million** loan participation program funded through the U.S. Department of Treasury's State Small Business Credit Initiative and managed by the ACA. The program helps rapidly-expanding Arizona small businesses capitalize on market opportunities by providing debt financing.

During Fiscal Year 2016, the AIAF Program deployed **\$4,748,809** providing loans to **12 Arizona small businesses** that are projected to create **718 new jobs**:

- PLC Central, LLC
- Metco Metal Finishing, LLC
- Blue Marble Landscape, LLC
- Discount Laptop Shop, LLC
- Aventa Senior Care, LLC
- The Apache Railroad Company
- Regency Senior Club, LLC
- AZ Turbine Technology, LLC
- Conexta, LLC
- Superstition Meadery, LLC
- Centurion Investment, Inc.
- Center for Employment Dispute Resolution, LLC

ARIZONA SCITECH

Anchored at the ACA, Arizona SciTech is a grassroots collaboration among industry, academia, arts, civic and community leaders to promote science, technology, engineering and math (STEM) education and careers.

During Fiscal Year 2016, SciTech held the **nation's third largest celebration of STEM participants** with over 1,200 events produced by over 800 collaborators in 53 Arizona cities and towns reaching over 400,000 attendees.



SciTech successfully launched a first-of-its-kind Chief Science Officers Program where middle and high school students are elected to represent their school for STEM and innovation. The inaugural class included **138 chief science officers** from **78 schools**. SciTech also successfully launched one of the nation's first STEM School Community of Practice co-developed in partnership with Intel, the Maricopa County Educational Service Agency, Arizona Science Center and the National STEM Ecosystems Project. The inaugural launch included a total of **57 schools**.



SMALL BUSINESS INNOVATION RESEARCH TRAINING PROGRAM (SBIR)

The ACA's SBIR Training Program provides training and technical assistance enabling small, high-growth potential, technology firms to compete more effectively for federal SBIR/STTR Phase I and II awards and ultimately commercialize their innovations in Phase III. The program prepares business owners - especially women, veterans and socially and economically disadvantaged owners - to compete more effectively through state-of-the-art proposal development workshops and coaching.

Support from a U.S. Small Business Administration FAST Grant in Fiscal Year 2015 continued the opportunity to expand the SBIR Training Programming.

41 companies participated in **four SBIR training workshop sessions** and **three companies received SBIR phase I funding** that they attribute to the ACA's programming.



VENTURE MADNESS

Invest Southwest is the premier organization connecting investors to the best and brightest ventures in Arizona. In partnership with the ACA, Invest Southwest provides year-round programming, including Improving Investability workshops and networking events, as well as its signature event, Venture Madness, a bracket-style business pitch competition for \$105,000 in cash prizes to aid the growth of early-stage innovative companies.

During Fiscal Year 2016, the ACA and Invest Southwest presented the third annual Venture Madness event. The competition began with 64 startups matched head-to-head, with 16 seeded from top Arizona Innovation Challenge competitors. The Venture Madness event culminated in a three-day conference attended by more than 265 entrepreneurs, startups, venture capitalists, angel investors, and members of many other supporting organizations.

The 2016 Venture Madness Champion, finalists and People's Choice winner are as follows:

2016 Champion: NuvOx Pharma (Fall 2014 AIC awardee)
1ST runner-up: eVisit (Spring 2015 AIC awardee)
2ND runners-up: RightBio Metrics (Spring 2015 AIC awardee) and The Medical Memory (Fall 2015 AIC awardee)
People's Choice Award: Iron Horse Diagnostics (Fall 2014 AIC awardee)

MANAGING FINANCIAL INCENTIVES

ACA FISCAL YEAR 2016 INCENTIVES

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TABLE 1 – FISCAL YEAR 2016 PRE-APPROVED ACTIVE PROGRAMS SUMMARY

NUMBER OF APPLICANTS PRE-APPROVED [1]	PROJECTED NEW JOBS [2]	AVERAGE WAGE OF PROJECTED NEW JOBS [2]	PROJECTED CAPITAL INVESTMENT [2]	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS [3]
ARIZONA COMPETES FUND				
17	1,430	\$84,968	\$ 76,210,000	\$ 6,350,000
COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT PROGRAM				
62	N/A	N/A	\$ 27,641,369	\$ 984,598
COMPUTER DATA CENTER PROGRAM				
3	N/A	N/A	\$150,000,000+	N/A
HEALTHY FORESTS TAX INCENTIVE PROGRAM				
0	0	0	0	0
JOB TRAINING GRANTS PROGRAM				
29	3,808	\$43,439	N/A	\$13,513,500
MILITARY REUSE ZONE TAX INCENTIVE PROGRAM				
2	0	N/A	\$ 5,345,258	\$ 208,355
QUALIFIED FACILITY TAX CREDIT PROGRAM				
4	168	\$70,260	\$ 63,696,742	\$ 2,968,683
QUALITY JOBS TAX CREDIT PROGRAM				
17	3,299	\$31,555	\$ 69,000,000	\$29,691,000
RENEWABLE ENERGY TAX INCENTIVES PROGRAM				
0	0	N/A	0	0
RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM				
0	NA	N/A	0	0
TOTALS				
134	8,705 [4]	\$46,275	\$391,893,369 [4]	\$53,716,136

- [1] Pre-approval generally entails a commitment of incentives to an applicant which is conditioned on the applicant subsequently achieving outcomes that establish final eligibility for the incentives. In the case of tax credit programs, pre-approval is reflected by issuance of a commitment letter. In the case of grant programs, pre-approval is reflected by execution of a grant agreement.
- [2] "N/A" is indicated for programs in which the applicable metric is not a component of eligibility.
- [3] In some of the programs involving pre-approval, a specific incentive amount is committed at the time of pre-approval. In those programs, the amount of incentive pre-approved is either (a) in the case of tax credit programs, the amount of tax credits reserved or (b) in the case of grant programs, the maximum amount payable pursuant to the grant agreements. In programs involving pre-approval where a specific incentives amount is not committed, the pre-approval simply authorizes the applicant to claim certain benefits, which may include tax credits claimed through the Department of Revenue, property tax reclassification claimed through a county assessor or transaction privilege tax exemptions claimed through retailers or prime contractors. "N/A" is included for programs in which the value of the incentive is not determined.
- [4] Significant overlap exists between the projected jobs and capital investment figures reflected here and the projected jobs and capital investment figures reflected in the ACA's Fiscal Year 2016 master client list (at pages 9-10). The data sets are not the same, however, for several reasons. Most significantly, not all businesses represented on the ACA's Fiscal Year 2016 master client list applied for incentives in Fiscal Year 2016 (and therefore are not represented in this table). Additionally, as the same projected job and the same capital investment can in some cases be claimed to establish eligibility under multiple incentive programs, the total new jobs and total capital investment numbers in the table may reflect some duplication (there is no such duplication in the Fiscal Year 2016 master client list).

TABLE 2 – FISCAL YEAR 2016 POST-APPROVED ACTIVE PROGRAMS SUMMARY

POST-APPROVALS				
NUMBER OF APPLICANTS POST-APPROVED [1]	ACTUAL NEW JOBS CREATED [2]	AVERAGE WAGE OF NEW JOBS CREATED [2]	ACTUAL CAPITAL INVESTMENT MADE [2]	INCENTIVES AWARDED BASED ON ACTUAL IN YEAR ACTIVITY [3]
ARIZONA COMPETES FUND				
56	967	\$73,801	\$ 52,015,936	\$ 8,802,373
COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT PROGRAM				
59	N/A	N/A	\$ 27,738,941	\$ 1,030,245
COMPUTER DATA CENTER PROGRAM				
0	N/A	N/A	0	N/A
HEALTHY FORESTS TAX INCENTIVE PROGRAM				
8	15	\$35,845	\$ 7,027,145	\$ 228,234
JOB TRAINING GRANTS PROGRAM				
70	4,107	\$47,211	N/A	\$ 6,876,269
MILITARY REUSE ZONE TAX INCENTIVE PROGRAM				
7	17	\$93,013	\$14,570,897	\$ 595,233
QUALIFIED FACILITY TAX CREDIT PROGRAM				
2	[4]	[4]	[4]	\$17,540,000
QUALITY JOBS TAX CREDIT PROGRAM				
31	1,785	\$57,487	\$515,460,180	\$12,972,000
RENEWABLE ENERGY TAX INCENTIVES PROGRAM				
0	0	N/A	0	0
RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM				
23	N/A	N/A	\$ 61,692,352	\$ 5,000,000
TOTALS				
256	6,891 [5]	\$53,692	\$678,505,451 [5]	\$53,044,354

[1] Post-approval generally entails an award of incentives after an applicant has taken all steps necessary to establish final eligibility for the applicable incentive. Post-approval is reflected by (a) in the case of tax credit programs, a letter authorizing the applicant to claim tax credits through the Department of Revenue over a period of years; (b) in the case of grant programs, a payment to the applicant for achieving a grant milestone; or (c) in the case of a tax exemption program, a letter confirming the applicant's eligibility to claim the exemption. In some cases, the submission of a program report by an applicant is deemed to be post-approval for purposes of this ACA report, though no actual ACA approval is involved, because the submission of reports in those cases is the process by which the ACA learns the outcomes achieved by the applicant.

[2] "N/A" is indicated for programs in which the applicable metric is not a component of eligibility. Where figures are reported in the "New Jobs Created" and "Capital Investment Made" columns, they are based on information reported in Fiscal Year 2016; as such, they may include jobs created and capital investment made prior to Fiscal Year 2016.

[3] "Awarded" means (a) in the case of tax credit programs, the amount of tax credits authorized to be claimed through the Department of Revenue over a period of years; (b) in the case of grant programs, the amount of grant payments made; or (c) in the case of tax exemption programs, the amount of exemptions reported to have been claimed by applicants. As incentive awards in a given year are often based on pre-approvals made in prior years, the amount of incentives awarded indicated in the table does not necessarily, and in most cases simply does not, have any correlation with the amount of pre-approved incentives identified in Table 1. Further, because tax credits awarded may or may not be actually claimed by the applicant through the Department of Revenue, the actual cost to the state of tax credit programs may be lower than indicated.

[4] Confidential information pursuant to A.R.S. § 41-1512(U).

[5] Little overlap exists between the actual jobs and capital investment figures in this table and the projected jobs and capital investment figures of the ACA's Fiscal Year 2016 master client list (at pages 9-10). This is primarily because the Fiscal Year 2016 master client list includes only projects that were announced in Fiscal Year 2016, whereas the vast majority of actual jobs and capital investment reflected in this table represent projects that were announced or established in previous years.

ARIZONA COMPETES FUND

Pursuant to A.R.S. § 41-1545 et seq., the Arizona Commerce Authority administers the Arizona Competes Fund (ACF). In accordance with A.R.S. § 41-1545.02, grants from the ACF may be awarded for (i) attracting, expanding or retaining Arizona basic enterprises and (ii) supporting and advancing programs and projects for rural businesses, small businesses and business development that enhance economic development. Currently, three ACA grant programs are funded through the ACF: Deal-closing Grants (A-1), Arizona Innovation Challenge Grants (AIC) and Rural Economic Development Grants (REDG).

DEAL-CLOSING GRANTS (A-1 Grants)

A-1 Grants are offered for the purpose of attracting, expanding or retaining Arizona basic enterprises. A.R.S. § 41-1545 defines an “Arizona basic industry” as manufacturing, producing goods or services that derive at least 65% of their revenue from out-of-state sales; research and development of new products, processes or technologies; national or regional headquarters or back-office operations supporting a national or regional company; or warehouse distribution operations. Pursuant to A.R.S. § 41-1545.02, all A-1 Grants must demonstrate through analysis by an independent third party that estimated income, property tax, transaction privilege tax and government fee revenues in Arizona resulting from the project will exceed the state incentives available to the grantee.

These grants are typically structured over a number of years with the grantee being required to meet certain milestones before grant monies are paid. These companies are also required to report a number of verifiable performance results for three to five years.

TABLE 3A - ARIZONA COMPETES FUND PROGRAM - FISCAL YEAR 2016 PRE-APPROVED A-1 GRANTS

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT
Republic Services Customer Resource Center West, LLC	520	\$ 40,047	\$ 3,700,000
Carlisle Companies Incorporated	130	\$118,504	\$ 5,720,000
Orbital ATK, Inc.	155	\$116,000	\$19,900,000
JDA Software, Inc.	[1]	[1]	[1]
ZipRecruiter, Inc.	238	\$ 75,924	\$11,390,000
Nagra USA, Inc.	349	\$131,792	\$35,500,000
FY 2016 TOTALS/AVERAGE	1,392	\$ 84,968	\$76,210,000

[1] The grantee is required to maintain its global headquarters in Arizona for 10 years. During the 10 year period, the grantee is precluded from transferring to a location outside of Arizona more than five of its 314 employee headquarter workforce in existence as of the date of the grant.

Table 3A - Post-Approvals continued on next page >

TABLE 3A – ARIZONA COMPETES FUND PROGRAM • FISCAL YEAR 2016 POST-APPROVED A-1 GRANTS

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE
GoDaddy.com, LLC - FY 2016	59	\$ 59,164	\$ 0
GoDaddy.com, LLC - Cumulative	324	\$ 58,239	\$ 89,044,304
General Motors, LLC - FY 2016	210	\$ 85,811	\$ 0
General Motors, LLC - Cumulative	617	\$ 86,981	\$ 19,692,531
Northern Trust Company - FY 2016	198	\$ 80,199	\$ 12,567,877
Northern Trust Company - Cumulative	198	\$ 80,199	\$ 12,567,877
JDA Software, Inc. - FY 2016	[1]	[1]	[1]
JDA Software, Inc. - Cumulative	[1]	[1]	[1]
Maverick - FY 2016	4	\$ 67,642	\$ 0
Maverick - Cumulative	292	\$ 65,100	\$ 24,168,689
Accelr8 Technology Corporation - FY 2016	43	\$ 94,110	\$ 5,858,621
Accelr8 Technology Corporation - Cumulative	108	\$ 94,905	\$ 10,378,621
Silicon Valley Bank - Center of Excellence - FY 2016	33	\$105,135	\$ 0
Silicon Valley Bank - Center of Excellence - Cumulative	65	\$103,075	\$ 35,000
Carlisle Companies Incorporated - FY 2016	24	\$ 95,439	\$ 3,530,207
Carlisle Companies Incorporated - Cumulative	24	\$ 95,439	\$ 3,530,207
Orbital ATK, Inc. - FY 2016	31	\$112,251	\$ 0
Orbital ATK, Inc. - Cumulative	31	\$112,251	\$ 0
Zip Recruiter, Inc. - FY 2016	87	\$ 54,000	\$ 358,149
Zip Recruiter, Inc. - Cumulative	87	\$ 54,000	\$ 358,149
FY 2016 Totals/Average	689	\$ 80,763	\$ 22,314,854
FY 2016 Cummulative Totals/Average [2]	1,746	\$ 77,230	\$159,775,378

[1] The grantee is required to maintain its global headquarters in Arizona for 10 years; during the 10 year period, the grantee is precluded from transferring to a location outside of Arizona more than five of its 314 employee headquarter workforce in existence as of the date of the grant.

[2] Grants with activity in Fiscal Year 2016.

TABLE 3A – ARIZONA COMPETES FUND PROGRAM • CUMULATIVE A-1 GRANT ACTIVITY

CUMULATIVE GRANT ACTIVITY	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY
TOTAL GRANTS AWARDED FY 2012-2016	2,631	\$ 71,849	\$180,931,842	\$10,019,329

ARIZONA INNOVATION CHALLENGE (AIC) GRANTS

AIC grants are awarded to qualified, innovative start-up and early stage companies through a business plan competition known as the Arizona Innovation Challenge. AIC grants are extended to encourage commercialization of new technologies and small business growth, which may not result in immediate job creation and capital investment. Recipients are required to meet certain milestones and report measurable outcomes over a 12-month period in order to receive the award funds. These entities are also required to file progress reports for several years beyond their grant award.

TABLE 3B – ARIZONA COMPETES FUND PROGRAM • FISCAL YEAR 2016 AIC GRANT AWARDS

FALL 2015
Clear Voice is a software-as-a-service (SaaS) company with a content marketing platform that manages the relationship between content creators like influencers and bloggers and content consumers like websites and brands.
Beacon Biomedical develops and commercializes blood based laboratory and point of care tests for early cancer recognition, screening and detection, and recurrence and drug efficacy monitoring.
Paraffin International develops, produces and markets ready-to-heat and use paraffin wax treatments.
Smart Clinic is a software company offering a medical communication app to help patients prepare for procedures like colonoscopies and other similar outpatient procedures. Their solution assists doctors with workflow and flow up to maximize successful outcomes and patient health.
Medical Memory is a digital health company with proprietary HIPAA-compliant technology for creating videos of medical consultations between doctors and patients. Videos become part of the patient's record and patients and their family members can access the videos as needed.
Beckoncall is a company with a SaaS platform that automates communication between doctors, patients and care teams, especially during on-call periods.
SPRING 2016
Clean Router is a software and hardware company that helps parents filter internet content for their family. Their combination solution uses a wireless router to provide parents a single-source device that affects all devices – such as computers, smart phones, gaming consoles – in a household.
Allbound is a SaaS company with a solution for facilitating collaboration, access to information and metrics, and education for internal sales and external channel partners.
Anicel Biotech, LLC is a biotechnology company that is commercializing regenerative treatments that extend the active life of animals. The company is enjoying success with dogs, cats, and, especially, horses.
Salutaris Medical Devices, Inc. is a biotechnology company that has developed minimally invasive treatments that restore the age-related deterioration of the retina – the inside back layer of the eye that records the images we see and sends them via the optic nerve from the eye to the brain.
Smart Brain Aging is a company that is commercializing a research-based cognitive assessment and therapy program for reducing mild cognitive impairment (MCI)/early-stage dementia and reducing cognitive and functional decline associated with accelerated aging.

TABLE 3B – ARIZONA COMPETES FUND PROGRAM • CUMULATIVE AIC GRANT ACTIVITY

CUMULATIVE GRANT ACTIVITY	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY
TOTAL GRANTS AWARDED FY 2012-2016	296	\$67,557	\$7,548,842	\$10,450,125

RURAL ECONOMIC DEVELOPMENT GRANTS (REDG)

Pursuant to A.R.S. § 41-1545.02 (A)(2), REDG grants partially fund qualifying fiscal year rural infrastructure projects that will generate private sector job creation and capital investment, particularly in Arizona basic industries. A.R.S. § 41-1545 defines an “Arizona basic industry” as manufacturing, producing goods or services that derive at least 65% of their revenue from out-of-state sales; research and development of new products, processes or technologies; national or regional headquarters or back-office operations supporting a national or regional company; or warehouse distribution operations.

These grants are awarded by the Rural Economic Development Council in competitive grant cycles each year. Grants reimburse rural entities for infrastructure improvements that enhance the community’s competitiveness. Funds are paid out over time based on the achievement of milestones and recipients are required to submit quarterly reports on the funded projects to the ACA for a period of three or more years.

The infrastructure projects funded by this grant program are often part of long term economic development initiatives within a local community and geared toward long-term job creation.

TABLE 3C – ARIZONA COMPETES FUND PROGRAM • FISCAL YEAR 2016 PRE-APPROVED REDG GRANTS

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT
* No REDG applications received in fiscal year 2016			

TABLE 3C – ARIZONA COMPETES FUND PROGRAM • CUMULATIVE REDG GRANT ACTIVITY

CUMULATIVE INCENTIVE ACTIVITY	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY
Total Grants Awarded FY 2012-2016	1,164	\$33,283	\$152,817,905	\$5,557,211

COMMERCIAL/INDUSTRIAL SOLAR ENERGY INCENTIVE PROGRAM

The Commercial/Industrial Solar Energy Incentive Program provides an Arizona income tax credit to offset the cost of installation of a qualifying solar energy device at an Arizona business facility. The credits are authorized on a first-come, first-serve basis and the program has an annual cap of \$1 million.

An eligible applicant is a business that purchases a solar energy device and causes the device to be installed at a facility at which the business operates. Tax credits generally equal 10% of the installed cost of the solar energy device up to \$25,000 in tax credits for one facility in a single tax year and up to \$50,000 in total tax credits for one business in a single tax year. Tax credits can be used to offset Arizona income tax liability; any unused credit amounts can be carried forward for up to five tax years.

TABLE 4 - FISCAL YEAR 2016 PRE-APPROVED COMMERCIAL/INDUSTRIAL SOLAR TAX CREDIT PROGRAM

FY 2016 APPLICANT (PRE-APPROVED) [1]	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT [2]	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
62	N/A	N/A	\$ 27,641,369	\$ 984,598

TABLE 4 - FISCAL YEAR 2016 POST-APPROVED COMMERCIAL/INDUSTRIAL SOLAR TAX CREDIT PROGRAM

FY 2016 APPLICANT (POST-APPROVED) [1]	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE [2]	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
59	N/A	N/A	\$ 27,738,941	\$ 1,030,245

[1] Applicant information is confidential pursuant to ARS §41-1510.019(C).

[2] The total cost of solar equipment projected for purchase by pre-approved applicants and actually purchased by post-approved applicants.

CUMULATIVE - COMMERCIAL/INDUSTRIAL SOLAR TAX CREDIT PROGRAM

POST-APPROVAL YEAR	AMOUNT POST-APPROVED	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY
2012	\$ 10,553,771	\$ 376,385
2013	\$ 15,777,868	\$ 904,190
2014	\$ 33,792,806	\$ 764,516
2015	\$ 25,000,057	\$ 493,055
2016	\$ 27,738,941	\$1,030,245
TOTAL	\$112,863,443	\$3,568,391

COMPUTER DATA CENTER INCENTIVE PROGRAM

The Computer Data Center Incentive Program provides transaction privilege tax and use tax exemptions at the state, county and local levels, on qualifying purchases of Computer Data Center (CDC) Equipment.

An owner, operator or qualified co-location tenant of a CDC may receive the exemptions provided by the incentive for up to ten full calendar years following the year certification of the CDC is issued. However, if the CDC qualifies as a Sustainable Redevelopment Project, the exemptions are available for up to 20 full calendar years following the year certification of the CDC is issued.

The transaction privilege tax and use tax exemptions provided by the incentive are available to CDC facilities that meet the following criteria:

- If the CDC Facility is located in either Maricopa or Pima County, a Capital Investment of at least \$50 million is made within five years of the date of the Letter of CDC Certification from the ACA; OR
- If the CDC Facility is located in any county other than Maricopa or Pima, a Capital Investment of at least \$25 million is made within five years of the date of the Letter of CDC Certification from the ACA; OR
- In the case of an Existing CDC, regardless of location, a Capital Investment of at least \$250 million was made during the period between September 1, 2007 and August 31, 2013.

TABLE 5 – FISCAL YEAR 2016 PRE-APPROVED COMPUTER DATA CENTER PROGRAM

FY 2016 APPLICANT (PRE-APPROVED) [1]	PROJECTED CAPITAL INVESTMENT [1]
CVS Pharmacy, Inc.	\$ 50,000,000+
H5 Data Centers	\$ 50,000,000+
Apple, Inc.	\$ 50,000,000+
TOTAL	\$150,000,000+

[1] For purposes of this table, the three applicants that were “certified” in FY 2016 based on commitments for future required investments were deemed to have been “pre-approved.” Correspondingly, the amount identified in the “Projected Capital Investment” column is the minimum amount of aggregate capital investment those applicants that were “pre-approved” must make over a period of up to five years in order sustain their certifications (the actual amounts are confidential under A.R.S. § 41-1519(I)).

TABLE 5 – FISCAL YEAR 2016 POST-APPROVED COMPUTER DATA CENTER PROGRAM

FY 2016 APPLICANT (POST-APPROVED)	CAPITAL INVESTMENT MADE
* No Activity	

HEALTHY FORESTS ENTERPRISE INCENTIVE

The Healthy Forests Enterprise Incentive is designed to promote forest health in Arizona by providing incentives for certified businesses that are primarily engaged in harvesting, processing or transporting forest products. The following incentives are provided by the Healthy Forest Enterprise Incentive:

- Reduction in tax imposed on use fuel. Use fuel is defined as all gas and liquid used to propel a motor vehicle except fuels that are subject to motor vehicle fuel tax.
- Transaction privilege tax exemption on purchased qualifying equipment, leased or rented qualifying equipment, construction contracts, equipment repair parts and motor vehicle fuel and use fuel
- Use tax exemption on qualifying equipment purchased out-of-state, equipment repair parts and motor vehicle fuel and use fuel
- Property tax reduction
- Employment income tax credit - Arizona income tax credit earned over a three-year period for each net new job created, totaling up to \$3,000 per employee
- Workforce training income tax credit - Arizona income tax credit earned over a three-year period for each new employee trained, totaling up to \$9,000 per employee

TABLE 6 – FISCAL YEAR 2016 PRE-APPROVED HEALTHY FORESTS TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF NEW JOBS PROJECTED	CAPITAL INVESTMENT PROJECTED	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
* No Activity				

TABLE 6 – FISCAL YEAR 2016 POST-APPROVED HEALTHY FORESTS TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
High Desert Investment Company	3	[1]	[1]	[1]
Newpac Fibre, LLC	0	[1]	[1]	[1]
Novo BioPower, LLC	0	[1]	[1]	[1]
Perkins Timber Haversting, LLC	3	[1]	[1]	[1]
Ribelin Logging	2	[1]	[1]	[1]
Southwest Forest Products	0	[1]	[1]	[1]
Tri-Star Logging Inc.	7	[1]	[1]	[1]
Wirta Logging	0	[1]	[1]	[1]
TOTALS	15	\$35,845	\$7,027,145	\$228,234

[1] Information is confidential pursuant to A.R.S. § 41-1516(H).

JOB TRAINING GRANTS PROGRAM

The Job Training Program offers grants to assist eligible Arizona employers with employee training expenditures. Program grants are payable on a cost-reimbursement basis and cover up to 75% of the eligible cost for new employee training and 50% of the eligible costs for existing employee training.

Pursuant to SB 1471 (52ND Legislature, 1ST Regular Session), funding for the Job Training Program terminated on December 31, 2015.

TABLE 7 – FISCAL YEAR 2016 PRE-APPROVED JOB TRAINING GRANTS PROGRAM NET NEW GRANTS

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
Triage Now, LLC	118	\$36,928	\$ 485,889
Valor Global	300	\$28,342	\$1,500,000
LCMS Solutions, Inc., LCMS	31	\$93,871	\$ 83,902
Subrosa Investigations, LLC	3	\$40,000	\$ 10,050
S & A Industries Corp Yuma	11	\$31,000	\$ 37,360
International Towers, Inc.	68	\$48,382	\$ 25,703
CVS Health - Scottsdale	750	\$40,060	\$ 189,916
ABC Ambulance, LLC	50	\$28,080	\$ 75,201
ViaSat, Inc.	49	\$68,056	\$ 64,774
Northern Arizona Healthcare	130	\$48,800	\$ 520,000
UEB Bulders, Inc.	35	\$65,142	\$ 140,000
HTG Molecular Diagnostics, Inc.	13	\$93,846	\$ 35,213
Blue Sky Communications	38	\$32,926	\$ 47,400
Booker Software, Inc.	200	\$48,821	\$ 268,295
InEight, Inc dba Hard Dollar	34	\$92,941	\$ 79,163
University Mechanical & Engineering Contractors, Inc.	84	\$59,726	\$ 210,000
Jaburg Wilk, P.C.	5	\$70,000	\$ 20,000
Knight Transportation, Inc	162	\$48,703	\$ 405,000
Independent Electrical Contractors of SA Apprenticeship and Training	26	\$23,625	\$ 71,825
Print with Premier, LLC	13	\$43,543	\$ 12,712
World View Enterprises, Inc.	126	\$50,984	\$ 249,600
Erickson Framing AZ, LLC	250	\$41,184	\$ 625,000
CornellCookson, Inc.	72	\$44,648	\$ 180,000
Maintstreet Investment Company, LLC	125	\$44,571	\$ 153,488
Comcast Cable Communications Management, LLC	431	\$36,602	\$ 303,862
iFactor Consulting	40	\$66,125	\$ 100,000
Cenlar FSB dba Project Sunshine	611	\$44,158	\$ 988,500
Colossus & Company dba Nimblejack, LLC	17	\$65,294	\$ 42,500
National Machine Company dba NMG Aerospace	16	\$39,718	\$ 18,588
FY 2016 TOTALS/AVERAGES	3,808	\$43,439	\$6,943,941

Table 7 - Post-Approvals on next page >

TABLE 7 - FISCAL YEAR 2016 PRE-APPROVED JOB TRAINING GRANTS PROGRAM NET NEW GRANTS

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED [1]	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL INCENTIVES AWARDED IN YEAR BASED ON ACTIVITY
360 Leads, LLC	1	CONFIDENTIAL	\$ 3,676
Abrazo Health Care	191	\$ 53,202	\$106,303
Accolade, Inc.	79	\$ 54,286	\$ 27,478
Arizona Nutritional Supplements, LLC	111	\$ 42,045	\$ 22,992
Avanti Industries, LLC	94	\$ 31,369	\$ 31,759
Aviation Communication & Surveillance Systems, LLC	43	\$ 58,571	\$ 5,219
Booker Software, Inc.	23	\$ 48,539	\$ 27,430
Brewer Enterprises, Inc.	91	\$ 42,239	\$ 4,795
Cactus Semiconductor, LLC	4	\$108,500	\$ 700
Canyon State Electric Co.	N/A	N/A	\$120,578
Cash Flow Management, Inc.	2	CONFIDENTIAL	\$ 2,880
CEA Study Abroad, Inc.	26	\$ 53,135	\$ 41,477
Cenlar FSB dba Project Sunshine	319	\$ 42,653	\$364,336
Comcast Cable Communications Management, LLC	176	\$ 33,776	\$177,138
Community Auto and Fleet Services, LLC	4	\$ 28,242	\$ 5,603
Community Health Systems	151	\$ 38,033	\$182,035
Cox Communications	70	\$ 39,697	\$ 66,645
CVS Health - Scottsdale	171	\$ 40,602	\$158,360
DBSI, Inc.	12	\$ 62,883	\$ 2,389
ECO 3D, LLC	17	\$ 37,191	\$ 12,722
Evan & McKinney Construction, Inc.	8	\$ 34,775	\$ 47,496
Fluidic Energy	0	N/A	\$ 54,079
Franklin Foods	48	\$ 38,615	\$ 19,163
Fresenius Medical Care	120	\$ 53,565	\$ 37,160
Gary Yamamoto Custom Baits	51	\$ 26,562	\$ 2,078
GEICO	60	\$ 33,497	\$ 40,239
General Motors, LLC	264	\$ 57,698	\$341,798
GlobalTranz Enterprises Inc.	150	\$ 41,685	\$64,151
Haskins Electric, LLC	23	\$ 23,625	\$ 8,106
IBM International Business Machines Corp.	0	N/A	\$377,329
Infusionsoft	417	\$ 62,308	\$357,011
ITI Source	1	\$ 39,687	\$ 2,000
Jaburg Wilk, P.C.	8	\$ 89,597	\$ 4,194
Kearney Electric, Inc.	0	N/A	\$ 31,619
KnowledgeNet	0	N/A	\$ 47,102

[1] "N/A" is indicated where incentive was awarded for training of existing employees.

Table 7 - Post-Approvals continued on next page >

TABLE 7 - FISCAL YEAR 2016 PRE-APPROVED JOB TRAINING GRANTS PROGRAM NET NEW GRANTS

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED [1]	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL INCENTIVES AWARDED IN YEAR BASED ON ACTIVITY
Laboratory Science of Arizona	N/A	N/A	\$ 458,592
LeadMD, Inc	10	\$ 67,500	\$ 77,932
LeClerc Foods Nutrition Arizona, LLC	53	\$ 39,876	\$ 870
Lovitt & Touche Inc.	5	\$ 55,712	\$ 149
MSS Technologies Inc	9	\$111,678	\$ 27,492
Nextiva, Inc	189	\$ 46,515	\$ 369,197
Nexus Steel, LLC	49	\$ 29,884	\$ 135,236
North Country Healthcare, Inc.	31	\$ 52,756	\$ 25,021
Northern Arizona Healthcare	262	\$ 58,278	\$ 106,342
Northern Trust Company	208	\$ 52,828	\$1,147,483
Opt Co. Inc.	N/A	N/A	\$ 5,134
Outbound Engine, Inc	54	\$ 39,665	\$ 35,965
Payson Regional Medical Center	N/A	N/A	\$ 17,288
PHC - Lake Havasu Inc. (Havasu Regional Medical)	74	\$ 30,640	\$ 12,800
Piping Industry Progress & Education Trust Fund	N/A	\$ 52,944	\$ 64,447
Rock Solid, Inc.	25	\$ 39,832	\$ 3,955
S & A Industries Corp Yuma	7	\$ 33,743	\$ 24,309
Sandia Research Corporation	2	CONFIDENTIAL	\$ 5,155
Schneider National Carriers, Inc.	109	\$ 40,164	\$ 95,515
Solar City Corporation	N/A	N/A	\$ 2,340
Southwest Renewable Resources	22	\$ 26,859	\$ 14,559
Stepping Stones Agencies	N/A	N/A	\$ 47,700
Stormwind LLC	56	\$ 37,570	\$ 166,544
Suntec Concrete	N/A	N/A	\$ 472,175
TB Consulting, LLC	N/A	N/A	\$ 4,173
TDIndustries Inc	6	\$ 52,766	\$ 143
The Orthopedic Clinic Association	N/A	N/A	\$ 121,319
Trax International Corporation	N/A	N/A	\$ 11,781
Triage Now, LLC	22	\$ 44,296	\$ 24,409
UEB Bulders, Inc.	8	\$ 85,478	\$ 108,000
University Mechanical & Engineering Contractors, Inc.	22	\$ 51,942	\$ 55,000
ViaSat, Inc	6	\$ 89,416	\$ 1,444
W.D. Manor Plumbing and Heating Inc	N/A	N/A	\$ 171,535
WEBPT, Inc.	52	\$ 57,180	\$ 219,560
Western Industrial Resources Corp.	91	\$ 39,749	\$ 44,665
FY 2016 TOTALS/AVERAGES	4,107	\$ 47,211	\$6,876,269

[1] "N/A" is indicated where incentive was awarded for training of existing employees.

TABLE 7 - CUMULATIVE JOB TRAINING GRANTS PROGRAM NET NEW GRANTS

APPLICANT PRE-APPROVAL YEAR	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	AMOUNT POST-APPROVED [1]
2011	313	\$44,312	\$ 237,384
2012	1,136	\$41,012	\$ 1,418,496
2013	2,768	\$41,382	\$ 5,407,178
2014	2,545	\$46,165	\$ 3,367,710
2015	1,192	\$47,752	\$ 3,312,885
2016	4,107	\$47,211	\$ 6,876,269
TOTALS/AVERAGE	12,061	\$45,047	\$20,619,922

[1] Amount post-approved represents sums paid by the ACA to grantees in reimbursement of qualified job training expenses for net new employee-trainees and training of existing employees.

MILITARY REUSE ZONE PROGRAM

The Military Reuse Zone Program (MRZ Program) was established by the state legislature in 1992 to lessen the impact of military base closures. Currently there are two Military Reuse Zones in Arizona – the former Williams Air Force Base, now known as Phoenix-Mesa Gateway Airport and the former U.S. Naval Air Facility in Goodyear, now known as Phoenix Goodyear Airport.

An applicant for the MRZ Program must be located within a military reuse zone to qualify for three types of benefits:

- Exemption from transaction privilege tax on contracts for certain types of construction within an MRZ
- Arizona income/premium tax credits for up to five years for each net new job created, totaling up to \$7,500 per non-dislocated employee and up to \$10,000 per dislocated employee
- Both real and personal property can be reclassified from class one (18.5% assessment ratio) to class six (5% assessment ratio), which may result in property tax savings of up to 72.9% for a period of five years.

TABLE 8 – FISCAL YEAR 2016 PRE-APPROVED MILITARY REUSE ZONE TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 658,966	\$ 25,643
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$4,695,292	\$182,712
TOTALS	N/A	N/A	\$5,354,258	\$208,355

TABLE 8 – FISCAL YEAR 2016 POST-APPROVED MILITARY REUSE ZONE TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (POST-APPROVED) [1]	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE [2]	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY [2]
Prime Solutions Group	5	\$81,224	\$ 1,050	\$ 3,000
Prime Solutions Group	12	\$97,926	\$ 54,123	\$ 4,500
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 609,133	\$ 24,663
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 6,565,986	\$265,853
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 3,432,084	\$138,963
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 1,072,879	\$ 43,440
Phoenix-Mesa Gateway Airport Authority [1]	N/A	N/A	\$ 2,835,642	\$114,814
TOTALS	17	\$93,013	\$14,570,897	\$595,233

[1] Applicant utilized transaction privilege tax exemption provisions of program and thus was not required to report job creation information.

[2] The aggregate amounts reported by certified companies reported in their completion reports and annual reports.

QUALIFIED FACILITY INCENTIVE PROGRAM

The Quality Facility Incentive Program provides a refundable tax credit to eligible companies investing in qualifying facilities and creating jobs. The Quality Facility tax credits are authorized on a first-come, first-serve basis and the program has an annual cap of \$70 million that is shared with the Renewable Energy Tax Incentive Program.

In order to be eligible for the Qualified Facility tax credit, a company must:

- Make a Capital Investment to establish or expand a Qualified Facility that devotes at least 80% of the property and payroll to qualified manufacturing, manufacturing-related research and development, or headquarters.
- Create net new full-time employment positions for the project, of which at least 51% must pay qualifying wages.
- Offer to pay at least 80% of the health insurance premiums for all net new full-time employment positions.

Subject to eligibility requirements, the Qualified Facility tax credit offers a refundable income tax credit equal to the lesser of:

- 10% of the qualifying capital investment or
- \$20,000 per net new job at the facility or
- \$30,000,000 per taxpayer per year.

TABLE 9 – FISCAL YEAR 2016 PRE-APPROVED QUALIFIED FACILITY TAX CREDIT PROGRAM

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
ASM America, Inc.	[1]	[1]	[1]	\$1,280,000
Essai Inc.	[1]	[1]	[1]	\$ 320,000
Curtiss Wright Controls Integrated Sensing, Inc.	[1]	[1]	[1]	\$ 508,683
CMC Steel Fabricators, Inc.	[1]	[1]	[1]	\$ 860,000
TOTALS	168	\$70,260	\$63,596,742	\$2,968,683

TABLE 9 – FISCAL YEAR 2016 POST-APPROVED QUALIFIED FACILITY TAX CREDIT PROGRAM

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
Intel Corporation - I	[1]	[1]	[1]	\$10,860,000
Intel Corporation - II	[1]	[1]	[1]	\$ 6,680,000
TOTALS	[1]	[1]	[1]	\$17,540,000

[1] Confidential information pursuant to A.R.S. § 41-1512(U).

TABLE 9 – CUMULATIVE QUALIFIED FACILITY TAX CREDIT PROGRAM

POST-APPROVAL YEAR	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY
2016	[1]	[1]	[1]	\$17,540,000
TOTALS	[1]	[1]	[1]	\$17,540,000

[1] Confidential information pursuant to A.R.S. § 41-1512(U).

ANGEL INVESTMENT TAX CREDIT PROGRAM – QUALIFIED SMALL BUSINESS

The Angel Investment Tax Credit Program provides certified investors a tax credit equal to 30% of investments made in a Qualified Small Business (35% if the small business is a rural or bioscience business).

On June 16, 2015, the Angel Investment Tax Credit Program reached its \$20 million statutory cap. Accordingly, the ACA is presently unable to certify further investments for the tax credits.

Although further investments in Qualified Small Businesses cannot be certified for Angel tax credits, individuals currently remain eligible for the favorable post-2013 income tax treatment associated with dispositions of interests in Qualified Small Businesses. More particularly, pursuant to A.R.S. § 43-1022(27), individuals are currently authorized, in computing Arizona adjusted gross income for a taxable year, to subtract any net capital gain included in federal adjusted gross income in such taxable year that is derived from an investment in a Qualified Small Business certified by the ACA. Thus, the ACA continues to certify eligible businesses seeking status or renewed status as a Qualified Small Business for a period of up to one year.

TABLE 10 – FISCAL YEAR 2016 APPROVED QUALIFIED SMALL BUSINESSES

FY 2016 APPLICANT (APPROVED QSB)	CERTIFICATION DATE
Alaris	6/3/16
Cancer Prevention Pharmaceuticals, Inc.	2/23/16
CBL Worldwide II, Inc.	12/30/15
ErgoSix	2/29/16
Fit Center	2/22/16
GRVTY, Inc.	2/16/16
MSDx, Inc.	12/17/15
NuvOx Pharma, LLC	2/22/16
Performance Shading Solutions, Inc.	5/24/16
Pledgewin LLC	3/1/16
Serious Integrated, Inc.	2/2/16
Smart Clinic	4/27/16
Spotlight Software, LLC. dba SalesFitRX	3/8/16
Superior Silica, LLC	2/29/16
Tempronics Inc.	4/19/16
VisionGate	1/11/16
TOTAL	16

QUALITY JOBS INCENTIVE PROGRAM

The Quality Jobs Incentive Program provides tax credits to employers creating a minimum number of net new quality jobs and making a minimum capital investment in Arizona. The program is capped at 10,000 jobs each year.

The Quality Jobs tax credit offers up to \$9,000 of Arizona income or premium tax credits spread over a three-year period for each net new quality job (\$3,000 per year). If the allowable tax credit exceeds the income or premium tax liability, any unused amount may be carried forward for up to five consecutive taxable years.

Any company making the minimum capital investment in Arizona and creating the minimum net new quality jobs can apply. Eligibility qualifications are different for rural and metro areas. Companies located in metro areas must create at least 25 new jobs and make a capital investment of at least \$5 million. Companies located in rural areas must create at least 5 new jobs and make a capital investment of \$1 million.

TABLE 11 – FISCAL YEAR 2016 PRE-APPROVED QUALITY JOBS TAX CREDIT PROGRAM

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT [1]	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
S&A Industries Corp	21	\$ 32,000	\$ 1,000,000	\$ 189,000
The Center at Arrowhead, LLC	141	\$ 63,365	\$ 5,000,000	\$ 1,269,000
Recreational Equipment, Inc.	150	\$ 39,000	\$ 5,000,000	\$ 1,350,000
Universal Health Services, Inc. dba Quail Run Behavioral Health	114	\$ 48,184	\$ 5,000,000	\$ 1,026,000
Amazon Corporate, LLC	125	\$ 40,000	\$ 5,000,000	\$ 1,125,000
Isagenix International, LLC	185	\$ 55,000	\$ 5,000,000	\$ 1,665,000
Wells Fargo Bank, NA	1,200	\$ 45,000	\$ 5,000,000	\$10,800,000
Tractor Supply Company	31	\$ 66,290	\$ 1,000,000	\$ 279,000
Shamrock Foods Company	115	\$ 63,614	\$ 5,000,000	\$ 1,035,000
Discover Products, Inc.	225	\$ 39,000	\$ 5,000,000	\$ 2,025,000
Smith Bagley, Inc. dba Cellular One	10	\$ 35,000	\$ 1,000,000	\$ 90,000
DaVita Healthcare Partners, Inc.	601	\$ 49,855	\$ 5,000,000	\$ 5,409,000
Scientific Games	37	\$ 64,584	\$ 5,000,000	\$ 333,000
CVS Pharmacy, Inc.	145	\$ 86,689	\$ 5,000,000	\$ 1,305,000
Orbital ATK, Inc. and subsidiaries	155	\$116,000	\$ 5,000,000	\$ 1,395,000
Hartford Fire Insurance Company	32	\$ 39,000	\$ 5,000,000	\$ 288,000
DaVita Healthcare Partners, Inc.	12	\$ 42,000	\$ 1,000,000	\$ 108,000
FY 2016 TOTALS	3,299	\$ 31,555	\$69,000,000	\$29,691,000

[1] The projected capital investment shown is the minimum amount needed to qualify for the program, \$5 million for urban locations or \$1 million for rural locations. The actual capital investment will be higher.

Table 11 – Post-Approvals continued on next page >

TABLE 11 - FISCAL YEAR 2016 POST-APPROVED QUALITY JOBS TAX CREDIT PROGRAM

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED	QJTC JOBS RETAINED [1]	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE [2]	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
TJX Companies, Inc.	29	55	\$69,070	N/A	\$ 252,000
PetSmart, Inc. and Subsidiaries	0	57	N/A	N/A	\$ 171,000
Shamrock Food Company	44	65	\$54,209	N/A	\$ 327,000
Yampa Precision, LLC	5	7	\$33,850	N/A	\$ 36,000
USAA - Phoenix	25	30	\$52,162	N/A	\$ 165,000
State Farm	262	921	\$61,026	N/A	\$ 3,549,000
Massachusetts Mutual Life Insurance Company	62	81	\$33,979	N/A	\$ 429,000
Wells Fargo	264	0	\$72,623	\$5,000,000+	\$ 792,000
Hexcel Corporation	0	94	N/A	N/A	\$ 282,000
Isagenix International, LLC	90	0	\$46,893	\$5,000,000+	\$ 270,000
Northern Trust Company	70	0	\$92,191	\$5,000,000+	\$ 210,000
Tractor Supply	26	0	\$39,753	\$1,000,000+	\$ 78,000
Sprouts Farmers	33	0	\$65,096	\$5,000,000+	\$ 99,000
Laboratory Corporation of America Holdings	0	27	N/A	N/A	\$ 81,000
eBay, Inc.	0	29	N/A	N/A	\$ 87,000
United Healthcare	0	124	N/A	N/A	\$ 372,000
PayPal Holdings, Inc.	45	0	\$60,944	N/A	\$ 135,000
United Airlines, Inc.	0	27	N/A	N/A	\$ 81,000
General Motors Corporation	191	306	\$46,347	N/A	\$ 1,491,000
Aetna	135	108	\$60,205	N/A	\$ 729,000
Grand Canyon Education, Inc. - Main Campus	130	141	\$55,944	N/A	\$ 813,000
Grand Canyon Education, Inc. - 27th Avenue	80	113	\$48,320	N/A	\$ 579,000
Waste Management, Inc. and Subsidiaries	36	136	\$58,159	N/A	\$ 516,000
Convey Health Solutions	0	47	N/A	N/A	\$ 141,000
Asurion Insurance Services, Inc.	52	39	\$44,210	N/A	\$ 273,000
Cognizant Technology Solutions	59	0	\$87,891	\$5,000,000+	\$ 177,000
Knight Transportation, Inc.	118	0	\$35,350	\$5,000,000+	\$ 354,000
Nestle Purina PetCare Company	11	14	\$46,513	N/A	\$ 75,000
Nationstar Mortgage Holdings	0	118	N/A	N/A	\$ 354,000
UHS of Phoenix, LLC dba Quail Run Behavioral Health	5	0	\$48,212	\$5,000,000+	\$ 0
American Woodmark Corporation	13	5	\$20,478	N/A	\$ 54,000
FY 2016 TOTALS/AVERAGES	1,785	2,544	\$57,487	\$515,460,180	\$12,972,000

[1] The Quality Jobs Tax Credit Program allocates tax credits of \$3,000 per added or retained position per year for three years. The jobs retained represents jobs created under this program in a prior year with 2nd or 3rd year credits allocated in the current year.

[2] The projected capital investment shown is the minimum amount needed to qualify for the program, \$5 million for urban locations or \$1 million for rural locations. The actual capital investment will be higher.

Table 11 - Cumulative Activity continued on next page >

TABLE 11 – CUMULATIVE QUALITY JOBS TAX CREDIT PROGRAM ACTIVITY

POST-APPROVAL YEAR	ACTUAL JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY [1]
2012	348	\$117,827	\$2,436,367,936	\$ 1,044,000
2013	1,028	\$ 50,400	\$1,694,142,119	\$ 4,113,000
2014	1,041	\$ 53,316	\$ 102,392,468	\$ 6,339,000
2015	2,221	\$ 54,125	\$ 348,087,494	\$ 9,102,000
2016	1,785	\$ 57,487	\$ 515,460,180	\$12,972,000
TOTAL/AVERAGE	6,423	\$ 58,532	\$5,096,450,197	\$33,570,000

[1] Amount post-approved represents nonrefundable income tax credits authorized by the ACA for qualified net new job creation and capital investment; credit recipients may carry forward tax credits for up to five years.

RENEWABLE ENERGY INCENTIVE PROGRAM

The Renewable Energy Incentive Program provides incentives to companies in the solar, wind, geothermal and other renewable energy industries who are expanding or locating in Arizona. The program offers a refundable income tax credit up to 10% of the new qualifying investment. The Renewable Energy tax credits are authorized on a first-come, first-serve basis and the program has an annual cap of \$70 million that is shared with the Quality Facility Tax Incentive Program.

Businesses making new qualifying investments in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for a tax credit if they meet the following requirements:

- At least 51% of the net new full-time employment positions are paid 125% or more of the state's annual median wage; and
- The company offers to pay at least 80% of the employee's health insurance costs for all net new full-time employment positions at the facility.

The Renewable Energy tax credit amount is based on the total qualifying investment made and the number of jobs being created by the company. To generate tax credits, a renewable energy manufacturing company must create 1.5 new full-time jobs for every \$500,000 of capital investment. Alternatively, a renewable energy headquarters operation must create one new full-time job for every \$200,000 of capital investment.

TABLE 12 – FISCAL YEAR 2016 PRE-APPROVED RENEWABLE ENERGY TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (PRE-APPROVED)	PROJECTED NEW JOBS	AVERAGE WAGE OF PROJECTED NEW JOBS	PROJECTED CAPITAL INVESTMENT	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
*No Activity				

TABLE 12 – FISCAL YEAR 2016 POST-APPROVED RENEWABLE ENERGY TAX INCENTIVE PROGRAM

FY 2016 APPLICANT (POST-APPROVED)	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
*No Activity				

TABLE 12 – CUMULATIVE RENEWABLE ENERGY TAX INCENTIVE PROGRAM ACTIVITY

PRE-APPROVAL YEAR	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT	CUMULATIVE INCENTIVES AWARDED BASED ON ACTUAL ACTIVITY [1]
2012	49	\$53,247	\$21,354,439	\$1,633,333
TOTALS/AVERAGE	49	\$53,247	\$21,354,439	\$1,633,333

[1] Amount post-approved represents refundable income tax credits authorized by the ACA for qualified net new job creation and capital investment.

RESEARCH AND DEVELOPMENT INCENTIVE PROGRAM

The Research and Development Incentive Program provides an Arizona income tax credit for increased research and development activities conducted in this state, including research conducted at a state university and funded by an applicant company.

The current R&D tax credit applies to both corporations and individuals and is equal to 24% of the first \$2.5 million in qualifying expenses plus 15% of the qualifying expenses in excess of \$2.5 million. For 2018 and thereafter, the tax credit rates will be 20% of the first \$2.5 million in qualifying expenses plus 11% of the qualifying expenses in excess of \$2.5 million. A company that is otherwise qualified for the R&D tax credit who employs less than 150 full-time employees can apply to the ACA for a partial refund of up to 75% of the current year's credit minus the current year's tax liability.

An additional credit amount is allowed if the taxpayer made basic research payments during the tax year to a university under the jurisdiction of the Arizona Board of Regents. The additional credit amount is equal to 10% of the basic research payments that constitute excess expenses for the tax year over the base amount.

TABLE 13 – FISCAL YEAR 2016 PRE-APPROVED RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM

FY 2016 APPLICANTS (PRE-APPROVAL)	CAPITAL INVESTMENT PROJECTED	INCENTIVES PRE-APPROVED IN YEAR BASED ON PROJECTIONS
* No Activity		

TABLE 13 – FISCAL YEAR 2016 POST-APPROVED RESEARCH AND DEVELOPMENT TAX CREDIT PROGRAM

FY 2016 APPLICANTS (POST-APPROVAL)	ACTUAL CAPITAL INVESTMENT MADE	ACTUAL INCENTIVES AWARDED IN YEAR BASED ON ACTIVITY TO DATE
Reprocessing Products Corporation	\$ 557,953	\$ 45,371
Elitise	\$ 1,019,537	\$ 91,759
IPRO TECH, Inc.	\$ 3,357,578	\$ 302,181
LeaseHawk, LLC	\$ 1,474,398	\$ 132,696
Arizona Microtek, Inc.	\$ 597,627	\$ 53,786
ThinkVine Corporation	\$ 881,074	\$ 79,259
Nth Degree Technology	\$ 5,268,712	\$ 465,078
Cactus Semiconductor	\$ 1,035,790	\$ 93,221
SDC Materials, Inc.	\$ 7,084,535	\$ 567,218
Image Tag, Inc.	\$ 1,128,619	\$ 101,538
CellTrust Corporation	\$ 1,683,514	\$ 151,479
Regenesis Biomedical, Inc.	\$ 1,190,615	\$ 107,118
appsFreedom, Inc.	\$ 362,577	\$ 32,594
Salutaris Medical Devices	\$ 655,878	\$ 58,991
W. D. Manor Mechanical Contractors, Inc.	\$ 1,115,427	\$ 70,512
Heliae Technology Holdings, Inc.	\$ 9,604,628	\$ 708,973
CTM Magnetics	\$ 1,234,615	\$ 91,939
nQueue Billback, LLC	\$ 1,391,353	\$ 125,184
Provista Diagnostics Inc.	\$ 2,500,620	\$ 389,517
Cybersponse, Inc.	\$ 653,861	\$ 58,810
Accelerate Diagnostics, Inc.	\$17,668,416	\$1,162,561
Sigma Technologies Int'l, LLC	\$ 212,301	\$ 19,107
Azbil North America, Inc.	\$ 1,012,724	\$ 91,108
TOTAL	\$61,692,352	\$5,000,000

PRIVATE ACTIVITY BONDS

Private Activity Bonds are securities issued by or on behalf of a local government to provide debt financing for the construction of industrial and manufacturing facilities and the purchase of equipment, residential rental projects, facilities for the furnishing of water, sewage and solid waste facilities and more.

The ACA has been responsible for allocating the state ceiling for private activity bonds since 1984. The 2016 volume cap is \$682,806,500.

TABLE 14 – FISCAL YEAR 2016 PRE-APPROVED PRIVATE ACTIVITY BONDS SUMMARY

FY 2016 APPLICANTS PRE-APPROVED	CAP ALLOCATED
10	\$188,344,723

TABLE 14 – FISCAL YEAR 2016 POST-APPROVED PRIVATE ACTIVITY BONDS SUMMARY

FY 2016 APPLICANTS POST-APPROVED	ALLOCATION USED [1]
5	\$99,351,000

[1] Bonds reported at the amount issued.

TABLE 15 – FISCAL YEAR 2016 POST-APPROVED LEGACY PROGRAMS SUMMARY

ENTERPRISE ZONE – PROPERTY TAX RECLASSIFICATION PROGRAM				
NUMBER OF APPLICANTS POST-APPROVED [1]	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
29	N/A	\$35,422	0	\$ 1,738,020

[1] The Enterprise Zone Program is no longer open to new applicants. As such, this program does not involve pre-approvals.

TABLE 15 – FISCAL YEAR 2016 POST-APPROVED LEGACY PROGRAMS SUMMARY

ENVIRONMENTAL TECHNOLOGY MANUFACTURERS' ASSISTANCE PROGRAM				
NUMBER OF APPLICANTS POST-APPROVED [1]	ACTUAL NEW JOBS CREATED	AVERAGE WAGE OF NEW JOBS CREATED	ACTUAL CAPITAL INVESTMENT MADE	INCENTIVES AWARDED IN YEAR BASED ON ACTUAL ACTIVITY
9	2	\$65,856	\$12,373,587	\$19,393,017

[1] The Environmental Technology Manufacturers' Assistance Program is no longer open to new applicants. As such, this program does not involve pre-approvals.

AUDITED FINANCIAL STATEMENTS

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Arizona Commerce Authority
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Arizona Commerce Authority (a component unit of the State of Arizona), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

Board of Directors
The Arizona Commerce Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Arizona Commerce Authority (a component unit of the State of Arizona) as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of The Arizona Commerce Authority'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arizona Commerce Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 26, 2016

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following is a discussion and analysis of the Arizona Commerce Authority's ("Authority") financial performance for the fiscal year ended June 30, 2016. This discussion is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position.

The Management's Discussion and Analysis ("MD&A") focuses on the fiscal year activities from July 1, 2015 through June 30, 2016, resulting changes, and known facts. It is important to note that the period July 1, 2015 through June 30, 2016 represents the fifth fiscal year for the Authority which replaced the now sunset Arizona Department of Commerce on July 1, 2011.

This MD&A is an introduction to the basic financial statements of the Authority, which are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Authority as a whole using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables.

The Fund Financial Statements provide detailed information about the individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to keep track of specific sources of revenues and disbursements for specific purposes. The Special Revenue governmental funds are reported as separate columns in the Fund Financial Statements.

USING THIS FINANCIAL REPORT

This financial report consists of a series of financial statements. The Statement of Net Position, Statement of Activities, Balance Sheet – Governmental Funds, Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, and Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds to the Statement of Activities. Accordingly, the financial statements presented in this Annual Report are the required basic financial statements in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

AUTHORITY HIGHLIGHTS

Arizona Commerce Authority Job Training Program - The Authority approved 29 new Job Training applications with a commitment base of \$27,114,135. Funding for the Job Training Program ended on December 31, 2015 and new applications will be accepted through December 31, 2016. Commitments under the Job Training Program will fund the training of new employees for a two-year period.

Arizona Competes Fund - The Authority contractually committed Arizona Competes Fund grants totaling \$5,600,000 in the following two different grant programs; \$2,600,000 in attracting, expanding, or retaining Arizona basic enterprise, and \$3,000,000 in supporting and advancing programs for small businesses. These commitments will be used to produce additional jobs, fund project location decisions, and increase capital investment over the next three years.

REVENUES

Intergovernmental Revenue - The Authority received \$6,156,086 in intergovernmental revenue that consists of (a) \$3,891,520 from the Arizona Job Training Fund, (b) \$2,214,566 from Federally awarded grants, and (c) \$50,000 from local government grants.

Transfers - In - The Authority received \$32,462,304 in transferred funds that consist of (a) \$26,500,000 from the Arizona Job Creation Withholdings Clearing Account, (b) \$3,500,000 from the Arizona Lottery Commission, (c) \$2,162,304 from the Arizona Corporation Commission and (d) \$300,000 from the State General Fund for the establishment of a Trade Office in Mexico City.

EXPENSES

Aid To Other Organizations - The Authority awarded \$15,660,157 to organizations based upon their achievement of program performance standards and incentive guidelines. The awarding of these grant dollars will allow companies to hire, train, and attract workers, as well as, make significant capital investments which will directly improve the economic development climate of the State.

Bad Debt Expense - The Authority recorded its first losses from the Arizona Innovation Accelerator Fund Program ("AIAF"). The AIAF was created in 2012 and funded by the federal government's State Small Business Credit Initiative as part of the Small Business Jobs Act of 2010. The Initiative was launched to spur lending to small businesses through loan participation. The AIAF fund incurred actual losses of \$985,529 in the Fiscal Year 2016. The Authority also increased its allowance for bad debt in Fiscal Year 2016 by \$768,633 due to the inherent risk with loans of this nature.

Professional and Outside Services - The Authority contracts with industry specialists to provide professional assistance with marketing, communications, business development and business attraction efforts.

Salary Structure - The Authority provides a competitive salary structure to attract and retain competent personnel. The salary structure is reviewed annually.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Transfers Out - State of Arizona Recoupment - The Arizona state legislature called for the transfer of \$100 million dollars from funds held with the Authority back to the State's General Fund. The \$100 million dollars represented funds allocated to the Authority in prior years to support job training and business attraction to the state that had not been awarded.

STATEMENT OF NET POSITION

The period of July 1, 2015 through June 30, 2016 represents the Authority's fifth fiscal year in existence. The Authority's overall financial position and operations for the past two fiscal years are summarized, as follows, based on the information included in the Government-wide Financial Statements.

**Condensed Statement of Net Position
(In Thousands)**

	June 30,			
	2016	2015	Diff	%
Current Assets	\$ 80,269	\$ 169,473	\$ (89,204)	(52.6)
Non-Current Assets	8,438	7,439	999	13.4
Capital Assets, Net	543	703	(160)	(22.8)
Total Assets	\$ 89,250	\$ 177,615	\$ (88,365)	(49.8)
Current Liabilities	\$ 1,267	\$ 1,137	\$ 130	11.4
Total Liabilities	1,267	1,137	130	11.4
Net Investment in Capital Assets	543	703	(160)	(22.8)
Restricted	39,559	106,972	(67,413)	(63.0)
Unrestricted	47,881	68,803	(20,922)	(30.4)
Total Net Position	87,983	176,478	(88,495)	(50.1)
Total Liabilities and Net Position	\$ 89,250	\$ 177,615	\$ (88,365)	(49.8)

The Authority's Total Assets decreased to \$89.2 million in fiscal year 2016 compared to \$177.6 million at the end of fiscal year 2015. This \$88.4 million decrease resulted primarily from the Authority's release of \$100 million in unallocated resources from the Arizona Competes Fund (\$75 million) and the Job Training Fund (\$25 million) back to the State of Arizona. The impact of this \$100 million transfer was partially offset by \$11.6 million of current year funding for the Arizona Competes Fund that remained unallocated at the end of the fiscal year.

The Authority's total liabilities increased from \$1.1 million at the end of fiscal year 2015 to \$1.2 million at the end of fiscal year 2016 due primarily to an increase in program application fees that are classified as refundable based upon program guidelines.

The Authority's Total Net Position decreased to \$88.0 million in fiscal year 2016 as compared to \$176.5 million at the end of fiscal year 2015. The \$88.5 million decrease is primarily attributed to the reductions in the Arizona Competes Fund and the Job Training Fund as described above.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

CAPITAL ASSETS

As of June 30, 2016, the Authority had capital assets valued at \$542,860, net of accumulated depreciation as reflected in the following schedule, which represents a net decrease (additions less retirements and depreciation) of \$160,060 during operating year July 1, 2015 to June 30, 2016.

	June 30,	
	2016	2015
Equipment	\$ 20,299	\$ 40,711
EDP/Computer Equipment	44,963	71,474
Furniture	20,133	26,686
Software/Website	14,046	29,290
Leasehold Improvements	443,419	534,759
Capital Assets, Net	\$ 542,860	\$ 702,920

The following reconciliation summarizes the change in Capital Assets, Net for the years ended June 30, 2015 and 2016.

	June 30,	
	2016	2015
Beginning Balance	\$ 702,920	\$ 757,633
Additions	-	99,375
Depreciation	(160,060)	(154,088)
Ending Balance	\$ 542,860	\$ 702,920

DEBT OUTSTANDING

The Authority incurred no debt during the fiscal year July 1, 2015 through June 30, 2016. As a result, the Authority had no debt outstanding at June 30, 2016.

During the period July 1, 2014 through June 30, 2015 the Authority incurred no debt and thus, had no debt outstanding at June 30, 2015. Therefore, there is no prior period debt outstanding schedule shown for comparison purposes.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

STATEMENTS OF ACTIVITIES

The period of July 1, 2015 through June 30, 2016 represents the Authority's fifth fiscal year in existence. The Authority's overall financial position and operations for the past two fiscal years are summarized, as follows, based on the information included in the Government-wide Financial Statements.

Condensed Statement of Activities				
(In Thousands)				
June 30,				
	2016	2015	Diff	%
Expenses and Other Financing Uses				
Fund Expenses	\$ 29,373	\$ 26,802	\$ 2,571	9.6
Transfers Out - State of Arizona Recoupment	100,000	-	100,000	N/A
Total Expenses and Other Financing Uses	129,373	26,802	102,571	382.7
Revenue				
Program Revenue	3,466	10,390	(6,924)	(66.6)
General Revenue	37,412	52,011	(14,599)	(28.1)
Total Revenue	40,878	62,401	(21,523)	(34.5)
Change in Net Position	(88,495)	35,599	(124,094)	(348.6)
Net Position, Beginning	176,478	140,879	35,599	25.3
Net Position, Ending	\$ 87,983	\$ 176,478	\$ (88,495)	(50.1)

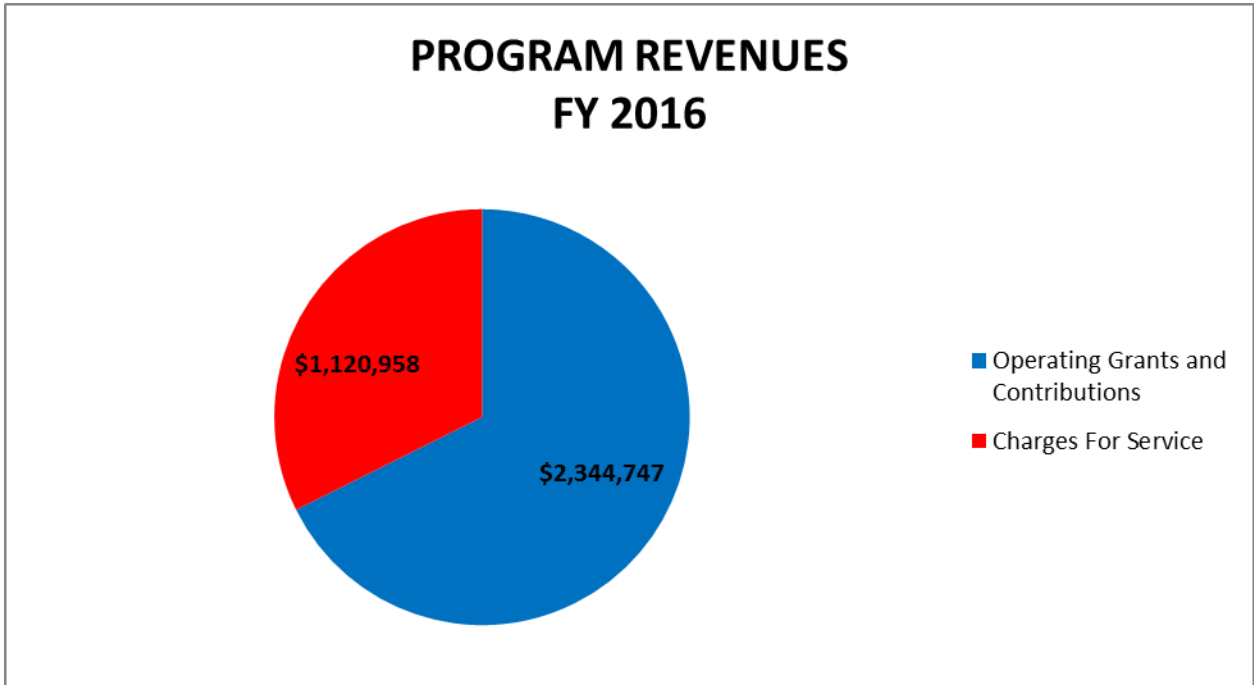
The Authority's Fund Expenses increased by \$2.6 million in fiscal year 2016 as compared to fiscal year 2015. Of the Fund Expenses, the total grant payments went up \$4.9 million due primarily to an increase in two areas; the Arizona Competes Fund program and the Job Training Program. The remaining Fund Expenses were down \$2.3 million due largely to decreased spending in the combined Arizona Commerce Authority Fund and the ADOC Carryover Fund related to the Authority's continued fiscal responsibility efforts.

In fiscal year 2016, the Arizona state legislature called for the transfer of \$100 million dollars from funds held with the Authority back to the State's General Fund. The Transfer Out of \$100 million dollars represented funds allocated to the Authority in prior years to support job training and business attraction to the state that had not been awarded.

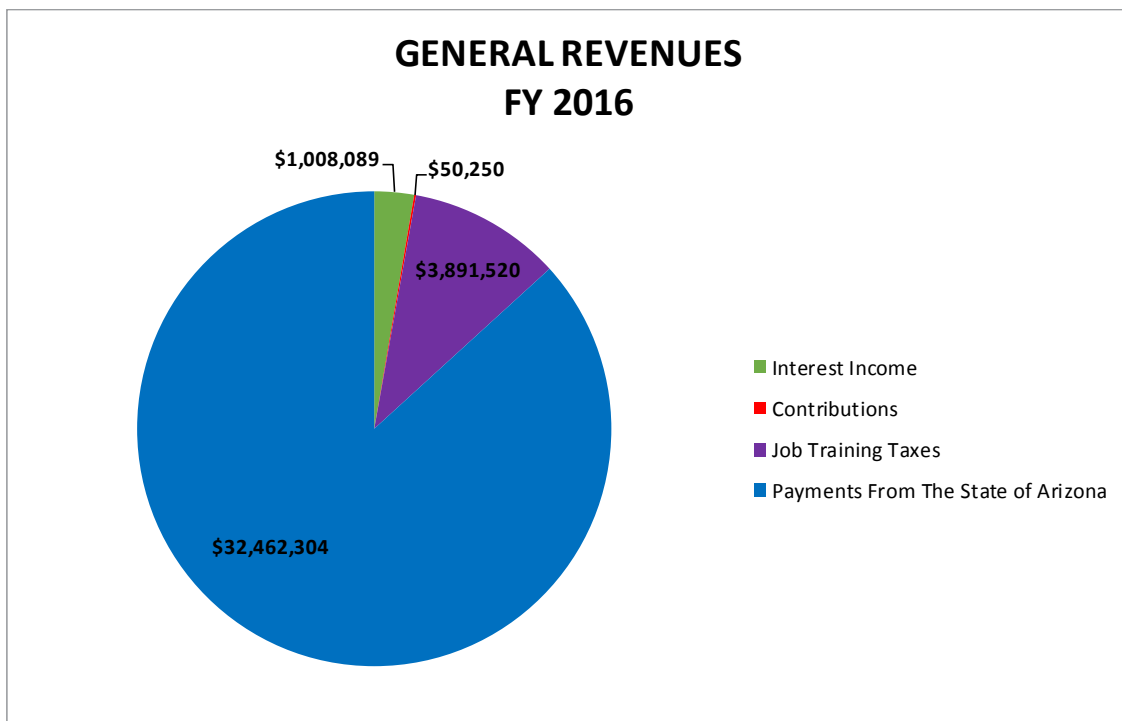
The Authority's Total Revenues decreased by \$21.5 million in fiscal year 2016 as compared to fiscal year 2015 due primarily to three program areas. The Job Training Tax was repealed and funding ended in fiscal year 2016 resulting in a \$10 million decline in revenue. The Arizona Competes Fund decreased by \$6.5 million due to a decrease in the annual allocation by the State Legislature. The Arizona Innovation Accelerator Fund received its final allocation in fiscal year 2015 causing a \$6.2 million decrease in revenue in fiscal year 2016.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following chart depicts the sources of Program Revenue for the fiscal year ended June 30, 2016.

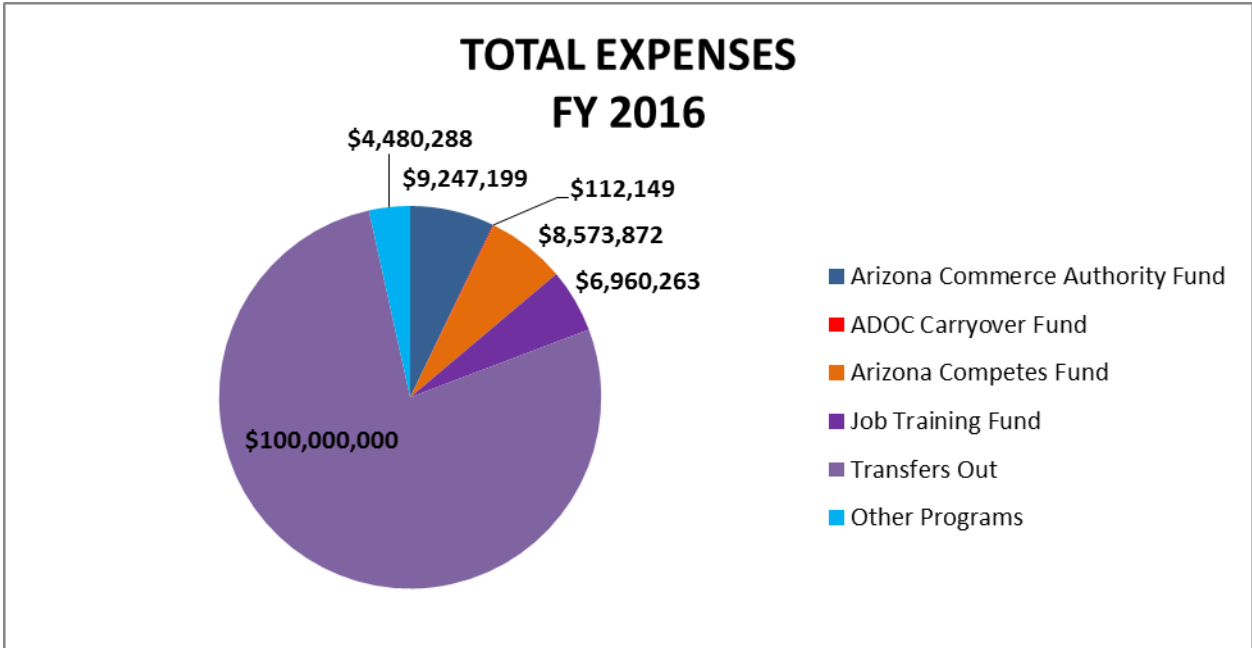


The following chart depicts the sources of General Revenue for the fiscal year ended June 30, 2016.



**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following chart depicts the Fund Expenses for the fiscal period ended June 30, 2016.



ECONOMIC OUTLOOK

- Arizona Revised Statute § 43-409 provides \$10,000,000 to the Arizona Commerce Authority Fund (ACA Fund) and \$11,500,000 to the Arizona Competes Fund (ACF) from the State of Arizona’s General Fund for FY2017. The allocation to the ACA Fund remains unchanged from prior years. The ACF allocation is down from \$16,500,000 in FY2016 and \$21,500,000 in FY2015. In addition, Arizona Revised Statute § 5-572(F) provides \$3,500,000 funding for the ACF from the Arizona Lottery.
- While appropriations from the State are always subject to economic and political pressure, due to the improving economy in the state, the Authority does not anticipate a reduction in the ACA Fund allocation or additional reductions in the ACF allocations in FY2017 or FY2018.
- According to the October 2016 Arizona State University Western Blue Chip Economic Forecast, the state of Arizona is expected to see personal income growth of 5% and 5.1% in 2016 and 2017, respectively. The October 2016 Revenue and Budget Update from the State of Arizona Joint Legislative Budget Committee (JLBC) projects similar results with projected base revenue growth of 4% for the State in the next 2 years and 5% growth by 2020. The JLBC report also states “The current forecast does not anticipate a recession through FY2020.”

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

REQUEST FOR FINANCIAL INFORMATION

The information contained in the Management's Discussion and Analysis is intended to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Arizona Commerce Authority, 333 N. Central Avenue, Suite 1900, Phoenix, AZ 85004.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and Cash Equivalents	\$ 12,347,727
Investments	61,128,000
Notes Receivable, Current	2,528,624
Other Receivables	4,255,686
Other Assets, Current	8,857
Total Current	<u>80,268,894</u>
Non-Current	
Notes Receivable, Net of Current Portion	8,437,694
Capital Assets, Net	542,860
Total Non-Current	<u>8,980,554</u>
Total Assets	<u>89,249,448</u>
LIABILITIES	
Current	
Accounts Payable	307,357
Other Current Liabilities	960,137
Total Liabilities	<u>1,267,494</u>
NET POSITION	
Net Investment in Capital Assets	542,860
Restricted for:	
Job Training Fund	12,815,792
Arizona Competes Fund	18,021,470
Bond Fund	241,833
Arizona Innovation Accelerator Fund	8,479,656
Unrestricted	<u>47,880,343</u>
Total Net Position	<u><u>\$ 87,981,954</u></u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Governmental Activities
EXPENSES	
Arizona Commerce Authority Fund	\$ 9,247,199
ADOC Carryover Fund	112,149
Arizona Competes Fund	8,573,872
Job Training Fund	6,960,263
Other Programs	4,480,288
Total Expenses	29,373,771
PROGRAM REVENUE	
Operating Grants and Contributions	2,344,747
Charges for Services	1,120,958
Total Program Revenue	3,465,705
Net Expenses	(25,908,066)
GENERAL REVENUE	
Interest Income	1,008,089
Contributions	50,250
Job Training Taxes	3,891,520
Appropriations From The State of Arizona	32,462,304
Total General Revenue	37,412,163
OTHER FINANCING USES	
Transfers Out - State of Arizona Recoupment	100,000,000
Change in Net Position	(88,495,903)
NET POSITION, JULY 1, 2015	176,477,857
NET POSITION, JUNE 30, 2016	\$ 87,981,954

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 5,935,946	\$ 491,833	\$ 5,919,948	\$ 12,347,727
Investments	61,128,000	-	-	61,128,000
Notes Receivable, Net	-	-	10,966,318	10,966,318
Other Receivables	4,220,903	-	34,783	4,255,686
Other Assets	8,857	-	-	8,857
TOTAL ASSETS	<u>\$ 71,293,706</u>	<u>\$ 491,833</u>	<u>\$ 16,921,049</u>	<u>\$ 88,706,588</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 303,658	\$ -	\$ 3,699	\$ 307,357
Other Liabilities	710,137	250,000	-	960,137
Total Liabilities	<u>1,013,795</u>	<u>250,000</u>	<u>3,699</u>	<u>1,267,494</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	8,437,694	8,437,694
FUND BALANCES				
Restricted	30,837,262	241,833	8,479,656	39,558,751
Assigned	34,565,353	-	-	34,565,353
Unassigned	4,877,296	-	-	4,877,296
Total Fund Balances	<u>70,279,911</u>	<u>241,833</u>	<u>8,479,656</u>	<u>79,001,400</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES AND FUND BALANCES	<u>\$ 71,293,706</u>	<u>\$ 491,833</u>	<u>\$ 16,921,049</u>	<u>\$ 88,706,588</u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Total Governmental Funds	\$ 79,001,400
Amounts reported for governmental activities in the statement of net position are different because:	
Notes receivable, non-current are not due and receivable in the current period and, therefore, are not reported in the governmental funds.	8,437,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>542,860</u>
Net Position of Governmental Activities	<u>\$ 87,981,954</u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Arizona Innovation Accelerator Fund</u>	<u>Total</u>
REVENUES				
Intergovernmental Revenue	\$ 6,156,086	\$ -	\$ -	\$ 6,156,086
Sales and Charges for Services	497,087	78,124	51,150	626,361
Other Revenue	1,022,021	-	611,096	1,633,117
Payments from The State of Arizona	32,462,304	-	-	32,462,304
	<u>40,137,498</u>	<u>78,124</u>	<u>662,246</u>	<u>40,877,868</u>
EXPENDITURES				
Salary and Related Benefits	6,176,911	-	185,011	6,361,922
Professional and Outside Services	2,842,411	5,474	43,500	2,891,385
General and Administrative	18,255,197	-	1,010,030	19,265,227
Bad Debt Expense	-	-	1,693,976	1,693,976
Transfers Out - State of Arizona Recoupment	100,000,000	-	-	100,000,000
	<u>127,274,519</u>	<u>5,474</u>	<u>2,932,517</u>	<u>130,212,510</u>
Net Change in Fund Balances	(87,137,021)	72,650	(2,270,271)	(89,334,642)
FUND BALANCES, JULY 1, 2015	<u>157,416,932</u>	<u>169,183</u>	<u>10,749,927</u>	<u>168,336,042</u>
FUND BALANCES, JUNE 30, 2016	<u>\$ 70,279,911</u>	<u>\$ 241,833</u>	<u>\$ 8,479,656</u>	<u>\$ 79,001,400</u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances	\$ (89,334,642)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as capital acquisitions exceeded depreciation expense. This is the amount by which depreciation exceeded capital acquisitions.	(160,060)
Notes receivable, non-current are reported as expenditures in the governmental funds, whereas the long-term notes receivable are reflected as long-term assets in the statement of net position in the government-wide financial statements. This is the amount by which long-term notes receivable issuances exceeded repayments and writeoffs.	1,005,320
Other assets, non-current are reported as expenditures in the governmental funds whereas the long-term other assets are reflected as long-term assets in the statement of net position in the governmental-wide financial statements.	<u>(6,521)</u>
Change in net position	<u><u>\$ (88,495,903)</u></u>

See accompanying Notes to Financial Statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Arizona Commerce Authority (a component unit of the State of Arizona) (the Authority) was established through House Bill 2001 (Fiftieth Legislature, Second Special Session, 2011), and is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State of Arizona's economic development objectives.

Government-wide and Governmental Fund Financial Statements

The basic financial statements include the entity-wide financial statements, governmental fund financial statements, and the accompanying notes to these financial statements.

The entity-wide financial statements (statement of net Position and statement of activities) report on the Authority as a whole. All activities are reported in the entity-wide financial statements using the economic resources measurement focus using the accrual basis of accounting, which includes long-term assets and receivables. The entity-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The entity-wide statement of net position reports all financial resources of the entity. It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings, if any, that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net assets that do not meet the definition of “restricted net position” or “net investment in capital assets”.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Governmental Fund Financial Statements (Continued)

The Authority considers the following funds to be major funds:

General Fund

The general fund is used to account for all financial resources except those required to be accounted for in other funds.

Bond Fund

The Bond Fund houses the collection of security deposits for the allocation, expansion of allocations, and for the difference between allocations and principal amounts of federal tax exempt industrial development bonds and student loan bonds authorized by the Authority.

Arizona Innovation Accelerator Fund (AIAF)

The Arizona Innovation Accelerator Fund Program is an \$18.2 million loan participation program funded through the United States Department of Treasury's State Small Business Credit Initiative. The goal of the program is to stimulate financing to small businesses and manufacturers, in collaboration with private finance partners, to foster business expansion and job creation in Arizona.

Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Since the governmental fund financial statements are presented on a different basis than the entity-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the entity-wide financial statements.

Intergovernmental aids and grants are recognized as revenues in the period the Authority is entitled to the resources and the amounts are available. Amounts owed to the Authority which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include charges for services. Other general revenues such as fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

During the year ended June 30, 2016, the Authority adopted Governmental Accounting Standards Board Statement (GASBS) Number 72 – *Fair Value Measurement and Application*, GASBS Number 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASBS Number 68 and Amendments to Certain Provisions of GASBS Numbers 67 and 68*, GASBS Number 76 – *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASBS Number 79 – *Certain External Investment Pools and Pool Participants*.

Fund Balances

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned and Unassigned based on the extent to which the Authority is bound to observe constraints imposed on the use of resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The Authority has no fund balances classified as nonspendable as of June 30, 2016.

Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors through debt covenants, grantors, contributors, or laws or regulation of other governments or it's imposed by law through enabling legislation.

Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Authority's Board of Directors or the Authority's Chief Executive Officer. Those committed amounts cannot be used for other purposes unless the committing party removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by Authority Management.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the general fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a fund deficit.

Generally, the Authority would first apply restricted resources and then assigned and unassigned resources when an expense is incurred for purposes for which more than one classification of fund balance is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority treats short-term temporary cash investments with original maturities, when purchased, of three months or less as cash equivalents.

Investments

The Authority places all of its investments with the Arizona Treasurer within the Local Government Investment Pool (LGIP). The Arizona State Treasurer's Office operates this pool to provide professional short-term investment services to a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. The LGIP is not registered with the Securities and Exchange Commission and investments are not subject to custodial credit risk. All such investments are stated at fair value based upon quoted market prices.

Notes Receivable and Allowance for Credit Losses

Notes receivable consist of participation loans with banks made to small businesses through the Arizona Innovation Accelerator Fund loan programs. The Authority will participate up to 49% of the entire loan. Notes receivable are stated at the amount the Authority expects to collect. Provisions for credit losses on notes receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, and current economic conditions. Subsequent recoveries, if any, are credited to the allowance.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable and Allowance for Credit Losses (Continued)

The allowance for notes receivable is evaluated on a regular basis by management and is based on risk. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Due to the increase in the note issuances, and actual losses experienced in the fiscal year, the Authority has established an allowance for credit losses totaling \$825,422 at June 30, 2016.

Specific allowances for credit losses are established for impaired notes on an individual basis. A note is considered impaired when, based on current information, events, and adverse situations that may affect the borrower's ability to repay, it is probable that the Authority will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note.

The specific allowances established for these loans are based on a thorough analysis of payment history, including timeliness of payments and knowledge of the borrower's circumstances. Notes receivable credit losses are charged against the allowance when management believes the uncollectibility of a note receivable balance is determined.

Non-performing notes include all notes for which payment of principal and/or interest is more than 90 days past due. All non-performing notes receivable are placed on a nonaccrual status.

There were no identified impaired or non-performing notes receivable at June 30, 2016. No loans were on a nonaccrual status, and there were no loans past due over 90 days and still accruing interest as of June 30, 2016. As of June 30, 2016, one loan in the amount of \$1,315,000 was making monthly payments but was 60 days delinquent and was considered performing.

Capital Assets and Depreciation

Capital assets are initially recorded at original cost and carried net of accumulated depreciation. Depreciation is provided on the straight-line method based on the estimated useful lives of the property items, which range from 3 to 10 years. The costs of additions and replacements are capitalized. Repairs and maintenance are charged to expense as incurred. Retirements, sales and disposals are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in general revenues within the statement of activities. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

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NOTE 2 CASH AND INVESTMENTS

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits during the year and at fiscal year-end were entirely covered by federal depository insurance or by collateral. The carrying amount of the Authority's deposits at June 30, 2016, was \$12,347,727 and the bank ledger balance was \$13,236,086.

Investments

The Authority's investment policy is to invest with the State of Arizona Treasurer. No policy exists for the following risks: custodial credit risk, credit risk, concentration of credit risk and interest rate risk.

Investments are maintained by the State of Arizona Treasurer within the Local Government Investment Pool (LGIP). The Arizona State Treasurer's Office operates this pool to provide professional short-term investment services to a wide array of public entities. By investing in the LGIP, participants are able to benefit from the substantial aggregate buying power of the state portfolio as well as a pool of monies from other participants. The LGIP is not registered with the Securities and Exchange Commission and investments are not subject to custodial credit risk. The State Board of Investment conducts monthly reviews of investment activity and performance. LGIP amounts are carried at fair value. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding.

Investments in the State Treasurer's investment pools are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and willing seller. Investments are valued based on published market prices and securities pricing services.

The following is a summary of the Authority's cash and investments as of June 30, 2016:

Cash in Bank	\$ 6,427,779
Restricted Cash	5,919,948
Investments in LGIP	<u>61,128,000</u>
Total cash, cash equivalents and investments	<u><u>\$ 73,475,727</u></u>

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NOTE 3 NOTES RECEIVABLE

At June 30, 2016, the Authority had current and non-current notes receivable of \$2,528,624 and \$8,437,694, respectively.

The following is a composition of the notes receivable as of June 30, 2016.

<u>Borrower, Terms and Maturity</u>	<u>Original Principal</u>	<u>Outstanding Principal Balance</u>
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate of 6.95%. The loan has a maturity date of July 8, 2020.</i>	\$ 270,000	\$ 260,273
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate of 7.00%. The loan is an interest-only for 9 months and full balance is has a maturity date of December 4, 2016.</i>	75,000	75,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 6.00%, with a floor of 9.5%. The loan has a maturity date of December 30, 2020.</i>	196,000	196,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate of 5.50%. The loan requires variable monthly interest only payments and has a maturity date of October 11, 2018.</i>	1,500,000	1,128,612
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate of 3.50%. The loan has a maturity date of May 23, 2019.</i>	445,900	412,987
<i>Arizona Innovation Accelerator Fund Loan (AIAF). Interest bearing participation loan with an interest rate of 5.95%. The loan has a maturity date of June 16, 2019.</i>	206,000	193,471

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 4.00%. The loan requires monthly payments of \$1,919 and has a maturity date of August 20, 2018.

\$ 227,500 \$ 212,585

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 5.00%. The loan and has a maturity date of October 27, 2016, subject to renewal.

147,000 147,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 6.75%. The loan and has a maturity date of September 26, 2016, subject to renewal.

49,900 49,847

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 8.50%. The loan has a maturity date of April 4, 2019.

99,800 68,994

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate set at 9.50%. The loan requires variable monthly payments and has a maturity date of September 12, 2018.

249,001 134,806

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate set at 10.00%. The loan requires variable monthly interest only payments and has a maturity date of April 18, 2019.

199,000 179,568

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate of 7.40%. The loan has a maturity date of October 14, 2018.

66,875 35,884

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 7.50%. The loan has a maturity date of April 4, 2019.	\$	70,135	\$	66,469
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 4.00% above the Prime Rate as published by the Wall Street Journal and a floor of 6.00% (6.00% at June 30, 2016). The loan has a maturity date of June 14, 2017.		49,000		49,000
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 4.75% above the Prime Rate as published by the Wall Street Journal and a floor of 6.50%. The loan has a maturity date of May 7, 2017, subject to renewal.		49,900		39,380
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate set at 5.21%. The loan has a maturity date of June 10, 2021.		206,250		197,444
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 4.0%. The loan has a maturity date of April 14, 2019.		900,000		854,674
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation revolving line of credit with variable monthly interest only payments and an interest rate of 8.00%. The loan has a maturity date of May 13, 2018, subject to renewal.		150,000		112,382
<i>Arizona Innovation Accelerator Fund Loan (AIAF).</i> Interest bearing participation loan with an interest rate of 6.25%. The loan has a maturity date of June 13, 2018.		1,750,000		1,315,000

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate of 8.25%. The loan has a maturity date of November 29, 2017.

\$ 110,000 \$ 85,971

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 9.50% based on the Wall Street Journal Prime Rate plus 6.00%, with a floor of 9.50%. The loan has a maturity date of January 4, 2017, subject to renewal.

100,000 100,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate of 9.5%. The loan requires monthly payments of \$2,107 and has a maturity date of April 3, 2018.

100,000 44,261

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments with an interest rate of one month LIBOR plus 3.75%. The loan has a maturity date of April 03, 2018, subject to renewal.

375,000 375,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with an interest rate of 8%. The loan has a maturity date of September 25, 2015, subject to renewal. Subsequent to year-end, the line of credit was paid in full.

800,000 800,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with an interest rate of 7%. The loan has a maturity date of April 14, 2020, subject to renewal.

238,250 222,793

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with an interest rate of 7%. The loan has a maturity date of July 27, 2020, subject to renewal.

50,000 38,324

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 3.5% above the Prime Rate as published by the Wall Street Journal. The loan has a maturity date of June 17, 2017, subject to renewal.

\$ 499,000 \$ 366,884

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with a variable interest rate of 8.50% based on the Wall Street Journal Prime Rate plus 5.00%, with a floor of 8.50%. The loan has a maturity date of November 12 2018, subject to renewal.

149,900 149,900

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with a fixed interest rate of 8.25%. The loan has a maturity date of June 27, 2017, subject to renewal.

49,900 49,900

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with a fixed interest rate of 5.75%. The loan has a maturity date of August 22, 2020, subject to renewal.

587,000 561,736

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate of 5.5%. The loan has a maturity date of November 17, 2018.

1,750,000 1,750,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with an interest rate of 5.569%. The loan requires interest only payments, with principal due at maturity on November 4, 2019.

188,500 183,077

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with variable monthly interest only payments, with a floating interest rate of LIBOR plus 3.25%. The loan has a maturity date of February 26, 2025.

220,000 213,362

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with a fixed interest rate of 7.00%. The loan has a maturity date of May 11, 2021.

\$ 75,000 \$ 74,241

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with a fixed interest rate of 5.75%. The loan has a maturity date of July 13, 2025.

337,500 327,544

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with an interest rate set at the Prime Rate as published by the Wall Street Journal plus 1.5% variable interest rate with floor of 4.75%. The loan has a maturity date of February 8, 2017, subject to renewal.

122,500 122,500

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with a floating interest rate of 5.00% above the Prime Rate as published by the Wall Street Journal. The loan has a maturity date of June 2, 2016, subject to renewal.

441,000 441,000

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with variable monthly interest only payments, with a fixed interest rate of 6.00%. The loan has a maturity date of September 10, 2020, subject to renewal.

100,000 16,959

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation revolving line of credit with a fixed interest rate of 10.00%. The loan has a maturity date of October 22, 2018, subject to renewal.

95,000 67,154

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NOTE 3 NOTES RECEIVABLE (CONTINUED)

Arizona Innovation Accelerator Fund Loan (AIAF).

Interest bearing participation loan with a fixed interest rate of 10.00%. The loan has a maturity date of April 28, 2020.

	\$	87,500	\$	71,758
Total				11,791,740
Allowance for Doubtful Accounts				(825,422)
Notes Receivable, Net				\$ 10,966,318

As of June 30, 2016, current and non-current notes receivable, after applying the allowance for doubtful accounts, consisted of the following:

Description	Current	Non-Current	Total
CEDC Loan	\$ -	\$ -	\$ -
AIAF Loans	2,528,624	8,437,694	10,966,318
Total	\$ 2,528,624	\$ 8,437,694	\$ 10,966,318

The following table provides a summary of changes in total notes receivable for the year ended June 30, 2016:

Description	Balances June 30, 2015	Note Issuances	Payments Received	Write-offs	Balances June 30, 2016
CEDC Loan	\$ 18,519	\$ -	\$ (18,519)	\$ -	\$ -
AIAF Loans	11,679,025	4,741,065	(3,642,821)	(985,529)	11,791,740
Total	\$ 11,697,544	\$ 4,741,065	\$ (3,661,340)	\$ (985,529)	\$ 11,791,740

The lines of credit are typically renewed upon their renewal date. As part of the Arizona Innovation Accelerator Fund Loan Program, the Authority renewed five lines of credit, closed out 10 loans and established 12 new loans in fiscal year 2016.

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NOTE 4 CAPITAL ASSETS

Capital assets at June 30, 2016, consist of the following:

	Balances June 30, 2015	Additions	Disposals	Balances June 30, 2016
Capital Assets:				
Furniture and Equipment	\$ 389,033	\$ -	\$ -	\$ 389,033
Leasehold Improvements	868,906	-	(12,874)	856,032
Total Depreciable Assets	1,257,939	-	(12,874)	1,245,065
Less Accumulated Depreciation:				
Furniture and Equipment	(220,872)	(68,720)	-	(289,592)
Leasehold Improvements	(334,147)	(91,340)	12,874	(412,613)
Total Accumulated Depreciation	(555,019)	(160,060)	12,874	(702,205)
Capital Assets, Net	\$ 702,920	\$ (160,060)	\$ -	\$ 542,860

Depreciation expense was charged to the Arizona Commerce Authority Fund and ADOC Carryover Fund in the amounts of \$47,725 and \$112,335, respectively.

NOTE 5 FUND BALANCES

Fund balances at June 30, 2016, consist of the following:

	General	Bond Fund	AIAF Fund	Total
Fund Balances				
Spendable:				
Restricted for:				
Job Training Fund	\$ 12,815,792	\$ -	\$ -	\$ 12,815,792
Arizona Competes Fund	18,021,470	-	-	18,021,470
Bond Fund	-	241,833	-	241,833
AIAF Fund	-	-	8,479,656	8,479,656
Assigned to:				
Job Training Fund	22,007,818	-	-	22,007,818
Arizona Competes Fund	12,461,005	-	-	12,461,005
ADOC Fund	96,530	-	-	96,530
Unassigned	4,877,296	-	-	4,877,296
Total Fund Balance	\$ 70,279,911	\$ 241,833	\$ 8,479,656	\$ 79,001,400

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NOTE 5 FUND BALANCES (CONTINUED)

The Authority reclassified \$10,769,927 of committed funds as of June 30, 2015 to restricted funds during 2016.

NOTE 6 COMMITMENTS

Grant activity payments were \$15,660,157 for the year ended June 30, 2016. Grant award commitments totaling approximately \$34,565,353 remain unpaid at June 30, 2016. These unpaid commitments were not recorded as grants expense and grants payable due to significant conditions that were not satisfied on or before June 30, 2016. Payments on these commitments will be made as conditions are met. If the conditions for a commitment are not met, the remaining balance on that commitment will be released.

NOTE 7 OPERATING LEASES

The Authority is committed under four operating leases, which are reported in the General Fund for governmental activities. One of these leases is with a related party. Subsequent to year end, the Authority entered in a new operating lease for office space for six years commencing December 1, 2016.

Future minimum operating lease commitments are as follows:

	Governmental Activities (Related Party)	Governmental Activities (Non-Related Party)	Total
Years Ending June 30:			
2017	\$ 183,212	\$ 402,026	\$ 585,238
2018	-	574,647	574,647
2019	-	585,988	585,988
2020	-	598,049	598,049
2021	-	610,111	610,111
2022	-	569,906	569,906
Total Minimum Payments Required	<u>\$ 183,212</u>	<u>\$ 3,340,727</u>	<u>\$ 3,523,939</u>

Lease expense for fiscal year 2016 was \$607,071.

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YEAR ENDED JUNE 30, 2016

NOTE 8 RETIREMENT PLAN

1. **General.** The Plan is a 401(k) Safe Harbor defined contribution plan covering all full-time employees of the Authority who are age twenty-one or older. Eligibility to participate in the plan occurs on the first day of the first payroll period immediately following the date the participant completes the eligibility requirements. It is subject to the provisions of the Employee Retirement Income Security Act of 1976 (ERISA).
2. **Contributions.** Each year, participants may contribute up to the amount allowed by the Internal Revenue Code. In addition, participants over the age of 50 are permitted to make additional catch-up contributions. The Authority contributes a matching contribution equal to 100% of deferral contributions up to, but not exceeding, 4% of compensation. For the period ended June 30, 2016, the Authority contributed \$189,244 in contributions to the retirement plan.
3. **Participant Accounts.** Each participant's account is credited with (a) participant's contribution, (b) the Authority's contribution, (c) Plan earnings (losses), and charged with an allocation of administrative expenses. Allocations are based upon participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
4. **Vesting.** Participants are immediately 100% vested in (a) their contributions, (b) the Authority's matching contribution, and (c) earnings thereon.
5. **Withdrawals.** Participant withdrawals may be made from the Plan upon termination of employment, death, disability, attainment of age 59 1/2, Early Retirement Age, Normal Retirement Age, or in the case of a hardship as defined in the plan description.

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a participant in the state's self-insurance program and, in the opinion of the Authority's management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Authority has no risk of loss beyond adjustments to future years' premium payments to the state's self-insurance program. All estimated losses for unsettled claims and actions of the state are determined on an actuarial basis and are included in the State of Arizona's Comprehensive Annual Financial Report.

**THE ARIZONA COMMERCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF ARIZONA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NOTE 10 CONTINGENCIES

The Authority participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Authority's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Authority's management expects such amounts, if any, to be immaterial.

The Authority is periodically involved in various claims arising in the ordinary course of business, none of which, in the opinion of management, if determined adversely against the Authority, will have a material adverse effect on the financial condition, results of operations, or liquidity of the Authority.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors of
The Arizona Commerce Authority

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Arizona Commerce Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Arizona Commerce Authority's basic financial statements and have issued our report thereon dated October 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider Arizona Commerce Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arizona Commerce Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Commerce Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
The Arizona Commerce Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arizona Commerce Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
October 26, 2016



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