

SECURITIES AND EXCHANGE COMMISSION

FORM NSAR-B

Annual report for management companies filed on Form N-SAR

Filing Date: **1999-07-27** | Period of Report: **1999-05-31**
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FILER

PUTNAM ARIZONA TAX EXEMPT INCOME FUND

CIK: **869392** | IRS No.: **046665534** | State of Incorpor.: **MA** | Fiscal Year End: **0630**
Type: **NSAR-B** | Act: **40** | File No.: **811-06258** | Film No.: **99670442**

Mailing Address
*2 LIBERTY SQUARE
MAIL STOP L6
BOSTON MA 02109*

Business Address
*PUTNAM INVESTMENTS INC
ONE POST OFFICE SQUARE
MAIL STOP A 14
BOSTON MA 02109
8002251585*

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SIGNATURE PAUL BUCUVALAS
TITLE MANAGING DIRECTOR

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Arizona Tax Exempt

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WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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Arizona Tax Exempt

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Arizona Tax Exempt

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees of Putnam Arizona Tax Exempt Income Fund:

In planning and performing our audit of the financial statements of Putnam Arizona Tax Exempt Income Fund for the year ended May 31, 1999, we considered its internal control, including control over safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with the requirements of Form N-SAR, not to provide assurance on internal control.

The management of Putnam Arizona Tax Exempt Income Fund is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. Generally, controls that are relevant to an audit pertain to the entity's objective of preparing financial statements for external purposes that are fairly presented in conformity with generally accepted accounting principles. Those controls include the safeguarding of assets against unauthorized acquisition, use or disposition.

Because of inherent limitations in internal controls, errors or fraud may occur and may not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that it may become inadequate because of changes in conditions or that the effectiveness of the design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of any specific internal control component does not reduce to a relatively low level the risk that misstatements due to errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including controls over safeguarding securities, that we consider to be material weaknesses as defined

above as of May 31, 1999.

This report is intended solely for the information and use of management and the Securities and Exchange Commission.

PricewaterhouseCoopers LLP

Boston, Massachusetts

July 12, 1999