

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Arizona Department of Transportation

For the fiscal year ended June 30, 2013

# **Comprehensive Annual Financial Report**

For the fiscal year ended June 30, 2013

Prepared by Financial Management Services  
State of Arizona Department of Transportation  
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Phoenix, Arizona 85007  
**azdot.gov**

Arizona Department of Transportation  
 Comprehensive Annual Financial Report  
 for the fiscal year ended June 30, 2013

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i-v
Certificate of Achievement for Excellence in Financial Reporting .....	vi
List of Principal Officials .....	vii
Organization Chart .....	viii
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis.....	3-13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1).....	14
Statement of Activities (Exhibit 2).....	15
Governmental Funds Financial Statements:	
Balance Sheet - Governmental Funds (Exhibit 3).....	16-17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Exhibit 3.1) .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit 4) .....	19-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1) .....	23
Proprietary Funds Financial Statements:	
Statement of Net Position – Proprietary Funds (Exhibit 5).....	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Exhibit 6) .....	25
Statement of Cash Flows – Proprietary Funds (Exhibit 7) .....	26
Fiduciary Funds Financial Statement	
Statement of Net Position – Agency Fund (Exhibit 8) .....	27
Index of Notes to the Financial Statements.....	28
Notes to the Financial Statements.....	29-52
 <b>Required Supplementary Information (Other than MD&amp;A)</b>	
Budgetary Comparison Schedule – General Fund (State Highway Fund).....	53

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Arizona Department of Transportation  
Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2013

**TABLE OF CONTENTS (continued)**

---

	<u>Page</u>
Note to Required Supplementary Information.....	54
Information About Infrastructure Assets Reported Using the Modified Approach .....	55-59
 <b>Supplementary Information</b>	
Non-Major Governmental Funds Financial Statements:	
Combining Balance Sheet (Exhibit 9).....	60-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 10) .....	62-63
Fiduciary Funds Financial Statements:	
Combining Statement of Net Position – Agency Fund (Exhibit 11).....	64
Statement of Changes in Assets and Liabilities – Agency Fund (Exhibit 12) .....	65
 <b>STATISTICAL SECTION</b>	
Overview .....	66
Index of Statistical Section .....	67
Financial Trends:	
Change in Net Position (Table A-1) .....	68-71
Statement of Revenues, Expenditures, and Changes in Fund Balances (Table A-2).....	72-75
Fund Balances of Governmental Funds (Table A-3).....	76-77
Expenditures of Federal Awards (Table A-4) .....	78
Government-wide Expenses by Function (Table A-5).....	79-80
Government-wide Revenues (Table A-6).....	81-82
Net Position by Component (Table A-7) .....	83-84
Revenue Capacity:	
Highway User Revenue Fund Collections (Table B-1) .....	85
Highway User Revenue Fund Distributions (Table B-2) .....	86
Fuel Tax Rates (Table B-3).....	87
Motor Vehicle Fuel Tax – Top Ten Suppliers (Table B-4) .....	88
Gasoline Volume Sold – Top Twenty-Five Suppliers (Table B-5).....	89-90

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Arizona Department of Transportation  
Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2013

**TABLE OF CONTENTS (continued)**

---

	<u>Page</u>
Debt Capacity:	
Highway User Revenue Fund – Legal Debt Margin (Table C-1) .....	91
Highway Revenue Bonds – Bond Coverage (Table C-2) .....	92
Transportation Excise Tax Revenue Bonds – Bond Coverage (Table C-3).....	93
Transportation Excise Tax Revenue Bonds – Debt Service Revenue and Cost Per Capita (Table C-4).....	94
Ratios of Outstanding Debt by Type (Table C-5).....	95-96
Demographic and Economic Information:	
Number of Vehicle Registrations Per Year (Table D-1) .....	97
Vehicle Registrations Per Year Compared to Fuel Sales (Table D-2).....	98
Demographic and Economic Statistics (Table D-3) .....	99
Principal Employers (Table D-4).....	100
Operating Information:	
Full-Time Equivalents (FTEs) (Table E-1) .....	101
Capital Assets – Schedule by Function and Activity (Table E-2).....	102
Capital Assets – Schedule of Changes by Function and Activity (Table E-3) .....	103
Total Public Road Mileage by Highway Class and Governmental Ownership (Table E-4) .....	104
Daily Vehicle Miles Traveled with Population Data (Table E-5).....	105
Acknowledgments .....	106

# INTRODUCTORY SECTION

November 12, 2013

The Honorable Janice K. Brewer  
Governor of the State of Arizona,  
Members of the Legislature, and  
Citizens of the State of Arizona

The Arizona Department of Transportation (Department) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR is presented in three sections: Introductory, Financial, and Statistical. The **Introductory Section** includes this Letter of Transmittal, a List of Principal Officials, and the Department's Organization Chart. The **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, as well as Other Supplementary Information. The **Statistical Section** includes additional financial information and transportation data presented on a multi-year comparative basis.

Arizona Revised Statutes, §41-1279.03, require the State Auditor General to "conduct or cause to be conducted at least biennial financial and compliance audits of financial transactions and accounts kept by or for all state agencies subject to the single audit act of 1984 (P.L. 98-502)." In fulfillment of this requirement, the Department prepared this CAFR, for the fiscal year ended June 30, 2013, and contracted with the independent auditing firm of CliftonLarsonAllen LLP to audit the financial statements.

The objective of the independent audit is to provide a reasonable assurance that the financial statements are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Department's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditors' report is presented as the first component of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent auditors.

The CAFR includes all funds used to record the financial activity of the Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department.

To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed both to protect the Department's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the financial statements in conformity with GAAP. The Department's internal control includes both automated controls, which are an integral component of the financial accounting system, and comprehensive policies and procedures. In addition, the Department's Office of Audit and Analysis is an independent unit that reviews accounting controls and performs operational audits of

the various divisions and units of the Department. Because the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

## **Profile of the Department**

The Department was established by the state legislature in July 1974 by combining the former Arizona Highway Department (originally established in 1927) and the Department of Aeronautics (originally established in 1962). The Department is not legally separate from the State of Arizona's primary government. The Department's mission is to provide a safe, efficient, cost-effective transportation system. The vision is the standard of excellence for transportation systems and services. The Department's statutory authority for carrying out its programs is found in Arizona Revised Statutes, Titles 28, 35, and 41.

The Department receives guidance in capital planning and program development from a seven-member Transportation Board of the State of Arizona Department of Transportation (Transportation Board) appointed by the governor and confirmed by the state senate. The Transportation Board is responsible for the annual update of the Five-Year Transportation Facilities Construction Program and awards contracts each month for highway projects. The Transportation Board also has authority for the issuance of highway revenue and transportation excise tax bonds, grant anticipation notes (GARVEE bonds), and board funding obligations.

As of June 30, 2013, the Department was organized into five operating divisions supported by the Support Services Group. The five operating divisions include: Intermodal Transportation Division, Motor Vehicle Division, Enforcement and Compliance Division, Administrative Services Division, and Multimodal Planning Division.

- The Intermodal Transportation Division is responsible for the management and maintenance of the existing state highway system and related facilities as well as the location, design, and construction of new highways and facilities that are a part of the state highway system.
- The Motor Vehicle Division regulates motor vehicles in the state and collects motor vehicle registration fees, motor carrier fees, motor vehicle operators' license fees, and miscellaneous fees and revenues. The Motor Vehicle Division annually processes motor vehicle registrations and records, issues certificates of title for motor vehicles, and processes drivers' license applications.
- The Enforcement and Compliance Division conducts criminal and administrative investigations related to all facets of agency operations, e.g., titling, registration, and licensing; as well as providing services to the local and national law enforcement communities while enforcing transportation related laws and regulations.
- The Administrative Services Division provides a wide variety of services for ADOT business areas and employees. The Administrative Services Division's work units include Equipment Services, Facilities Maintenance & Support, Office of Environmental Services, Procurement, Safety & Health, and Audit & Analysis. The Administrative Services Division also oversees operations of the Grand Canyon National Park Airport.
- The Multimodal Planning Division is responsible for the planning of the statewide transportation system, including highways and airports, in coordination with local and regional planning agencies. The Division produces the Five-Year Transportation Facilities Construction Program through which the Transportation

Board establishes the priorities for highways and airports. The Division also supports statewide public transit planning, administers federal grants for transit planning in rural and metropolitan areas, and performs state regulatory safety oversight for the light rail system in Maricopa County.

- The Support Services Group provides support to the Department's operating divisions, and contains work units for Financial Management, Budget and Strategic Planning, Information Technology, Human Resources, Government Relations, Community Partnerships, and *Arizona Highways Magazine*.

Overall, the Department employs approximately 4,200 persons.

**Budgetary Controls** Upon the effective date of the appropriations bill, allocations are made to organizational levels within each division. The allocations result in a detailed operating budget that guides the divisions and programs in their financial operation. State funding for the Five-Year Transportation Facilities Construction Program is included in the capital outlay appropriations bill as a lump-sum budget without identifying individual projects. In the land, building, and improvements portion of that bill, each separate capital project is identified for control purposes. This bill also provides funding for building renewal purposes. The budgets are prepared on a cash basis except that liabilities (encumbrances) incurred before the end of the fiscal year and paid within the next calendar month are charged against that prior fiscal year's budget. With a few exceptions, such as the capital budgets, highway maintenance, and special line items, state appropriations typically lapse at the end of the fiscal year.

The Department relies on the Arizona Financial Information System (AFIS) to control total expenditures by appropriation. In addition, the Department utilizes several control features in its internal accounting system (Advantage®) to ensure budgetary compliance and management control. These features include: encumbrance and pre-encumbrance capabilities, appropriation allocation and control capabilities to the expense budget/organization unit level, and management control reports from the expense budget/organizational unit level, with summary reporting capabilities by program, division, or appropriation.

## **Factors Affecting Financial Condition**

**Arizona Economy** In fiscal year 2013, Arizona saw economic activity improve with slow growth in employment, personal income and population. However, market uncertainty caused by the Fiscal Cliff in late 2012 along with the social security tax hike in January 2013 and gasoline price spike during the spring of 2013 all weighed on consumer driving habits and commercial truck activity in Arizona and the nation. According to the July 18, 2013 Arizona Department of Administration's employment report, the Arizona unemployment rate decreased from 8.4 percent in June 2012 to 8.0 percent in June 2013. During this period, the private sector created 54,300 jobs while the government sector lost 4,900 jobs for a net gain of 49,400. Total job growth in FY 2013 closely approximated the FY 2012 job growth.

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and Maricopa County Transportation Excise Tax posted mixed results in fiscal year 2013. In fiscal year 2013, the HURF revenue collections were \$1,210.0 million, even with fiscal year 2012 but 0.7 percent below the forecast. The Maricopa County Transportation Excise Tax revenues totaled \$341.6 million, an increase of 5.4 percent over fiscal year 2012 and 0.3 percent above the estimate. HURF and RARF revenue sources remain at fiscal year 2005 revenue levels.

Arizona's economy is expected to grow over the next couple of years but at a slower rate than the historical growth prior to the economic boom in 2005 to 2007 and Great Recession in 2008 to 2010. On May 9, 2013, the Arizona Department of Administration estimated Arizona non-farm employment will grow by 1.9 and 2.1 percent in calendar years 2013 and 2014, respectively. According to the June 1, 2013 Western Blue Chip report, the Arizona personal income is expected to increase by 5.0 percent in calendar year 2013 and 5.8 percent in calendar year 2014. Arizona population is forecast to grow by 1.4 percent in calendar year 2013 and 1.6 percent in calendar year 2014.

The Department's fiscal year 2014 HURF revenue estimate amounts to \$1,224.3 million, an increase of 1.2 percent over fiscal year 2013. The HURF average compound growth rate for fiscal years 2004 through 2013 was 0.3 percent. The distribution of HURF revenues in fiscal year 2014 is estimated to be as follows: State Highway Fund \$557.7 million; Arizona cities and towns \$336.9 million; Arizona counties \$209.8 million; Department of Public Safety \$118.3 million; Economic Strength Project Fund \$1.0 million; and the Motor Vehicle Division for the registration compliance/third party program \$0.6 million. An estimated \$27.0 million will be re-allocated from the State Highway Fund share of HURF vehicle license tax revenues to the State General Fund (\$4.2 million), the Department of Public Safety (\$2.6 million) and the Motor Vehicle Division third parties (\$20.2 million).

The Maricopa County Transportation Excise Tax revenue forecast for fiscal year 2014 totals \$362.0 million, an increase of 6.0 percent over fiscal year 2013. The Maricopa County Transportation Excise Tax average compound growth rate for fiscal years 2004 through 2013 was 1.9 percent. The distribution of the Maricopa County Transportation Excise Tax revenue in fiscal year 2014 is estimated to be as follows: Maricopa County Regional Area Road Fund \$203.4 million for highways, \$38.0 million for arterial streets, and the Public Transportation Fund \$120.6 million.

**Long-term Financial Planning** The Department has developed a long-range forecasting model for revenues to be deposited in the Highway User Revenue Fund and the Maricopa County Regional Area Road Fund. This econometric modeling approach provides a framework that allows for the complex interaction of economic, demographic, and technological factors which influence revenue collections over the long term. Using this process, the Department updates and publishes its official forecast on an annual basis, after the close of the fiscal year, and uses this data in developing cash-flow projections for the statewide Highway Construction Program and the Regional Transportation Plan (RTP) Freeway Program, two components of the Five-Year Transportation Facilities Construction Program (the third component being the Airport Program). These cash-flow projections incorporate estimates of all funding sources available to the capital program and estimates of project-related and other expenditures.

**Planned Construction Activity** In June 2013, the Transportation Board approved a \$4.5 billion statewide Highway Construction Program as part of the Five-Year Transportation Facilities Construction Program for fiscal years 2014 through 2018. This program provides funding for highway facilities on the National Highway System and the statewide system, as well as the Maricopa County Regional Transportation Plan. Altogether (including Maricopa County), the program includes \$2.8 billion for system improvements, \$.4 billion for system management, and \$1.3 billion for system preservation.

The Five-Year Transportation Facilities Construction Program includes approximately \$2.2 billion for the RTP of freeway and expressway construction in Maricopa County, funded in large part from the Maricopa County Regional Area Road Fund. Obligations for the Regional Transportation Plan Freeway Program to date total \$4.0 billion. The Department currently has 14 major RTP Freeway Program projects under design and 7 major projects under construction. The Department acquired 4,185 acres of land for the RTP Freeway Program.

As part of the Five-Year Transportation Facilities Construction Program, the Transportation Board also adopted a \$122.6 million (state share) Five-Year Airport Development Program that includes 822 projects at general aviation and air carrier airports located throughout the state.

## **Other Information**

**Single Audit** The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The Department's Single Audit information is included in the Single Audit of the State of Arizona for the fiscal year ended June 30, 2013.

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arizona Department of Transportation for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This accomplishment was the twenty-third consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgments** We would like to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. A special note of thanks is extended to the staff of Controller's Office whose commitment, professionalism, and dedicated efforts contributed to the timely preparation of the fiscal year 2013 Comprehensive Annual Financial Report.

Respectfully Submitted,



John S. Halikowski, Director  
Arizona Department of Transportation



Kristine Ward, Assistant Director for Finance and Accounting  
Arizona Department of Transportation



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Arizona Department  
of Transportation**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**Arizona Department of Transportation  
List of Principal Officials**

**John S. Halikowski**  
Director

**John H. Nichols**  
Deputy Director  
for Business Operations

**Floyd P. Roehrich, Jr.**  
Deputy Director for Policy

**Jennifer A. Toth**  
Deputy Director  
for Transportation

**Stacey K. Stanton**  
Assistant Director  
Motor Vehicle Division

**Terry W. Conner**  
Assistant Director  
Enforcement and Compliance Division

**Scott Omer**  
Assistant Director  
Multimodal Planning Division

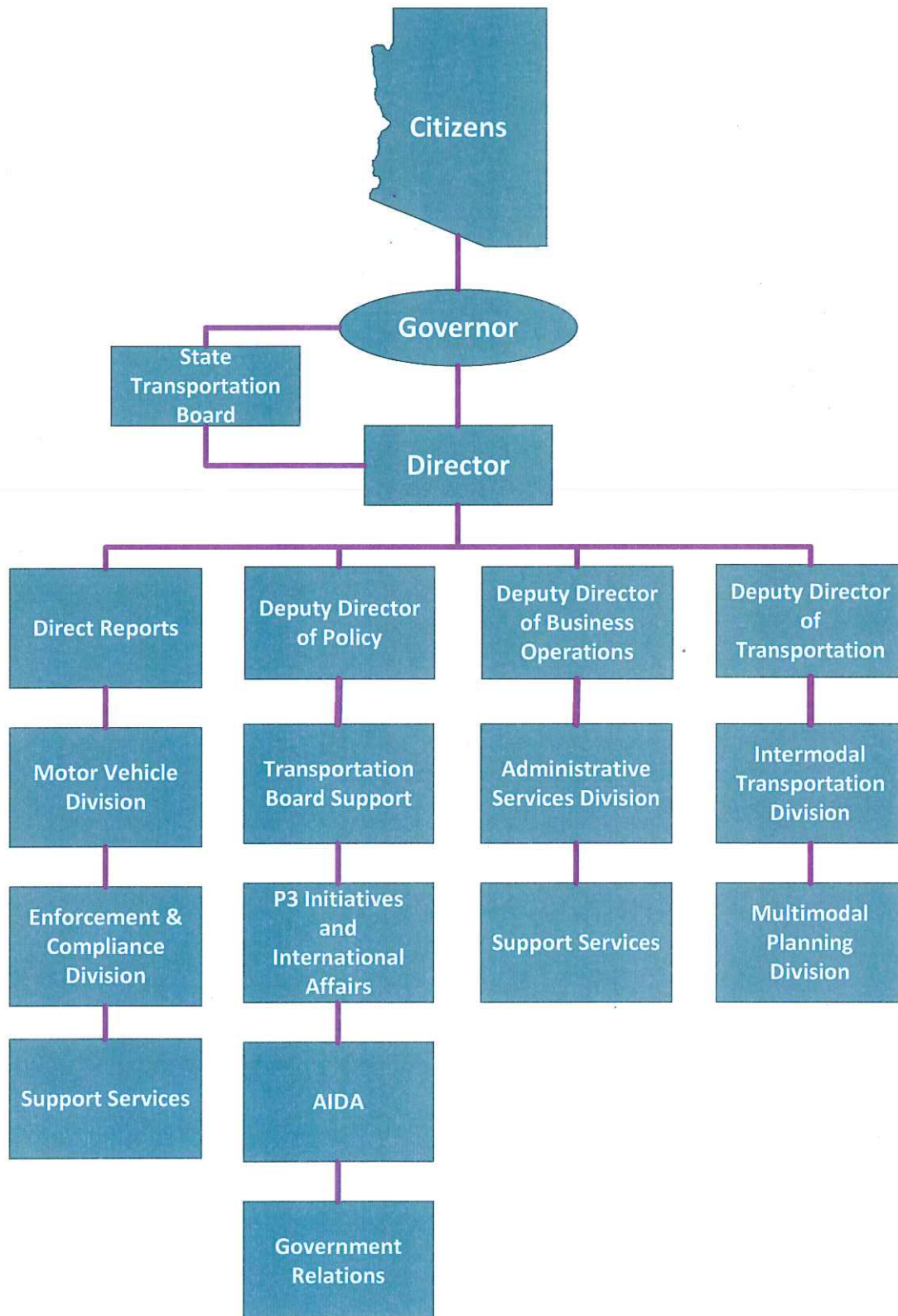
**Sonya E. Herrera**  
Assistant Director  
Administrative Services Division

**Kristine Ward**  
Assistant Director  
for Finance and Accounting

**Arizona State Transportation Board**

<b>Member</b>	<b>Counties</b>	<b>Term Expires</b>
Victor Flores, Chairman	District 1 (Maricopa County)	2014
Stephen W. Christy, Vice Chairman	District 2 (Pima County)	2015
Kelly O. Anderson	District 4 (Gila, Graham, and Pinal Counties)	2016
Hank Rogers	District 5 (Apache, Coconino, and Navajo Counties)	2017
Joseph E. La Rue	District 1 (Maricopa County)	2018
Deanna L. Beaver	District 6 (Yavapai, Yuma, Mohave, and LaPaz Counties)	2018
William R. Cuthbertson	District 3 (Cochise, Greenlee, and Santa Cruz Counties)	2019

# State of Arizona Department of Transportation Organization Chart



# FINANCIAL SECTION



CliftonLarsonAllen

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## INDEPENDENT AUDITORS' REPORT

The Honorable Janice K. Brewer  
Governor of the State of Arizona

Members of the Arizona State Legislature  
Arizona Department of Transportation  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arizona Department of Transportation (Department), as of and for the year ended June 30, 2013, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arizona Department of Transportation as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 13, budgetary comparison information on pages 53 and 54, and information about infrastructure assets reported using the modified approach on page 55 through 59 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arizona Department of Transportation's basic financial statements. The accompanying supplementary information such as the Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

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

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
November 12, 2013

Arizona Department of Transportation  
Management's Discussion and Analysis  
June 30, 2013

As management of the Arizona Department of Transportation (Department), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal, which can be found on pages i-v, and the Department's basic financial statements, which begin on page 14, with the accompanying notes and Required Supplementary Information (RSI).

## Financial Highlights

### Government-wide:

- The net position of the Department at the close of the fiscal year is \$17.3 billion, compared to \$16.7 billion for fiscal year 2012, an increase of 3.7 percent. Of this amount, \$152.1 million represents the *unrestricted* component and may be used to meet the Department's ongoing obligations to citizens and creditors as compared to \$107.8 million at the end of 2012.
- The Department's capital assets are \$19.3 billion, compared to \$18.6 billion for fiscal year 2012, an increase of 3.5 percent. This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets*, is \$16.3 billion, compared to \$15.8 billion for fiscal year 2012, an increase of 3.1 percent.
- The Department's non-current liabilities are \$3.5 billion, compared to \$3.3 billion in 2012. The Department had \$18.5 million more in bonds outstanding in 2013 than in 2012. During fiscal year 2013, there were \$715.4 million in bonds issued, \$155.4 million in bonds repaid, and \$541.6 million in bonds refunded.

### Fund Level:

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of approximately \$1.3 billion, as compared to approximately \$1.2 billion in 2012.
- The total restricted fund balance is \$1.2 billion; the majority of this amount is restricted for capital projects. Inventories of \$7.2 million represent the nonspendable portion of fund balance while \$164.2 million represents the committed fund balance portion.
- The proprietary funds reported net position at year-end of \$79.0 million, as compared to \$77.7 million in 2012.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Department's basic financial statements. The Department's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other Required Supplementary Information in addition to the basic financial statements.

### Government-wide Financial Statements (Reporting the Department as a Whole)

The government-wide financial statements are designed to present an overall picture of the financial position of the Department. These statements consist of the Statement of Net Position and the Statement of Activities, and are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

The Statement of Net Position combines and consolidates the Department's current financial resources with capital assets and long-term obligations. This statement includes all of the Department's non-fiduciary assets and liabilities.

Net position is the difference between the Department's assets and liabilities, and represent one measure of the Department's financial health.

- An increase or decrease in the Department's net position from one year to the next is an indicator of whether its financial health is improving or declining.
- Other indicators of the Department's financial health include the condition of its roads and bridges (infrastructure) and economic trends affecting the Department's future tax revenues.

The Statement of Activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by the Department's general tax and other revenues. This statement summarizes the cost of providing specific Department services and includes all current year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the Department's activities into two types:

**Governmental Activities**

The Department's basic services are reported here, including administration, highway, highway maintenance, and motor vehicle. Taxes, fees, and federal grants finance most of these activities.

**Business-type Activities**

Activities for which the Department charges a fee to customers to pay for most or all of the costs of the services it provides are reported as business-type activities. The Department's *Arizona Highways Magazine* and Highway Expansion and Extension Loan Program (HELP) are reported here.

The government-wide financial statements can be found on pages 14-15 of this report.

This report includes two schedules (Exhibit 3.1 and Exhibit 4.1) that reconcile the amounts reported on the governmental fund financial statements (prepared using the modified accrual basis of accounting and current financial resources measurement focus) with governmental activities (prepared using the accrual basis of accounting and economic resources measurement focus) on the appropriate government-wide statements. The following summarizes the impact of utilizing Governmental Accounting Standards Board Statement 34 (GASB 34), as amended, reporting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term assets that are not available to pay for current period expenditures are not reported on governmental fund statements.
- Internal service fund activities are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond issuance costs are capitalized and amortized to expense as governmental activities, but reported as expenditures in the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, bonds, notes payable, and others only appear as liabilities on the government-wide statements.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

**Fund Financial Statements (Reporting the Department's Major Funds)**

The fund financial statements begin on page 16 and provide detailed information about the major individual funds. A fund is an accounting entity with a self-balancing set of accounts that the Department uses to keep track of specific sources of funding and spending for a particular purpose. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into three categories: governmental, proprietary, and fiduciary.

**Governmental Funds** A majority of the Department's activities are reported in governmental funds. Reporting of these funds focuses on how financial resources flow in and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Department's general governmental operations and the basic services it provides. This information should help determine whether there are more or less current financial resources available for the Department's programs. The reconciliations following the fund financial statements explain the differences between the government's activities, reported in the government-wide statement of activities, and the governmental funds.

The Department maintains fifteen individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund (State Highway Fund), Maricopa Regional Area Road Construction Fund, Motor Vehicle Division Clearing Fund, Highway User Revenue Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The legislature appropriates an annual budget for the Department's General Fund (State Highway Fund). The Budgetary Comparison Schedule – General Fund (State Highway Fund) has been provided to demonstrate compliance with this budget and is presented as Required Supplementary Information.

The governmental funds financial statements can be found on pages 16-23 of this report.

**Proprietary Funds** When the Department charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide goods and services to outside customers, to other agencies, or to other divisions of the Department. The Department's enterprise funds are the *Arizona Highways Magazine* Fund and the Highway Expansion and Extension Loan Program Fund. The internal service fund reports activities that provide supplies and services for the Department's other programs and activities and other state agencies. The Equipment Revolving Fund is the Department's only internal service fund. Internal service fund activities are reported as governmental activities on the government-wide statements.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

The proprietary funds financial statements can be found on pages 24-26 of this report.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs.

The fiduciary fund financial statement can be found on page 27.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-52 of this report.

**Required Supplementary Information** In addition to the basic financial statements, including accompanying notes, this section presents certain Required Supplementary Information including the Department's Budgetary Comparison Schedule – General Fund (State Highway Fund) and the modified approach to reporting infrastructure assets. Required Supplementary Information can be found on pages 53-59 of this report.

**Supplementary Information** Other Supplementary Information includes the combining statements for the non-major governmental funds and agency funds, and is presented immediately following the Required Supplementary Information on budget and infrastructure assets. Combining and individual fund statements and schedules can be found on pages 60-65 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Department's financial health. The following tables, graphs, and analyses address the net position and changes to net position for the Department as a whole as of and for the fiscal years ended June 30, 2013 and 2012.

The Department's combined net position increased by \$609.6 million over the course of this fiscal year's operations, an increase of 3.7 percent. The net position of the governmental activities increased by \$608.3 million, or 3.7 percent, and business-type activities increased by \$1.3 million, an increase of 1.6 percent over the previous year. The overall increase in the Department's net position was due primarily to an increase in the Department's infrastructure.

The following table reflects the condensed Statement of Net Position as of June 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 1,651,917,165	\$ 1,514,737,093	\$ 81,327,320	\$ 80,112,945	\$ 1,733,244,485	\$ 1,594,850,038
Capital assets	19,263,771,231	18,607,570,621	30,227	43,102	19,263,801,458	18,607,613,723
Total assets	20,915,688,396	20,122,307,714	81,357,547	80,156,047	20,997,045,943	20,202,463,761
<b>Liabilities</b>						
Other liabilities	284,448,317	283,094,516	2,188,646	2,258,198	286,636,963	285,352,714
Non-current liabilities	3,450,945,741	3,267,217,325	161,024	147,402	3,451,106,765	3,267,364,727
Total liabilities	3,735,394,058	3,550,311,841	2,349,670	2,405,600	3,737,743,728	3,552,717,441
<b>Net position</b>						
Net investment in capital						
assets	16,290,604,770	15,796,384,864	30,227	43,102	16,290,634,997	15,796,427,966
Restricted	738,968,893	668,679,292	77,564,143	76,882,306	816,533,036	745,561,598
Unrestricted	150,720,675	106,931,717	1,413,507	825,039	152,134,182	107,756,756
Total net position	\$17,180,294,338	\$ 16,571,995,873	\$ 79,007,877	\$ 77,750,447	\$ 17,259,302,215	\$ 16,649,746,320

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

The total assets of the Department were \$21.0 billion, while total liabilities were \$3.8 billion, resulting in a net position balance of \$17.3 billion. The majority of the Department's net position, \$16.3 billion (94.4 percent), was invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), net of any related debt used to acquire those assets. The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The governmental activities reported an increase in capital assets with the largest increase being in the area of construction in progress. The Department issued one new bond in fiscal year 2013, which caused the non-current liabilities to increase for the governmental activities.

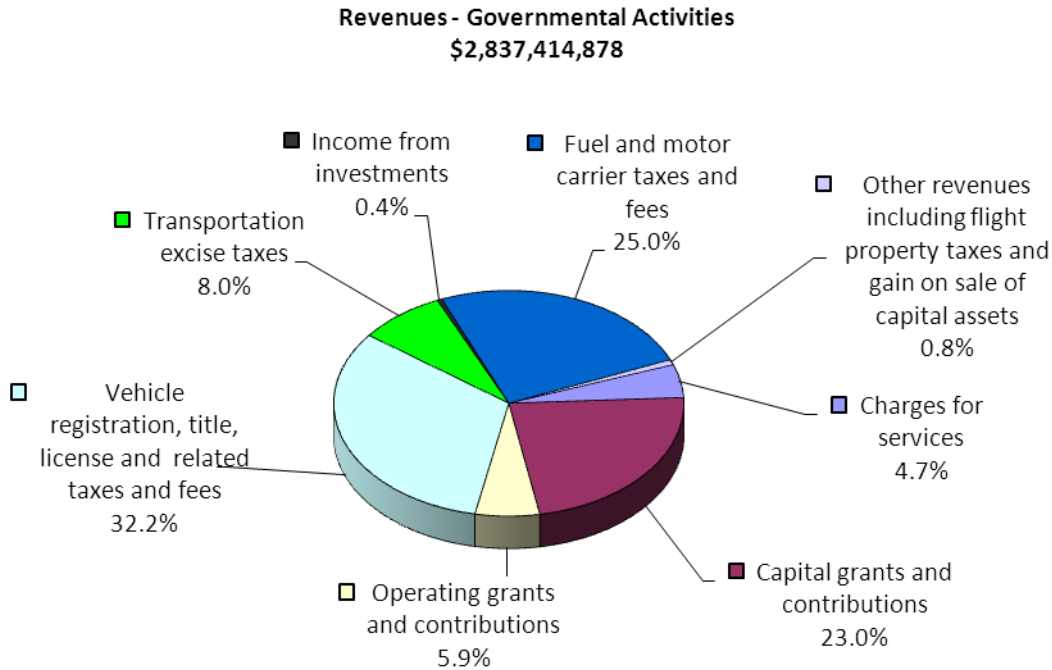
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Department's net position changed during the year, compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 134,715,560	\$ 127,347,062	\$ 5,193,954	\$ 5,582,832	\$ 139,909,514	\$ 132,929,894
Operating grants and contributions	168,435,801	161,992,343	-	-	168,435,801	161,992,343
Capital grants and contributions	651,798,476	776,813,570	-	-	651,798,476	776,813,570
General revenues:						
Transportation excise taxes	227,800,355	216,280,983	-	-	227,800,355	216,280,983
Vehicle registration, title, license and related taxes and fees	913,326,182	899,344,827	-	-	913,326,182	899,344,827
Fuel and motor carrier taxes and fees	708,062,017	700,619,599	-	-	708,062,017	700,619,599
Flight property taxes	8,084,374	10,735,000	-	-	8,084,374	10,735,000
Income from investments	11,781,298	11,387,628	746,935	783,353	12,528,233	12,170,981
Gain <loss> on sale of capital assets	120,706	<895,030>	-	-	120,706	<895,030>
Other	13,290,109	10,498,827	-	-	13,290,109	10,498,827
Total revenues	<u>2,837,414,878</u>	<u>2,914,124,809</u>	<u>5,940,889</u>	<u>6,366,185</u>	<u>2,843,355,767</u>	<u>2,920,490,994</u>
<b>Expenses</b>						
Administration	101,369,817	94,074,541	-	-	101,369,817	94,074,541
Highway	46,076,242	39,631,797	-	-	46,076,242	39,631,797
Highway maintenance	139,761,650	125,330,823	-	-	139,761,650	125,330,823
Motor vehicle	107,654,532	116,095,447	-	-	107,654,532	116,095,447
Non-capital, including asset preservation	257,126,025	351,115,581	-	-	257,126,025	351,115,581
Distributions to other state agencies	213,394,662	307,885,178	-	-	213,394,662	307,885,178
Distributions to Arizona counties and cities	1,074,085,950	1,005,113,813	-	-	1,074,085,950	1,005,113,813
Local governmental assistance	102,332,256	93,557,474	-	-	102,332,256	93,557,474
Interest on long-term debt	187,315,278	164,081,060	-	-	187,315,278	164,081,060
Arizona Highways Magazine	-	-	4,637,319	4,978,502	4,637,319	4,978,502
Highway Expansion and Extension Loan Program	-	-	46,140	74,922	46,140	74,922
Total expenses	<u>2,229,116,412</u>	<u>2,296,885,714</u>	<u>4,683,459</u>	<u>5,053,424</u>	<u>2,233,799,871</u>	<u>2,301,939,138</u>
Change in net position	608,298,466	617,239,095	1,257,430	1,312,761	609,555,896	618,551,856
Net position - July 1	16,571,995,872	15,954,756,778	77,750,447	76,437,686	16,649,746,319	16,031,194,464
<b>Net position - June 30</b>	<u>\$ 17,180,294,338</u>	<u>\$ 16,571,995,873</u>	<u>\$ 79,007,877</u>	<u>\$ 77,750,447</u>	<u>\$ 17,259,302,215</u>	<u>\$ 16,649,746,320</u>

Arizona Department of Transportation  
 Management's Discussion and Analysis (continued)  
 June 30, 2013

**Governmental Activities**

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2013:



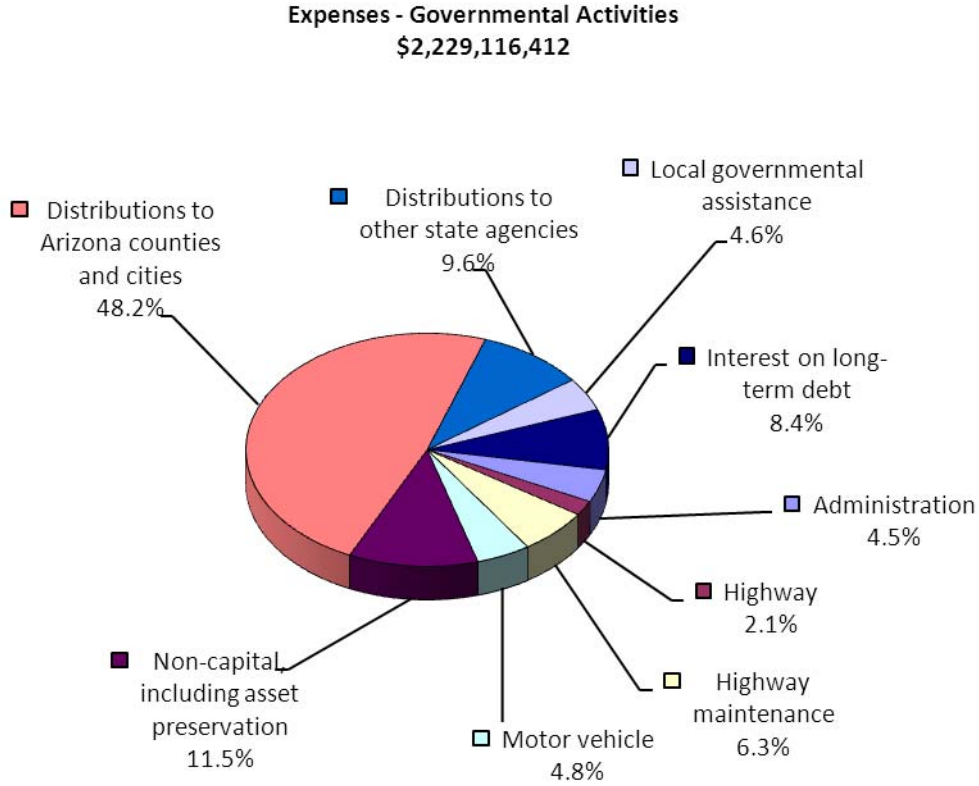
\$2.3 billion (or 80.2 percent) of the Department's revenues are from the following three revenue sources:

- Vehicle registration, title, license, and related taxes and fees comprise the Department's largest revenue source of \$913.3 million (32.2 percent).
- Fuel and motor carrier taxes and fees represent the Department's second largest revenue source of \$708.1 million (25.0 percent).
- Capital grants and contributions represent the Department's third largest revenue source of \$651.8 million (23.0 percent).

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Maricopa County Transportation Excise Tax, posted positive year-over-year growth in fiscal year 2013. HURF collections totaled approximately \$1.2 billion, even with fiscal year 2012 but 0.7 percent below the forecast. Maricopa County Transportation Excise Tax collections totaled \$341.6 million, an increase of 5.4 percent over fiscal year 2012, and 0.3 percent above the Department's estimate. The Transportation Excise Tax distribution to the Department was \$227.8 million compared to \$216.3 million for fiscal year 2012.

Arizona Department of Transportation  
 Management's Discussion and Analysis (continued)  
 June 30, 2013

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2013:



\$1.5 billion (or 69.3 percent) of the Department's expenses were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of \$1.1 billion (48.2 percent).
- Non-capital, including asset preservation, represents the Department's second largest expense of \$257.1 million (11.5 percent).
- Distributions to other state agencies represent the Department's third largest expense of \$213.4 million (9.6 percent).

Distributions to Arizona counties and cities increased in fiscal year 2013 as compared to fiscal year 2012 due to an increase in fuel tax and vehicle license tax collections. Distributions to other government entities equals 62.5%; making up more than half of the expenditures for fiscal year 2013.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

**Business-type Activities**

Net position for business-type activities increased by \$1.3 million in fiscal year 2013. Total revenues were \$5.9 million, with charges for services representing 87.4 percent and income from investments 12.6 percent. The total expenses for business-type activities were \$4.7 million.

The Highway Expansion and Extension Loan Program did not loan money because the return on investment was not sufficient to merit the risk. Interest revenue increased this fiscal year due to the fund not issuing any new loans and receiving loan repayments, which increased average cash balances during the year.

The *Arizona Highways Magazine* had a decrease in operating revenues of \$393 thousand primarily due to a reduction in the number of subscribers for the monthly publication; and a reduction in the purchases of related products such as calendars, books, and holiday gift catalog items. Typically magazine subscribers also purchase these related products. This decline in demand is consistent with industry trends for many other consumer periodicals with revenues based predominantly on annual subscriptions, as well as an overall weak economy, especially in Arizona where the majority of subscribers are located.

**Financial Analysis of the Department's Funds**

As previously mentioned, the Department uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

**Governmental Funds** The focus of the Department's governmental funds financial statements (pages 16-23) is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major governmental funds are combined into a single column. Combining statements for the non-major governmental funds may be found on pages 60-63.

As of the end of the fiscal year, the fund balances of the governmental funds totaled \$1.3 billion, an increase of \$134.6 million over the previous fiscal year. Of the \$1.3 billion balance, \$1.1 billion represents those funds that are restricted and used to pay for capital projects while \$1.7 million represents those funds that are restricted and used to pay for debt service; \$164.2 million represents that portion of the fund balance that is committed; and \$7.2 million for inventories represents that portion of the fund balance that is nonspendable.

The General Fund (State Highway Fund) is the primary operating fund of the Department. At the end of the current fiscal year, the nonspendable fund balance was \$7.2 million; the restricted fund balance was \$267.4 million; and the committed fund balance was \$123.7 million.

The Maricopa Regional Area Road Construction Fund is a major special revenue fund that receives a portion of Maricopa County Transportation Excise Tax monies that are used to provide a funding source for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial street system within Maricopa County. Total revenues collected in the fund in fiscal year 2013 were \$439.9 million; Transportation Excise Tax revenue of \$227.8 million (or 51.8 percent) was the bulk of the revenue. The remaining revenue was mainly federal revenue and income from investments.

The Debt Service Fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the governmental funds. The other financing sources of \$283.1 million were transferred in from the General Fund (State Highway Fund) (\$124.8 million), Maricopa Regional Area Road Construction Fund (\$103.2 million), and Grant Anticipation Notes Fund (\$55.1 million), and were used to pay the debt service.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities in the governmental funds. During the fiscal year, the Capital Projects Fund's expenditures were \$200.9 million. Capital outlay expenditures of \$182.8 million (91 percent) accounted for the majority of the expenditures in the Capital Projects Fund. This expenditure for the acquisition and construction of new highways was converted to capital assets on the government-wide statements.

**Budget Variances**

As a consequence of lower revenue collections, the Department reduced its fiscal year 2013 operating spending levels in order to ensure that there would be sufficient cash in the General Fund (State Highway Fund) to cover debt service, contractor payments, fund transfers, and daily operational expenses. Accordingly, actual expenditures for fiscal year 2013 were less than the Department's appropriated budget. Reference the budgetary comparison schedule on page 53.

**Capital Assets and Debt Administration**

**Capital Assets (See Note 5A to the financial statements for additional information)**

The Department's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$19.3 billion (net of accumulated depreciation), a \$656.2 million increase over the previous fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,828,031,298	\$ 2,747,307,749	\$ 7,900	\$ 7,900	\$ 2,828,039,198	\$ 2,747,315,649
Infrastructure	12,951,193,039	12,207,437,415	-	-	12,951,193,039	12,207,437,415
Construction in progress	3,285,416,977	3,459,047,385	-	-	3,285,416,977	3,459,047,385
Buildings and improvements	105,853,869	108,712,313	14,347	23,678	105,868,216	108,735,991
Improvements other than buildings	23,394,787	24,475,649	-	-	23,394,787	24,475,649
Machinery and equipment	12,200,738	13,332,478	7,980	11,524	12,208,718	13,344,002
Mobile fleet and aircraft	57,680,523	47,257,632	-	-	57,680,523	47,257,632
Total	<u>\$ 19,263,771,231</u>	<u>\$18,607,570,621</u>	<u>\$ 30,227</u>	<u>\$ 43,102</u>	<u>\$19,263,801,458</u>	<u>\$18,607,613,723</u>

As provided by accounting principles generally accepted in the United States (GAAP), the Department has elected to record its infrastructure assets using the modified approach, as defined in GASB Statement 34. Assets accounted for under the modified approach include 6,751 center lane miles of roads (21,213 travel lane miles) and 4,754 bridges that the Department is responsible for maintaining.

The Five-Year Transportation Facilities Construction Program (Program) is a dynamic program and adjustments are made to the annual plans based on the needs of the Department to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the Department. The Program is updated annually and adjustments are made monthly during the fiscal year, as circumstances may require.

The Department manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The Department's serviceability rating goal is 3.23 for the overall system. The Department's most recent assessment indicated that an overall rating of 3.67 was achieved for fiscal year 2013. The Department manages its bridges using the Arizona Bridge Information and Storage System (ABISS). The Department determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the Department to maintain a Condition Rating Index (CRI) of 92.5 percent or better. In fiscal year 2013, a CRI of 93.2 percent was achieved.

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

In addition to many smaller projects, the following major highway construction contracts in excess of \$10 million were started during fiscal year 2013:

Description	Contract		Fiscal Year 2013
	Start Date	Contract Amount	Construction Expenditures
System preservation and reconstruction on Naha 'Ta' Dzill road to Sanders traffic interchange in Apache County	11/16/2012	\$ 13,645,437	\$ 4,977,268
System enhancement and traffic management at Copper Canyon Phase I in Yavapai County	10/19/2012	11,875,000	4,463,063
Capacity additions and major widening on US 60, 71st Avenue - McDowell Road in Maricopa County	11/16/2012	12,741,490	3,110,303
System preservation-reconstruction at Cienega creek - Marsh station, Phase III in Pima County	9/21/2012	17,207,162	6,686,994
Capacity additions-major widening on SR303L: Camelback Road to Glendale Avenue in Maricopa County	2/8/2013	34,871,752	5,424,383
System preservation-restoration/rehab/resurface on East Ash Fork traffic interchange to West Williams traffic interchange in Coconino County	6/14/2013	10,486,585	-
New facilities-construction of new road on US 89 to State route 98 in Coconino County	5/6/2013	32,035,666	3,078,948

Furthermore, the following major highway construction projects had expenditures in excess of \$15 million in fiscal year 2013. These project expenditures include payments made to construction contractors (as shown above) as well as utility, design, right-of-way, and landscaping costs:

Location Description	2013 Project Expenditures
State Route 303L from Peoria Avenue to Mountain View Boulevard in Maricopa County	\$ 72,659,329
State Route 303L/Interstate 10 Traffic Interchange in Maricopa County	63,256,628
State Route 303L from Glendale Avenue to Peoria Avenue in Maricopa County	51,644,626
State Route 24 at State Route 202L (Santan) to Ellsworth Road Phase I in Maricopa County	50,316,974
Interstate 10 Ruthrauff Road to Prince Road in Pima County	35,844,633
Interstate 10 from Salt River to Baseline Road in Maricopa County	34,928,659
US 60 to Loop 303 on Northern Avenue	34,726,774
Interstate 17 Cordes Junction Traffic Interchange in Yavapai County	26,825,406
State Route 303L from Thomas Road to Camelback Road	22,817,690

Arizona Department of Transportation  
Management's Discussion and Analysis (continued)  
June 30, 2013

**Non-Current Liabilities (See Note 5F to the financial statements for additional information)**

The Department's non-current liabilities for its governmental and business-type activities as of June 30, 2013, amount to \$3.5 billion, an increase of \$183.7 million from the previous fiscal year.

Governmental Activities	2013	2012
Highway revenue bonds	\$ 1,733,285,000	\$ 1,619,965,000
Transportation excise tax revenue bonds	925,975,000	981,845,000
Grant anticipation notes (GARVEE bonds)	296,240,000	335,230,000
Premium on bonds	350,739,402	248,891,687
Capital leases	22,271,210	10,728,825
Compensated absences	16,618,748	14,890,371
Advances and notes payable	105,816,381	55,666,442
Total governmental activities	3,450,945,741	3,267,217,325
Business-type Activities		
Compensated absences	161,024	147,402
Total business-type activities	161,024	147,402
Total non-current liabilities	\$ 3,451,106,765	\$ 3,267,364,727

The Department has issued revenue bonds in 56 separate issues between 1980 and 2013. All bonds outstanding as of June 30, 2013, are scheduled to mature on various dates, but none later than July 1, 2038. The bonds are obligations of the Transportation Board of the State of Arizona Department of Transportation (Transportation Board) and are not obligations of the State of Arizona. This data was gathered from the various bond records on file from the 1980s to the present.

The senior lien Highway Revenue Bonds have been rated AAA/Aa1 by Standard & Poor's Ratings Services and Moody's Investors Service, respectively. The Department's subordinate lien Highway Revenue Bonds are rated AA+/Aa2. The Department's Transportation Excise Tax Revenue Bonds are rated AA+/Aa1. The Department's Grant Anticipation Notes ("GARVEE bonds") are rated AA/Aa2/AA with the additional rating provided by Fitch Ratings.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Arizona Department of Transportation, 206 S. 17<sup>th</sup> Avenue, Phoenix, Arizona, 85007, or by visiting our website at [http://www.azdot.gov/Inside ADOT/fms/PDF/CAFR13.pdf](http://www.azdot.gov/Inside%20ADOT/fms/PDF/CAFR13.pdf).

# BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** – include the Statement of Net Position and the Statement of Activities and use the accrual basis of accounting for financial reporting.

**Governmental Funds Financial Statements** – include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental funds and use the modified accrual basis of accounting for financial reporting. Also include the reconciliations to the government-wide financial statements.

**Proprietary Funds Financial Statements** – include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position and the Statement of Cash Flows for the business-type activities and use the accrual basis of accounting for financial reporting.

**Statement of Fiduciary Net Position** – includes the Statement of Net Position for assets being held for parties outside of the Department.

**Notes to the Financial Statements**

Arizona Department of Transportation  
Statement of Net Position  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Unrestricted cash on deposit with the State Treasurer	\$ 52,879,718	\$ 2,857,670	\$ 55,737,388
Receivables:			
Subscriptions, net of allowance for doubtful accounts	-	87,874	87,874
Taxes and fees	72,898,745	-	72,898,745
Notes and loans	5,043,871	-	5,043,871
Other, net of allowance for doubtful accounts	13,841,274	93,944	13,935,218
Due from U.S. Government for reimbursable costs	110,291,707	-	110,291,707
Internal balances	<31,746>	31,746	-
Inventories	10,896,056	347,570	11,243,626
Other assets/prepaid items	19,058,878	344,373	19,403,251
Deferred charges	15,084,498	-	15,084,498
Restricted cash on deposit with the State Treasurer	1,351,954,164	77,564,143	1,429,518,307
Capital assets not subject to depreciation (Note 5A)	19,064,641,314	7,900	19,064,649,214
Capital assets subject to depreciation, net of accumulated depreciation (Note 5A)	<u>199,129,917</u>	<u>22,327</u>	<u>199,152,244</u>
Total assets	<u>20,915,688,396</u>	<u>81,357,547</u>	<u>20,997,045,943</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	4,214,249	76,143	4,290,392
Accrued payroll and other accrued expenses	5,482,626	29,310	5,511,936
Contracts and retainage payable	145,287,455	-	145,287,455
Due to other state agencies	8,745,688	-	8,745,688
Due to Arizona counties and cities	120,718,299	-	120,718,299
Unearned revenues (Note 5C)	-	2,083,193	2,083,193
Non-current liabilities (Note 5F):			
Due within one year	210,737,398	20,750	210,758,148
Due in more than one year	<u>3,240,208,343</u>	<u>140,274</u>	<u>3,240,348,617</u>
Total liabilities	<u>3,735,394,058</u>	<u>2,349,670</u>	<u>3,737,743,728</u>
<b>Net position</b>			
Net investment in capital assets	16,290,604,770	30,227	16,290,634,997
Restricted:			
Loans and other financial assistance	-	77,564,143	77,564,143
Debt service	3,892,317	-	3,892,317
Capital projects	735,076,576	-	735,076,576
Unrestricted	<u>150,720,675</u>	<u>1,413,507</u>	<u>152,134,182</u>
Total net position	<u>\$ 17,180,294,338</u>	<u>\$ 79,007,877</u>	<u>\$ 17,259,302,215</u>

*The notes to the financial statements are an integral part of this statement.*

Arizona Department of Transportation  
Statement of Activities  
for the fiscal year ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net <Expenses> Revenues
			Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Administration	\$ 101,369,817	\$ 12,253,840	\$ -	\$ 1,365,868	\$ <87,750,109>
Highway	46,076,242	841,686	64,990,180	650,432,608	670,188,232
Highway maintenance	139,761,650	1,887,173	-	-	<137,874,477>
Motor vehicle	107,654,532	119,732,861	-	-	12,078,329
Non-capital, including asset preservation	257,126,025	-	-	-	<257,126,025>
Distributions to other state agencies	213,394,662	-	-	-	<213,394,662>
Distributions to Arizona counties and cities	1,074,085,950	-	-	-	<1,074,085,950>
Local governmental assistance	102,332,256	-	103,445,621	-	1,113,365
Interest on long-term debt	187,315,278	-	-	-	<187,315,278>
Total governmental activities	<u>2,229,116,412</u>	<u>134,715,560</u>	<u>168,435,801</u>	<u>651,798,476</u>	<u>&lt;1,274,166,575&gt;</u>
<b>Business-type Activities</b>					
Arizona Highways Magazine	4,637,319	5,188,348	-	-	551,029
Highway Expansion and Extension Loan Program	<u>46,140</u>	<u>5,606</u>	<u>-</u>	<u>-</u>	<u>&lt;40,534&gt;</u>
Total business-type activities	<u>4,683,459</u>	<u>5,193,954</u>	<u>-</u>	<u>-</u>	<u>510,495</u>
Total	<u>\$ 2,233,799,871</u>	<u>\$ 139,909,514</u>	<u>\$ 168,435,801</u>	<u>\$ 651,798,476</u>	<u>\$ &lt;1,273,656,080&gt;</u>
			Governmental Activities	Business-type Activities	Total
Net <expenses> revenues			\$ <1,274,166,575>	\$ 510,495	\$ <1,273,656,080>
General revenues:					
Transportation excise taxes			227,800,355	-	227,800,355
Vehicle registration, title, license, and related taxes and fees			913,326,182	-	913,326,182
Fuel and motor carrier taxes and fees			708,062,017	-	708,062,017
Flight property taxes			8,084,374	-	8,084,374
Income from investments			11,781,298	746,935	12,528,233
Gain on sale of capital assets			120,706	-	120,706
Other			13,290,109	-	13,290,109
Total general revenues			<u>1,882,465,041</u>	<u>746,935</u>	<u>1,883,211,976</u>
Change in net position			608,298,466	1,257,430	609,555,896
Net position - July 1			<u>16,571,995,872</u>	<u>77,750,447</u>	<u>16,649,746,319</u>
<b>Net position - June 30</b>			<u>\$ 17,180,294,338</u>	<u>\$ 79,007,877</u>	<u>\$ 17,259,302,215</u>

The notes to the financial statements are an integral part of this statement.

# GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

## MAJOR FUNDS

### **General Fund (State Highway Fund)**

This fund is used to account for all financial transactions applicable to the general operations of the Department. The fund receives money from the Highway User Revenue Fund including vehicle registration, title, license, and related fees and fuel and motor carrier taxes. Reimbursements for certain construction expenditures are received from the federal government, Arizona cities and counties, and other state agencies. The fund also receives interest and other revenues. The fund disburses money primarily for the design, construction, and maintenance of state highways, parts of highways forming state routes, and highways under cooperative agreements with the United States and day-to-day operating expenses.

### **Maricopa Regional Area Road Construction Fund**

This fund receives certain Maricopa County transportation excise tax monies collected by the Department of Revenue. These monies are used for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial streets within Maricopa County.

### **Motor Vehicle Division Clearing Fund**

This fund accounts for the collection and disbursement of Motor Vehicle Division revenues.

### **Highway User Revenue Fund**

This fund receives all revenues collected by the Department and its agents that are not designated for other purposes. The revenues include: motor fuel taxes, a portion of vehicle license tax, vehicle registration fees, driver license fees, dealer fees, permits, and other miscellaneous fees. These monies are distributed to the General Fund (State Highway Fund), the Department of Public Safety, the Economic Strength Project Fund, incorporated cities, counties, and other legislatively appropriated entities.

### **Debt Service Fund**

This fund is used to administer all payments of principal and interest on bonds and notes issued by the Arizona Transportation Board for Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes (GARVEE bonds).

### **Capital Projects Fund**

This fund is used to administer bond proceeds for Arizona Transportation Board Highway Revenue Bonds, Arizona Transportation Board Transportation Excise Tax Revenue Bonds, Grant Anticipation Notes (GARVEE bonds). These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

## NON-MAJOR FUNDS

**Other Governmental Funds** are the non-major funds and are all special revenue funds. These funds can be found on Exhibit 9 and Exhibit 10.

Arizona Department of Transportation  
Balance Sheet  
Governmental Funds  
June 30, 2013

	Special Revenue Funds			
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund
<b>Assets</b>				
Unrestricted cash on deposit with the				
State Treasurer	\$ 19,036,482	\$ -	\$ -	\$ -
Receivables:				
Interfund (Note 5D)	101,543,263	-	-	36,126,277
Taxes and fees	-	-	17,114,103	55,784,642
Notes and loans	1,293,051	-	-	-
Other (net)	7,496,554	495,216	-	-
Amounts due from U.S. Government	67,361,428	26,260,050	-	-
Inventories	7,206,835	-	-	-
Land held for resale	19,058,878	-	-	-
Restricted cash on deposit with the				
State Treasurer	267,413,539	460,498,542	42,343,407	101,839,996
Total assets	<u>\$ 490,410,030</u>	<u>\$ 487,253,808</u>	<u>\$ 59,457,510</u>	<u>\$ 193,750,915</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 2,185,066	\$ -	\$ 1,262,289	\$ -
Accrued payroll and other accrued expenditures	5,105,278	47,986	-	-
Contracts and retainage payable	80,041,820	46,493,992	-	-
Interfund payables (Note 5D)	1,279,132	-	37,960,013	97,571,665
Amounts due to:				
Other state agencies	-	-	6,034,045	-
Arizona counties and cities	-	-	22,030,786	96,179,250
Surety and rental deposits	400,282	-	298,800	-
Deferred revenue (Note 5C)	3,115,585	-	-	-
Total liabilities	<u>92,127,163</u>	<u>46,541,978</u>	<u>67,585,933</u>	<u>193,750,915</u>
Fund balances <deficits>: (Note 5G)				
Unassigned	-	-	<8,128,423>	-
Nonspendable	7,206,835	-	-	-
Restricted	267,413,539	434,011,830	-	-
Committed	123,662,493	6,700,000	-	-
Total fund balances <deficits>	<u>398,282,867</u>	<u>440,711,830</u>	<u>&lt;8,128,423&gt;</u>	<u>-</u>
Total liabilities and fund balances <deficits>	<u>\$ 490,410,030</u>	<u>\$ 487,253,808</u>	<u>\$ 59,457,510</u>	<u>\$ 193,750,915</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 9)	Total Governmental Funds
\$ -	\$ -	\$ 33,843,236	\$ 52,879,718
-	-	2,914,325	140,583,865
-	-	-	72,898,745
-	-	3,750,820	5,043,871
-	-	5,829,162	13,820,932
-	-	16,670,229	110,291,707
-	-	-	7,206,835
-	-	-	19,058,878
<u>1,700,824</u>	<u>463,272,780</u>	<u>14,472,406</u>	<u>1,351,541,494</u>
<u>\$ 1,700,824</u>	<u>\$ 463,272,780</u>	<u>\$ 77,480,178</u>	<u>\$ 1,773,326,045</u>
\$ 300	\$ -	\$ 72,554	\$ 3,520,209
-	10,483	75,992	5,239,739
-	-	18,751,643	145,287,455
-	3,802,589	-	140,613,399
-	-	2,711,643	8,745,688
-	-	2,508,263	120,718,299
-	-	-	699,082
-	-	<u>3,750,820</u>	<u>6,866,405</u>
<u>300</u>	<u>3,813,072</u>	<u>27,870,915</u>	<u>431,690,276</u>
-	-	-	<8,128,423>
-	-	-	7,206,835
1,700,524	459,459,708	15,759,326	1,178,344,927
-	-	<u>33,849,937</u>	<u>164,212,430</u>
<u>1,700,524</u>	<u>459,459,708</u>	<u>49,609,263</u>	<u>1,341,635,769</u>
<u>\$ 1,700,824</u>	<u>\$ 463,272,780</u>	<u>\$ 77,480,178</u>	<u>\$ 1,773,326,045</u>

Arizona Department of Transportation  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2013

<b>Total fund balances - governmental funds (Exhibit 3)</b>	<b>\$ 1,341,635,769</b>
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 4 B1).	19,205,428,859
Internal service funds are used by management to charge the costs of equipment rentals to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position (Exhibit 5).	61,487,920
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds (Note 4 B2).	6,866,405
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note 4 B3).	<u>&lt;3,435,124,615&gt;</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 17,180,294,338</u></b>

*The notes to the financial statements are an integral part of this statement.*

Arizona Department of Transportation  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
for the fiscal year ended June 30, 2013

	Special Revenue Funds			
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund
<b>Revenues</b>				
Transportation excise taxes	\$ -	\$ 227,800,355	\$ -	\$ -
Vehicle registration, title, license, and related taxes and fees	262,562,175	-	435,334,300	323,544,081
Fuel and motor carrier taxes and fees	304,339,990	-	17,943,418	352,380,619
Flight property taxes	-	-	-	-
Reimbursement of construction expenditures - federal aid	387,725,671	210,036,386	-	-
Other federal grants and reimbursements	64,990,180	-	-	-
Reimbursements from Arizona counties and cities	1,213,763	<3,593,729>	-	-
Distributions from other state agencies	989,297	-	-	-
Interest on loans receivable	92,828	-	-	-
Income from investments	2,711,038	3,399,558	-	378,977
Grand Canyon National Park Airport	-	-	-	-
Rental income	4,154,705	1,089,604	-	-
Other	4,621,131	1,179,283	-	1,978,987
Total revenues	<u>1,033,400,778</u>	<u>439,911,457</u>	<u>453,277,718</u>	<u>678,282,664</u>
<b>Expenditures</b>				
Current:				
Administration	79,284,588	247,442	-	-
Highway	41,520,880	1,474,813	-	-
Highway maintenance	143,972,473	-	-	-
Motor vehicle	95,380,525	-	1,381,383	4,233,105
Total current expenditures	<u>360,158,466</u>	<u>1,722,255</u>	<u>1,381,383</u>	<u>4,233,105</u>

*The notes to the financial statements are an integral part of this statement.*

Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 227,800,355
-	-	11,405,328	1,032,845,884
-	-	33,397,990	708,062,017
-	-	8,084,374	8,084,374
-	-	55,474,157	653,236,214
-	-	100,948,366	165,938,546
-	-	3,459,283	1,079,317
-	-	-	989,297
-	-	205,236	298,064
976,906	3,815,090	294,404	11,575,973
-	-	1,044,326	1,044,326
-	-	-	5,244,309
-	-	207,505	7,986,906
<u>976,906</u>	<u>3,815,090</u>	<u>214,520,969</u>	<u>2,824,185,582</u>
65,217	740,245	110,268,456	190,605,948
-	-	-	42,995,693
-	-	-	143,972,473
-	-	4,466,581	105,461,594
<u>65,217</u>	<u>740,245</u>	<u>114,735,037</u>	<u>483,035,708</u>

(continued)

Arizona Department of Transportation  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
for the fiscal year ended June 30, 2013

	Special Revenue Funds			
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund
<b>Expenditures (continued)</b>				
Intergovernmental:				
Distributions to other state agencies	\$ 6,915,696	\$ -	\$ 49,528,071	\$ 127,089,932
Distributions to Arizona counties and cities	42,495,962	71,927,448	402,368,264	546,959,627
Debt service:				
Principal	5,015,344	-	-	-
Interest	340,013	-	-	-
Bond issuance costs	-	-	-	-
Non-capital, including asset preservation	180,421,144	3,568,231	-	-
Capital outlay	263,476,152	269,014,988	-	-
Total expenditures	<u>858,822,777</u>	<u>346,232,922</u>	<u>453,277,718</u>	<u>678,282,664</u>
Excess <deficiency> of revenues over <under> expenditures	174,578,001	93,678,535	-	-
<b>Other financing sources &lt;uses&gt;</b>				
Transfers in	-	-	-	-
Transfers out for debt service	<124,776,920>	<103,218,632>	-	-
Sale of capital assets	1,635,730	-	-	-
Insurance recovery	1,678,631	-	-	-
Debt and capital lease issuance costs	15,157,729	51,549,938	-	-
Refunding debt issuance	-	-	-	-
Premium from debt issuance	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources <uses>	<u>&lt;106,304,830&gt;</u>	<u>&lt;51,668,694&gt;</u>	<u>-</u>	<u>-</u>
Net change in fund balances <deficits>	68,273,171	42,009,841	-	-
Fund balances <deficits> - July 1	<u>330,009,696</u>	<u>398,701,989</u>	<u>&lt;8,128,423&gt;</u>	<u>-</u>
<b>Fund balances &lt;deficits&gt; - June 30</b>	<u><u>\$ 398,282,867</u></u>	<u><u>\$ 440,711,830</u></u>	<u><u>\$ &lt;8,128,423&gt;</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
\$ -	\$ -	\$ 29,860,963	\$ 213,394,662
-	-	10,124,562	1,073,875,863
155,400,000	-	-	160,415,344
142,184,419	-	-	142,524,432
1,775,124	680,202	-	2,455,326
-	16,648,171	-	200,637,546
-	182,803,520	419,357	715,714,017
<u>299,424,760</u>	<u>200,872,138</u>	<u>155,139,919</u>	<u>2,992,052,898</u>
<298,447,854>	<197,057,048>	59,381,050	<167,867,316>
283,065,758	-	-	283,065,758
-	-	<55,070,206>	<283,065,758>
-	-	-	1,635,730
-	-	-	1,678,631
	194,295,000	-	261,002,667
521,175,000	-	-	521,175,000
92,477,310	36,385,202	-	128,862,512
<611,874,333>	-	-	<611,874,333>
<u>284,843,735</u>	<u>230,680,202</u>	<u>&lt;55,070,206&gt;</u>	<u>302,480,207</u>
<13,604,119>	33,623,154	4,310,844	134,612,891
15,304,643	425,836,554	45,298,419	1,207,022,878
<u>\$ 1,700,524</u>	<u>\$ 459,459,708</u>	<u>\$ 49,609,263</u>	<u>\$ 1,341,635,769</u>

Arizona Department of Transportation  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 for the fiscal year ended June 30, 2013

<b>Net change in fund balances - total governmental funds (Exhibit 4)</b>	<b>\$ 134,612,891</b>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)	
are different because:	
Capital outlays are reported as expenditures in governmental funds (Note 4 C1).	645,652,200
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (Note 4 C2).	<894,107,326>
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position (Note 4 C2).	727,498,831
Internal service funds are used by management to charge the cost of equipment rentals to individual funds. The net loss of the internal service funds is reported with governmental activities (Note 4 C3).	10,428,149
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Note 4 C4).	<u>&lt;15,786,279&gt;</u>
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b><u>\$ 608,298,466</u></b>

*The notes to the financial statements are an integral part of this statement.*

# PROPRIETARY FUNDS FINANCIAL STATEMENTS

## MAJOR FUNDS

### **Arizona Highways Magazine Fund**

The fund consists of receipts generated from the sale of the *Arizona Highways Magazine* and other branded products. The fund provides for the production and sale of the *Magazine* and related products that promote the State of Arizona.

### **Highway Expansion and Extension Loan Program Fund**

This fund is an innovative financing mechanism to administer monies designated to provide loans and credit enhancement assistance to the Department and to sponsors of local transportation projects.

## NON-MAJOR FUND

### **Internal Service Fund**

The Equipment Revolving Fund is primarily funded by the charges it collects from the Department of Transportation, other state agencies, and local organizations to support the repair and maintenance of vehicles and equipment.

Arizona Department of Transportation  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
<b>Assets</b>				
Current assets:				
Unrestricted cash on deposit with the State Treasurer	\$ -	\$ 2,857,670	\$ 2,857,670	\$ -
Receivables:				
Interfund	-	29,534	29,534	-
Subscriptions, net of allowance for doubtful accounts	-	87,874	87,874	-
Other, net allowance for doubtful accounts	-	93,944	93,944	20,342
Inventories	-	347,570	347,570	3,689,221
Prepaid items	-	344,373	344,373	-
Restricted cash on deposit with the State Treasurer	<u>77,564,143</u>	<u>-</u>	<u>77,564,143</u>	<u>412,670</u>
Total current assets	<u>77,564,143</u>	<u>3,760,965</u>	<u>81,325,108</u>	<u>4,122,233</u>
Non-current assets:				
Capital assets not subject to depreciation	-	7,900	7,900	-
Capital assets subject to depreciation, net of accumulated depreciation	<u>-</u>	<u>22,327</u>	<u>22,327</u>	<u>58,342,372</u>
Total non-current assets	<u>-</u>	<u>30,227</u>	<u>30,227</u>	<u>58,342,372</u>
Total assets	<u>77,564,143</u>	<u>3,791,192</u>	<u>81,355,335</u>	<u>62,464,605</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	76,143	76,143	<5,042>
Accrued payroll and other accrued expenses	-	29,310	29,310	242,887
Unearned revenues (Note 5C)	-	2,083,193	2,083,193	-
Compensated absences	<u>-</u>	<u>161,024</u>	<u>161,024</u>	<u>559,086</u>
Total current liabilities	<u>-</u>	<u>2,349,670</u>	<u>2,349,670</u>	<u>796,931</u>
Non-current liabilities:				
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,754</u>
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,754</u>
Total liabilities	<u>-</u>	<u>2,349,670</u>	<u>2,349,670</u>	<u>976,685</u>
<b>Net position</b>				
Net investment in capital assets	-	30,227	30,227	58,342,372
Restricted for loans and other financial assistance	77,564,143	-	77,564,143	-
Unassigned	<u>-</u>	<u>1,411,295</u>	<u>1,411,295</u>	<u>3,145,548</u>
Total net position	<u>\$ 77,564,143</u>	<u>\$ 1,441,522</u>	<u>79,005,665</u>	<u>\$ 61,487,920</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>2,212</u>	
Net position of business-type activities			<u>\$ 79,007,877</u>	

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation  
Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
for the fiscal year ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
<b>Operating revenues</b>				
Sales and charges for services (net of write off \$18,267)	\$ -	\$ 4,625,508	\$ 4,625,508	\$ 27,008,976
Interest on loans receivables	5,606	-	5,606	-
Other	-	562,840	562,840	82,004
Total operating revenues	<u>5,606</u>	<u>5,188,348</u>	<u>5,193,954</u>	<u>27,090,980</u>
<b>Operating expenses</b>				
Publication and promotional cost	-	1,699,319	1,699,319	-
Repair and maintenance	-	7,527	7,527	2,035,752
Fuel and lubricants	-	-	-	12,772,579
Salaries and related benefits	-	1,479,610	1,479,610	12,241,616
Shipping and postage	-	696,805	696,805	-
Supplies	-	10,468	10,468	132,062
Equipment purchase and rental	-	22,695	22,695	298,064
Professional and outside services	-	599,291	599,291	340,681
Travel	-	9,626	9,626	86,460
Depreciation	-	10,721	10,721	8,537,992
Other	-	97,537	97,537	693,348
Total operating expenses	<u>-</u>	<u>4,633,599</u>	<u>4,633,599</u>	<u>37,138,554</u>
Operating income <loss>	5,606	554,749	560,355	<10,047,574>
<b>Non-operating revenues &lt;expenses&gt;</b>				
Income from investments	722,371	24,564	746,935	12,672
Investment expense	<46,140>	<1,566>	<47,706>	<770>
Gain <loss> on sale/disposal of capital assets	-	<2,154>	<2,154>	120,706
Insurance recoveries	-	-	-	208,542
Total non-operating revenues <expenses>	<u>676,231</u>	<u>20,844</u>	<u>697,075</u>	<u>341,150</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,134,573</u>
Changes in net position	681,837	575,593	1,257,430	10,428,149
Total net position - July 1	<u>76,882,306</u>	<u>865,929</u>		<u>51,059,771</u>
<b>Total net position - June 30</b>	<u>\$ 77,564,143</u>	<u>\$ 1,441,522</u>		<u>\$ 61,487,920</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>2,212</u>	
Change in net position of business-type activities			<u>\$ 1,259,642</u>	

The notes to the financial statements are an integral part of this statement.

Arizona Department of Transportation  
Statement of Cash Flows  
Proprietary Funds  
for the fiscal year ended June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 7,914	\$ 4,530,216	\$ 4,538,130	\$ 15,784,224
Receipts from other agencies, Arizona counties, and cities	530,450	-	530,450	11,209,515
Payments to suppliers	-	<3,053,169>	<3,053,169>	<16,483,248>
Payments to employees	-	<1,468,322>	<1,468,322>	<12,203,901>
Other receipts <payments>	-	562,840	562,840	82,004
Net cash provided <used> by operating activities	<u>538,364</u>	<u>571,565</u>	<u>1,109,929</u>	<u>&lt;1,611,406&gt;</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of capital assets	-	-	-	1,435,158
Acquisition of capital assets	-	-	-	<266,280>
Insurance recoveries	-	-	-	208,542
Net cash provided <used> by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,420</u>
<b>Cash flows from investing activities</b>				
Income from investments	722,371	24,564	746,935	12,672
Investment expense	<46,140>	<1,566>	<47,706>	<770>
Net cash provided <used> by investing activities	<u>676,231</u>	<u>22,998</u>	<u>699,229</u>	<u>11,902</u>
Net increase <decrease> in cash	1,214,595	594,563	1,809,158	<222,084>
Cash - July 1	76,349,548	2,263,107	78,612,655	634,754
<b>Cash - June 30</b>	<u>\$ 77,564,143</u>	<u>\$ 2,857,670</u>	<u>\$ 80,421,813</u>	<u>\$ 412,670</u>
<b>Reconciliation of operating &lt;loss&gt; income to net cash provided &lt;used&gt; by operating activities</b>				
Operating <loss> income	\$ 5,606	\$ 554,749	\$ 560,355	\$ <10,047,574>
Adjustment to reconcile operating <loss> income to net cash provided by operating activities:				
Depreciation	-	10,721	10,721	8,537,992
Net changes in assets and liabilities:				
Receivables	532,758	26,386	559,144	<15,237>
Inventories	-	31,933	31,933	<190,815>
Prepaid items	-	3,706	3,706	<19,947>
Accounts payable	-	54,460	54,460	19,152
Accrued payroll and other accrued expenses	-	<2,334>	<2,334>	105,023
Unearned revenues	-	<121,678>	<121,678>	-
Compensated absences	-	13,622	13,622	-
Net cash provided <used> by operating activities	<u>\$ 538,364</u>	<u>\$ 571,565</u>	<u>\$ 1,109,929</u>	<u>\$ &lt;1,611,406&gt;</u>
<b>Non-cash capital and financing activities</b>				
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund totaling \$20,134,573				

The notes to the financial statements are an integral part of this statement.

# FIDUCIARY FUNDS FINANCIAL STATEMENT

## **AGENCY FUNDS**

### **Highway Properties - Privilege Tax Fund**

This fund collects monies from renters of properties previously acquired by the Department for use in future highway development. Monies collected are distributed to the Department of Revenue.

### **Highway Properties - 24 Percent Fund**

This fund collects 24 percent of the Department's rental income from properties for use in future highway development. Monies collected are distributed to the local counties.

Arizona Department of Transportation  
Statement of Net Position  
Agency Funds  
June 30, 2013

**ASSETS**

Restricted cash on deposit with the State Treasurer	\$ 376,522
Due from Department of Revenue	<u>12</u>
Total assets	<u><u>\$ 376,534</u></u>

**LIABILITIES**

Due to Department of Revenue	\$ -
Due to Arizona counties	<u>376,534</u>
Total liabilities	<u><u>\$ 376,534</u></u>

*The notes to the financial statements are an integral part of this statement.*

# Notes to the Financial Statements

Arizona Department of Transportation  
Index – Notes to the Financial Statements  
June 30, 2013

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	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies .....	29
A – Reporting Entity .....	29
B – Government-wide and Fund Financial Statements .....	29
C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	30
D – Assets, Liabilities, and Net Position/Fund Balance .....	32
E – Revenues and Expenditures/Expenses .....	36
F – Interfund Activity and Balances .....	36
G – Use of Estimates .....	37
Note 2 – Funds by Classification .....	37
Note 3 – Budgeting, Budgetary Control, and Legal Compliance.....	37
Note 4 – Accounting Pronouncements and Reconciliation of Government-wide and Fund Financial Statements ...	38
A – New Accounting Pronouncements. ....	38
B – Explanations of Reconciling Items of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	39
C – Explanations of Reconciling Items of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	40
Note 5 – Detailed Notes on all Funds and Activities.....	42
A – Capital Assets.....	42
B – Construction Commitments.....	43
C – Deferred/Unearned Revenues.....	44
D – Interfund Receivables, Payables, Advances, and Transfers.....	44
E – Leases.....	45
F – Non-Current Liabilities .....	46
G – Fund Balances.....	51
Note 6 – Other Information.....	51
A – Contingent Liabilities .....	51
B – Pension and Other Postemployment Benefits .....	52

Arizona Department of Transportation  
Notes to the Financial Statements  
June 30, 2013

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Arizona Department of Transportation (Department) conform in all material respects to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental and Financial Reporting Standards* (GASB Codification). Following is a summary of the Department's significant accounting policies.

### A. Reporting Entity

The Department is a department of the State of Arizona (State) and is not a legally separate entity. The Department has no component units. The Director of the Department serves as the Chief Executive Officer and is directly responsible to the governor. The governor appoints a seven-member Transportation Board of the State of Arizona Department of Transportation (Transportation Board), which has responsibility for establishing a complete system of state highway routes, approving all highway construction contracts, and distributing monies for local airport facilities' projects through a grant program.

The Department is responsible for the construction and maintenance of all state highways. The Department cooperates with the various cities and counties within the state in the construction and maintenance of state roads and with the Federal Highway Administration in the construction and maintenance of interstate and other highways. Assistance in the development of local airports, registering motor vehicles and aircraft, licensing drivers, and the publishing of the *Arizona Highways Magazine* are also responsibilities of the Department.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by federal reimbursement, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The **Statement of Net Position** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted* results when constraints placed on asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* consists of those assets which do not meet the definition of the two preceding categories. Unrestricted often are designated to indicate that management does not consider them to be available for general operations. The unrestricted component often has constraints on resources which are imposed by management, but can be removed or modified by management or the Transportation Board.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. *Program revenues* include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

privileges provided by a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being reported in a single column.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year they are levied for transportation excise, aircraft licensing, aviation and motor fuel, flight property, and underground storage tanks. Motor carrier and vehicle license taxes are recognized when received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For the year ended June 30, 2013, the Department implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB Pronouncements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year, e.g., federal revenue reimbursements, vehicle license taxes, and highway user revenue taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation

The Department reports the following major governmental funds:

The *General Fund*, known as the State Highway Fund, is the primary operating fund. It accounts for all financial resources except for those required to be accounted for in another fund. Expenditures are reported for general operations of the Department, including road and bridge repairs, maintenance and construction, planning and development, engineering, and administration. Revenues are received from the following primary sources: fuel and motor carrier taxes and fees; vehicle registrations, titles, licenses and related fees; and federal grants.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

The *Maricopa Regional Area Road Construction Fund* is a special revenue fund that receives a portion of Maricopa County Transportation Excise Tax monies collected by the Department of Revenue. These monies are expended for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial street system, which are included in the Maricopa County Regional Transportation Plan.

The *Motor Vehicle Division Clearing Fund* is a special revenue fund which accounts for the collection and disbursement of certain Motor Vehicle Division revenues (e.g., vehicle registration, title, license, and related taxes and fees, and fuel and motor carrier taxes and fees).

The *Highway User Revenue Fund* is a special revenue fund which collects motor vehicle and liquid use fuel taxes and receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed to the General Fund (State Highway Fund), the Department of Public Safety, the Economic Strength Project Fund, incorporated cities, towns, counties, and other legislatively appropriated entities.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payments of, general long-term debt principal and interest of the governmental funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities in the governmental funds.

The Department reports the following major proprietary funds:

The *Highway Expansion and Extension Loan Program Fund* is an innovative financing mechanism to administer funds designated to provide loan and credit enhancement assistance to sponsors of local transportation projects.

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

Additionally, the Department reports the following funds:

The *Internal Service Fund*, which accounts for purchases and maintenance of equipment and materials to be used by other divisions in the Department and other government agencies. The Equipment Revolving Fund is the Department's only internal service fund.

The *Agency Fund* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Department has two agency funds: the Highway Properties – Privilege Tax Fund and the Highway Properties – 24 Percent Fund (neither are included in the government-wide statements).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services by the Equipment Revolving Fund to the other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: charges for services, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services and magazine subscriptions. The Department also recognizes as operating revenues interest on loan receivables and other revenues intended to recover the cost of services. Operating expenses for the enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, the Department generally expends the restricted resources first, and then unrestricted resources, as they are needed to maintain appropriate cash balances and finance the construction program.

**D. Assets, Liabilities, and Net Position/Fund Balance**

Deposits and Investments

The Department's cash includes petty cash and deposits with the State Treasurer for pooled investments. All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to invest these pooled funds in collateralized time certificates of deposit, repurchase agreements, obligations of the U.S. Government, or other permitted investments. All investments are carried at fair value. These balances are not subject to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, classification because they are included in the state's investment pool.

The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with Arizona Revised Statutes, §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. As of June 30, 2013, the State's investment pool 2, pool 3, and pool 4 were not rated. The weighted average maturity at year end for investment pool 2 was 10.27 years while for investment pool 3 it was 5.46 years, and for investment pool 4 it was 5.60 years.

State statutes require the State Treasurer to maintain separate investment accounts for the portions of the Highway Revenue Bond Proceeds Fund relating to the Highway Revenue Bond issues and the Maricopa Regional Area Road Bond Proceeds Fund relating to the Transportation Excise Tax Revenue Bond issues. These funds may be invested by the Treasurer in the state's investment pool.

The Department's investments are included in the state investment pool and these investments are not shown in the Department's name. From the perspective of the Department, the pool functions as both a cash management pool and a demand deposit account. Therefore, the Department presents its equity in the internal pool as required in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and carries the investments at amortized cost, which approximates fair value.

The Department has restricted cash for payment of capital projects for Maricopa and Pima Counties, for future debt service payments, and for the Statewide Transportation Acceleration Needs account.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Receivables, Payables and Advances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. All other outstanding balances between the U.S. Government, Arizona counties and cities, and other state agencies are reported as due to/from. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The other receivables and subscriptions receivable are shown net of allowance for doubtful accounts. For other receivables comprising recoverable insurance claims, the amount reserved for doubtful accounts is comprised of 100% of balances greater than six years old, 95% of balances from four to six years old, and a percentage of balances less than four years old. The subscriptions receivable allowance for doubtful accounts is equivalent to an estimated number of issues delivered on outstanding subscription payments past due more than 90 days.

Notes receivable represents loans made to parties purchasing assets previously owned by the Department for highway construction purposes.

Inventories and Prepaid Items

The governmental activities inventory is valued at cost, which approximates market, using the moving average method. This inventory is accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used. The fund financial statement reports inventory as nonspendable for the like amount indicating it does not constitute available expendable resources. No reservation of net assets is shown in the government-wide statements for inventories.

The business-type activities' inventories are stated at the lower of cost or market. Costs of enterprise fund inventories consisting of resale products and supplies are generally determined by moving average cost and specific identification methods, respectively. Costs of the internal service fund's inventories (consisting of vehicle parts and supplies, fuels and lubricants, and other supplies) are determined by moving average cost methods.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the Department's governmental revenue bonds, as well as certain resources of the General Fund (State Highway Fund) and the Highway Expansion and Extension Loan Program Fund (enterprise fund) are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants or state statutes. State law requires 12.6 percent of the revenues allocated each year to the General Fund (State Highway Fund) from the Highway User Revenue Fund be allocated for design, purchase of right-of-way, or construction of controlled-access highways, arterial streets, and local highways that are included in the regional transportation plan of counties with populations in excess of 400,000 (Maricopa and Pima counties). State Transportation Board policy further allocates 2.6 percent of the revenues for the same purpose as listed above. The debt service fund is used to report the resources set aside for payment of future debt service. Bond proceeds are deposited in the capital projects fund and are restricted for acquisitions of right-of-way and construction of federal, state, and local highways.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Capital Assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Purchased capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Outlays for capital assets are capitalized at the time of the purchase or, in the case of infrastructure, at the time of final acceptance by the Department from the contractor. Asset preservation costs are expensed as incurred.

The Department depreciates non-infrastructure capital assets on a straight-line basis using the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Improvements other than buildings	20-40
Machinery and equipment	5-15
Mobile fleet and aircraft	5-15

Infrastructure was capitalized for the first time in fiscal year 2002. The infrastructure assets are reported in the governmental activities column of the Statement of Net Position. The Department's infrastructure assets consist of roads and bridges and are presented using the modified approach and, therefore, are not depreciated.

In order to utilize the modified approach, the Department is required to maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets, perform condition assessments of eligible assets and summarize the results using a measurement scale, estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Department, and document that the assets are being preserved approximately at or above the established condition level.

Deferred/Unearned Revenues

In the government-wide statements and proprietary fund financial statements, deferred/unearned revenues are recorded when cash, receivables, or other assets are received prior to revenue being recognized. In the governmental funds, amounts are reported as deferred revenues until they are available to liquidate liabilities of the current period. Deferred/unearned revenues are reported in the government-wide statements for the business-type activities and in the fund statements for both the governmental and proprietary funds. In the government-wide statements, the unearned revenues relate to unearned subscription revenue for the *Arizona Highways Magazine*. Unearned subscription revenue is recorded when subscription orders are received and is amortized as revenue over the terms of the related subscriptions. Costs associated with the selling of subscriptions are expensed in the year incurred. In the fund statements for the General Fund (State Highway Fund), the deferred revenue represents the amount for the notes receivable for loans made to parties who purchased assets previously owned by the Department for highway construction purposes. For the Non-Major Governmental Funds, the deferred revenue represents loans to various local governments for airport capital improvements designed to generate airport revenues and/or related airport economic development efforts. Loans are typically for construction of aircraft storage hangars, fuel dispensing and storage facilities, and terminal buildings. Loan rates

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

vary and are based on the Bond Buyer Index (BBI) for 25 year national revenue bonds. Loan periods are typically 10 to 25 years in length.

Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused sick leave and vacation benefits as well as compensatory time. There is no liability for unpaid accumulated sick leave for the Department. All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements.

Effective July 1, 1998, state employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1,500 hours, upon retirement directly from state service. The benefit value is calculated by taking the employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date, times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1,500 hours. The maximum benefit value is \$30,000. Per Arizona Revised Statute 38-615D, the benefit shall be paid either in a lump sum or in installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the state's financial statements as an Internal Service Fund.

Most employees accrue vacation time which is paid when taken or upon termination of employment at the individual's then current rate of pay. Additionally, some employees may earn compensatory time in lieu of overtime pay, which is paid in the same manner as vacation time. To limit the Department's liability, employees are allowed to carry forward a maximum of 240 hours of vacation time if covered and 320 hours if uncovered at the end of each calendar year, while compensatory time accrual is capped at 240 hours at any time. The liabilities for vacation and compensatory time outstanding as of June 30 for both the governmental and proprietary funds are reported on the Statement of Net Position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. Effective June 30, a change in accounting was implemented whereby any debt issuance costs were expensed for any new bonds not related to refundings. Other long-term obligations also include amounts that other governmental entities advance the Department for highway road construction projects.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Advances from other governmental entities are recorded as debt issuance in other financing sources.

Net Position/Fund Balance

The difference between assets and liabilities is "Net Position" on the government-wide and proprietary statements and "Fund Balance" on the governmental fund statements.

Fund balances for governmental funds may be classified as nonspendable, restricted, committed, assigned, or unassigned in the fund financial statements. Nonspendable fund balance describes that portion of fund balance

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

that cannot be spent because of its form; restricted fund balance describes that portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions; committed fund balance describes that portion which has self-imposed limitations; assigned fund balance describes that portion of fund balance that reflects a governments' intended use of resources; and unassigned fund balance represents net resources in excess of what can properly be classified in one of the other categories.

The Department's highest level of Authority is the state legislature where the legislative appropriations are determined, identifying the uses of funds for specific purposes. The Arizona State Legislature also grants authority to other Boards and Commissions to authorize fund uses.

**E. Revenues and Expenditures/Expenses**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., Administration, Highway). Additionally, revenues are classified between program and general revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all taxes and income on investments.

In the governmental fund financial statements, revenues are reported by source. Expenditures are reported by function (e.g., Administration, Distributions to Arizona counties and cities, Distributions to other state agencies, Debt service, Capital outlay).

The distributions to Arizona counties and cities and distributions to other state agencies are shared tax revenues that are distributed based on statutory requirements. Debt service includes both interest and principal outlays related to bonds, loans, advances, board funding obligations, and capitalized leases. Capital outlay includes expenditures for real property or infrastructure (i.e., bridges and roads).

Revenues and expenses of proprietary funds are classified as operating and non-operating and are sub-classified by object (e.g., salaries, equipment rental, depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

Other Financing Sources <Uses>

Other financing sources are additions to the governmental fund balances in the fund financial statements and include resources and financing provided by bond issuance, sale of capital assets, capital leases, insurance recovery, and transfers from other funds. Other financing uses are reductions of governmental fund resources in fund financial statements normally resulting from transfers to other funds.

**F. Interfund Activity and Balances**

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are activities between the funds reported as governmental activities and the funds reported as business-type activities (e.g., the transfer of the gain or loss from the Equipment Revolving Fund).

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

**G. 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, liabilities, and net assets, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**2. FUNDS BY CLASSIFICATION**

The following table lists all of the funds whose balances are reflected in this financial report.

**FUND TYPES**

**MAJOR FUNDS**

- Governmental Funds:
  - General Fund (State Highway Fund)
- Special Revenue Funds:
  - Maricopa Regional Area Road Construction Fund
  - Motor Vehicle Division Clearing Fund
  - Highway User Revenue Fund
- Debt Service Fund
- Capital Projects Fund
  
- Proprietary Funds:
  - Enterprise Funds:
    - Arizona Highways Magazine Fund
    - Highway Expansion and Extension Loan Program Fund
  - Internal Service Fund
  - Equipment Revolving Fund

**NON-MAJOR FUNDS**

- Other Governmental Funds:
  - Special Revenue Funds:
    - State Aviation Fund
    - Safety Enforcement and Transportation Infrastructure Fund
    - Motor Vehicle Liability Insurance Enforcement Fund
    - Motor Vehicle Inspection and Title Enforcement Fund
    - Motor Carrier Safety Revolving Fund
    - Underground Storage Tank Fund
    - Economic Strength Project Fund
    - Grant Anticipation Notes Fund
    - Local Agency Deposits Fund

**FIDUCIARY FUNDS**

- Agency Funds:
  - Highway Properties–Privilege Tax Fund
  - Highway Properties–24 Percent Fund

**3. BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

An annual budget for the operating expenditures of the General Fund (State Highway Fund) is submitted to the governor in accordance with state law. The budget is legally enacted as appropriations after approval by the state legislature and signature of the governor. The legal level of control for operating expenditures is set at the agency level and expenditure budgets are appropriated using a lump-sum by agency format with a special line-item appropriation for highway maintenance. Expenditure details for personal services, employee-related expenditures, and all other operating expenditures are specifically allocated within all divisions. In certain divisions, other specific programs are allocated in addition to these categories. Revenue budgets are developed internally by the Department and are not part of the appropriation process.

Amendments to the approved appropriations require legislative approval. However, since the Department's appropriation is a lump sum appropriation, the allocation of funds between personal services, employee-related expenditures, and other operating expenditures is an internal decision. Accordingly, transfers between line items such as personal services and other operating expenditures within a particular program may be made by the program manager. Expenditures may not exceed appropriations. All transfers of funds are reported to the Department's Office of Strategic Planning and Budgeting for monitoring purposes.

Budgets are prepared on the cash basis except that liabilities incurred before the end of the fiscal year and paid within the first month of the subsequent fiscal year are charged against the prior fiscal year's budget. The Department's appropriations lapse at fiscal year-end unless exempted by the legislature.

In addition, budgets for capital outlay, including land, building, and improvements for the State Highway Fund and State Aviation Fund, are also submitted to the governor in accordance with state law. The capital outlay appropriation includes state highway construction and land, building, and improvements for the State Highway Fund. A legal limitation is adopted for land, building, and improvements; however, legislation allows the Department to spend in excess of its appropriation for state highway construction up to the current fund balance. The Department monitors expenditures through an internal budgetary process and the Five-Year Transportation Facilities Construction Program approved by the Transportation Board.

#### **4. ACCOUNTING PRONOUNCEMENTS AND RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **A. New Accounting Pronouncements**

###### *Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

The objectives of this Statement are to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post-employment benefit (OPEB) plans (i.e., agent employers). In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Department has implemented this Statement as appropriate. There was no impact to the Department.

###### *Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements*

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Department has implemented this Statement as appropriate. There was no impact to the Department.

###### *Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Department has implemented this Statement as appropriate. There was no significant impact to the Department.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Statement No. 65 *Items Previously Reported as Assets and Liabilities*

The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures or inflows of resources (revenues). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Department has not implemented this Statement.

**B. Explanations of Reconciling Items of the Balance Sheet of Governmental Funds to the Statement of Net Position**

The governmental funds Balance Sheet includes a reconciliation between total fund balances – governmental funds and net position of governmental activities as reported on the government-wide Statement of Net Position. The following explanations are necessary to clarify these differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

1. Capital assets are not included on the fund statements, but are included on the government-wide statement as follows:

Capital assets not subject to depreciation	\$ 19,064,641,314
Capital assets subject to depreciation	<u>199,129,917</u>
	19,263,771,231
Less Internal Service Fund (Equipment Revolving Fund) assets	<u>&lt;58,342,372&gt;</u>
	<u>\$ 19,205,428,859</u>

2. Deferred revenues for assets shown in the fund statements for the following funds:

Governmental funds:	
General Fund (State Highway Fund)	\$ 3,115,585
State Aviation Fund	<u>3,750,820</u>
	<u>\$ 6,866,405</u>

3. Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the current period on the fund statements. The detail for the difference is as follows:

Bonds payable	\$ <3,306,239,402>
Deferred charges - bond issuance costs	15,084,498
Capital leases	<22,271,210>
Compensated absences	<15,879,908>
Advances and notes payable	<105,816,381>
Business activity share of Equipment Revolving Fund gain <loss>	<u>&lt;2,212&gt;</u>
	<u>\$ &lt;3,435,124,615&gt;</u>

**C. Explanations of Reconciling Items of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported on the government-wide Statement of Activities. The following explanations are necessary to clarify these differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities:

1. Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, these costs are removed; some costs are capitalized as assets while other costs are expensed as follows:

Capital outlay	\$ 715,714,017
Reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital	<26,967,477>
Change in net capital assets – Internal Service Fund (Equipment Revolving Fund)	<10,548,410>
Assets removed from service, net of accumulated depreciation	<17,684,406>
Other	893,070
Less depreciation expense – governmental funds	<7,216,602>
Less depreciation expense – Internal Service Fund (Equipment Revolving Fund)	<8,537,992>
	<u>\$ 645,652,200</u>

2. The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, the government reports the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of Highway Revenue Bonds	\$ <715,470,000>
Premium on bonds	<128,862,512>
Bond issuance costs	1,775,124
Advances and notes payable	<51,549,938>
	<u>\$ &lt;894,107,326&gt;</u>
Principal repayments:	
Highway Revenue Bonds	\$ 602,150,000
Transportation Excise Tax Revenue Bonds	55,870,000
Grant Anticipation Notes (GARVEE bonds)	38,990,000
Amortization of premium and discount	27,014,797
Amortization of debt issuance costs	<1,541,310>
Repayment of advances and notes payable	1,400,000
Repayment of capital leases	3,615,344
	<u>\$ 727,498,831</u>

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

3. The internal Service Fund (Equipment Revolving Fund) is used by the Department to charge the cost for purchases and maintenance of equipment and material to be used by other funds and state agencies. The gain <loss> in the Internal Service Fund (Equipment Revolving Fund) represents over<under> billing and must be eliminated from the government-wide Statement of Activities for the business activity.

Internal Service Fund (Equipment Revolving Fund):

Changes in net position	\$ 10,428,149
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4. Some items reported in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported in the governmental funds. The details are as follows:

Notes and loans receivables	\$ 994,804
Compensated absences	<1,623,354>
Assumption of lease by General Fund (State Highway Fund)	<u>&lt;15,157,729&gt;</u>
	<u>\$ &lt;15,786,279&gt;</u>

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

**5. DETAILED NOTES ON ALL FUNDS**

**A. Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

Governmental Activities	July 1, 2012 Beginning Balance	Increases	Decreases Including Transfers	June 30, 2013 Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,763,156,972	\$ 87,737,237	\$ <22,862,911>	\$ 2,828,031,298
Infrastructure	12,207,437,415	752,907,467	<9,151,843>	12,951,193,039
Construction in progress	<u>3,443,198,162</u>	<u>604,150,537</u>	<u>&lt;761,931,722&gt;</u>	<u>3,285,416,977</u>
Total capital assets, not being depreciated	<u>18,413,792,549</u>	<u>1,444,795,241</u>	<u>&lt;793,946,476&gt;</u>	<u>19,064,641,314</u>
Capital assets, being depreciated:				
Buildings and improvements	192,509,769	1,211,648	<5,133>	193,716,284
Improvements other than buildings	33,844,604	30,927	-	33,875,531
Machinery and equipment	49,844,993	1,304,025	<2,046,059>	49,102,959
Mobile fleet and aircraft	<u>147,163,073</u>	<u>20,038,670</u>	<u>&lt;7,399,985&gt;</u>	<u>159,801,758</u>
Total capital assets, being depreciated	<u>423,362,439</u>	<u>22,585,270</u>	<u>&lt;9,451,177&gt;</u>	<u>436,496,532</u>
Less accumulated depreciation for:				
Buildings and improvements	<83,797,456>	<4,068,226>	3,267	<87,862,415>
Improvements other than buildings	<9,368,955>	<1,111,789>	-	<10,480,744>
Machinery and equipment	<36,512,515>	<2,131,725>	1,742,019	<36,902,221>
Mobile fleet and aircraft	<u>&lt;99,905,441&gt;</u>	<u>&lt;8,442,853&gt;</u>	<u>6,227,059</u>	<u>&lt;102,121,235&gt;</u>
Total accumulated depreciation	<u>&lt;229,584,367&gt;</u>	<u>&lt;15,754,593&gt;</u>	<u>7,972,345</u>	<u>&lt;237,366,615&gt;</u>
Total capital assets, being depreciated, net	<u>193,778,072</u>	<u>6,830,677</u>	<u>&lt;1,478,832&gt;</u>	<u>199,129,917</u>
Governmental activities capital assets, net	<u>\$ 18,607,570,621</u>	<u>\$ 1,451,625,918</u>	<u>\$ &lt;795,425,308&gt;</u>	<u>\$ 19,263,771,231</u>
Business-type Activities	July 1, 2012 Beginning Balance	Increases	Decreases	June 30, 2013 Ending Balance
Capital assets, not being depreciated:				
Land	\$ 7,900	\$ -	\$ -	\$ 7,900
Capital assets, being depreciated:				
Buildings and improvements	981,157	-	-	981,157
Machinery and equipment	<u>2,169,288</u>	<u>-</u>	<u>&lt;2,125,625&gt;</u>	<u>43,663</u>
Total capital assets, being depreciated	<u>3,150,445</u>	<u>-</u>	<u>&lt;2,125,625&gt;</u>	<u>1,024,820</u>
Less accumulated depreciation for:				
Buildings and improvements	<957,479>	<9,331>	-	<966,810>
Machinery and equipment	<u>&lt;2,157,764&gt;</u>	<u>&lt;1,390&gt;</u>	<u>2,123,471</u>	<u>&lt;35,683&gt;</u>
Total accumulated depreciation	<u>&lt;3,115,243&gt;</u>	<u>&lt;10,721&gt;</u>	<u>2,123,471</u>	<u>&lt;1,002,493&gt;</u>
Total capital assets, being depreciated, net	<u>35,202</u>	<u>&lt;10,721&gt;</u>	<u>&lt;2,154&gt;</u>	<u>22,327</u>
Business-type activities capital assets, net	<u>\$ 43,102</u>	<u>\$ &lt;10,721&gt;</u>	<u>\$ &lt;2,154&gt;</u>	<u>\$ 30,227</u>

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Administration	\$ 2,198,575
Highway	1,843,282
Highway maintenance	1,765,100
Motor vehicle	<u>1,409,644</u>
	7,216,601
Capital assets held by the Department's internal service fund are charged to the various functions based on their usage of the assets	
	<u>8,537,992</u>
Total depreciation expense - governmental activities	<u>\$ 15,754,593</u>
Business-type Activities	
Arizona Highways Magazine Fund	<u>\$ 10,721</u>

**B. Construction Commitments**

The Department's outstanding commitments for contracts at June 30, 2013, were \$558,458,198.

	Expenditures To Date	Remaining Commitment
Construction contracts:		
Rural roadways	\$ 334,214,925	\$ 144,702,887
Small urban roadways	70,842,298	11,121,542
Urban roadways	267,163,509	109,264,424
Large urban roadways	271,415,659	51,515,312
General roadways	<u>147,213,599</u>	<u>68,161,713</u>
Sub-total	1,090,849,990	384,765,878
Design contracts	237,026,246	76,562,238
Other commitments	<u>229,270,922</u>	<u>97,130,082</u>
Total	<u>\$ 1,557,147,158</u>	<u>\$ 558,458,198</u>

Area type designations for highways and roads are primarily determined by geographic location and population, as noted below:

Rural – outside of urbanized areas and urban clusters, generally long roads carrying little traffic.

Small urban – in areas of 5,000 to 49,999 in population.

Urban – interstate highways, freeways, expressways, principal arteries serving major centers of activity in metropolitan areas.

Large urban – in areas of equal to or greater than 200,000 in population.

General roadways – statewide projects that cross categories.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

**C. Deferred/Unearned Revenues**

In the fund financial statements, the deferred/unearned revenues represent the amount for notes receivable for loans made to parties who purchased assets previously owned by the fund for highway construction purposes. The State Aviation Fund amount represents loans to various local governments for construction of hangars, taxiway extensions, runways, etc. These loans were made at fixed interest rates and with various maturity dates. The proprietary fund includes the amount for unearned subscriptions. The following schedule is a summary of the amounts outstanding as of June 30, 2013:

Governmental funds:		
General Fund (State Highway Fund)	\$ 3,115,585	
State Aviation Fund	<u>3,750,820</u>	
	<u>\$ 6,866,405</u>	
Proprietary funds:		
Arizona Highways Magazine Fund	<u>\$ 2,083,193</u>	

**D. Interfund Receivables, Payables, Advances, and Transfers**

The balances of current interfund receivables and payables as of June 30, 2013, were:

Receivables	Payables	Amount
Governmental activities:		
General Fund (State Highway Fund)	Highway User Revenue Fund	\$ 97,571,665
	Motor Vehicle Division Clearing Fund	169,009
	Capital Projects Fund	3,802,589
Highway User Revenue Fund	Motor Vehicle Division Clearing Fund	34,847,145
	General Fund (State Highway Fund)	1,279,132
Non-Major Governmental Funds	Motor Vehicle Division Clearing Fund	<u>2,914,325</u>
		<u>140,583,865</u>
Business-type activities:		
Arizona Highways Magazine	Motor Vehicle Division Clearing Fund	<u>29,534</u>
		<u>\$140,613,399</u>

The General Fund (State Highway Fund) receivable of \$97,571,665 is an accrual for fuel taxes imposed in fiscal year 2013 from the Highway User Revenue Fund that will be collected in fiscal year 2014.

The Highway User Revenue Fund receivable of \$34,847,145 is an accrual for vehicle license taxes due in fiscal year 2013 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2014.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Interfund Transfers Out:	Interfund Transfers In: Total Debt Service Fund
General Fund (State Highway Fund)	\$ 124,776,920
Maricopa Regional Area Road Construction Fund	103,218,632
Non-Major Governmental Funds	55,070,206
Total	\$ 283,065,758

The General Fund (State Highway Fund) (\$124,776,920), the Maricopa Regional Area Road Construction Fund (\$103,218,632), and Non-Major Governmental Funds - Grant Anticipation Notes Fund (\$55,070,206) made transfers to the Debt Service Fund to pay bond debt service.

**E. Leases**

Operating Leases

The Department leases data processing equipment, other equipment, and certain facilities from various lessors. The majority of these leases are for a one-year term, renewable annually. Total rental expenditures (excluding interfund transactions) for the fiscal year ended June 30, 2013, approximated \$2.1 million.

In fiscal year 2002, the Department entered into a lease agreement with the City of Phoenix for a facility located on East Washington Street in Phoenix. During fiscal year 2010, the Department renegotiated the lease with the City. This renegotiated lease, effective July 1, 2010, will result in fewer square feet being leased by the Department than had been the case under the original lease. The future operating lease commitments are as follows:

Year ending June 30	Amount
2014	\$ 535,510
Future operating lease commitments	\$ 535,510

In fiscal year 2003, the Department entered into a long-term lease to build a structure to house lab facilities in Gilbert, Arizona. The future operating lease commitments are as follows:

Year ending June 30	Amount
2014	\$ 126,000
2015	126,000
2016	126,000
2017	126,000
2018	94,500
Future operating lease commitments	\$ 598,500

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Capital Leases

The Department has entered into lease agreements as lessee for financing the acquisition of various vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 27,416,311
Less accumulated depreciation	<3,399,844>
Total	\$ 24,016,467

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30</u>	Governmental Activities
2014	\$ 5,793,404
2015	5,793,401
2016	5,742,756
2017	3,911,313
2018	2,057,480
Total minimum lease payments	23,298,354
Less amount representing interest	<1,027,144>
Present value of minimum lease payments	\$ 22,271,210

Capital outlay on Exhibit 4 includes \$15.2 million of capital leases.

**F. Non-Current Liabilities**

Arizona Transportation Board Highway Revenue Bonds

The Transportation Board has issued Senior and Subordinate Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1,619,965,000. During the year, Highway Revenue Bonds totaling \$715,470,000 were issued to (i) finance portions of the Transportation Board's Five-Year Transportation Facilities Construction Program, (ii) pay interest on any bonds issued for highway purposes, (iii) pay costs of issuing the bonds, and (iv) refund portions of the Board's outstanding Subordinated Series 2003A Bonds (\$48,350,000), Subordinated Refunding Series 2004B Bonds (\$68,490,000), Senior Refunding Series 2005A Bonds (\$100,435,000), Senior Series 2005B Bonds (\$84,860,000), and Senior Series 2006 Bonds (\$239,475,000).

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes of the General Fund (State Highway Fund). On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of Highway Revenue Bonds that could be outstanding at any time to \$1.3 billion. Also, during fiscal year 2007, the Transportation Board received legislative authority to

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

begin issuing Highway Revenue Bonds with maturities up to 30 years in length, replacing the 20-year maturity requirement that had been in place since 1980.

Highway Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.0% - 5.25%	\$ 465,705,000
Governmental activities - refunding	5.00%	<u>1,267,580,000</u>
		<u>\$ 1,733,285,000</u>

Annual debt service requirements to maturity for Highway Revenue Bonds are as follows:

Fiscal year ending June 30	Highway Revenue Bonds		
	Principal	Interest	Total
2014	\$ 58,485,000	\$ 80,494,780	\$ 138,979,780
2015	60,970,000	78,008,080	138,978,080
2016	70,370,000	75,612,884	145,982,884
2017	73,040,000	72,942,372	145,982,372
2018	76,125,000	69,858,434	145,983,434
2019-2023	427,145,000	302,826,374	729,971,374
2024-2028	451,140,000	193,639,120	644,779,120
2029-2033	388,270,000	85,834,014	474,104,014
2034-2038	<u>127,740,000</u>	<u>18,035,750</u>	<u>145,775,750</u>
	<u>\$ 1,733,285,000</u>	<u>\$ 977,251,808</u>	<u>\$ 2,710,536,808</u>

The Department has pledged future motor vehicle and related fuel fees and taxes to repay \$1,733,285,000 in outstanding Highway Revenue Bonds issued since 2001. Proceeds from the bonds finance portions of the Transportation Board's Five-Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$2,710.5 million. Principal and interest paid for the current year and total pledged revenues were \$138.7 million and \$524.3 million, respectively. The annual principal and interest payments on the bonds required 26.5 percent of the pledged revenues.

Arizona Transportation Board Transportation Excise Tax Revenue Bonds

The Maricopa Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the Transportation Board. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$981,845,000.

All Transportation Excise Tax Revenue Bonds mature no later than July 1, 2025. Transportation Excise Tax Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.0% - 5.25%	\$ 925,975,000

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Annual debt service requirements to maturity for Transportation Excise Tax Revenue Bonds are as follows:

Fiscal year ending June 30	Transportation Excise Tax Revenue Bonds		
	Principal	Interest	Total
2014	\$ 58,600,000	\$ 44,988,107	\$ 103,588,107
2015	61,395,000	42,198,107	103,593,107
2016	64,355,000	39,233,431	103,588,431
2017	67,495,000	36,096,681	103,591,681
2018	70,790,000	32,801,481	103,591,481
2019-2023	410,000,000	107,954,919	517,954,919
2024-2025	193,340,000	13,842,288	207,182,288
	<u>\$ 925,975,000</u>	<u>\$ 317,115,014</u>	<u>\$ 1,243,090,014</u>

The Department has pledged future transportation excise taxes to repay \$925,975,000 in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$1,243.1 million. Principal and interest paid for the current year and total pledged revenues were \$103.6 million and \$227.9 million, respectively. The annual principal and interest payments on the bonds required 45.5 percent of the pledged revenues.

Arizona Transportation Board Grant Anticipation Notes (GARVEE)

The Grant Anticipation Notes Fund administers all payments of principal and interest for notes issued by the Transportation Board and is secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of Grant Anticipation Notes ("GARVEE bonds") issued in prior years and outstanding at the start of the fiscal year was \$335,230,000.

Grant Anticipation Notes (GARVEE) currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.5% - 5.25%	\$ 234,940,000
Governmental activities - refunding	3.625% - 5.0%	61,300,000
		<u>\$ 296,240,000</u>

Annual debt service requirements to maturity for Grant Anticipation Notes (GARVEE) are as follows:

Fiscal year ending June 30	Grant Anticipation Notes		
	<u>(GARVEE)</u>		
	Principal	Interest	Total
2014	\$ 48,530,000	\$ 14,256,331	\$ 62,786,331
2015	53,040,000	11,854,731	64,894,731
2016	47,350,000	9,552,631	56,902,631
2017	11,770,000	7,392,881	19,162,881
2018	12,325,000	6,838,031	19,163,031
2019-2023	71,270,000	24,551,955	95,821,955
2024-2026	51,955,000	5,539,201	57,494,201
	<u>\$ 296,240,000</u>	<u>\$ 79,985,761</u>	<u>\$ 376,225,761</u>

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

The Department has pledged federal revenues to repay \$296,240,000 in outstanding Grant Anticipation Notes (“GARVEE bonds”) issued since 2003. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The bonds are payable solely from federal revenues and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$376.2 million. Principal and interest paid for the current year and total pledged revenues were \$55.3 million and \$802.9 million, respectively. The annual principal and interest payments on the bonds required 6.8 percent of the pledged revenues.

Refunded Bonds Deposited with Escrow Agents

In prior fiscal years, the Transportation Board had refinanced various bond issues through refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the financial statements of the Department.

The Department refunded the Highway Revenue Bonds Subordinated Series 2003A Bonds (\$48,350,000), Subordinated Refunding Series 2004B Bonds (\$68,490,000), Senior Refunding Series 2005A Bonds (\$100,435,000), Senior Series 2005B Bonds (\$84,860,000), and Senior Series 2006 Bonds (\$239,475,000) to reduce the total debt service payments by \$9,496,842 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$22,299,237. The payment to the refunded bond escrow agent totaled \$611,874,333, representing principal of \$541,610,000 and interest of \$70,264,333.

Refunded bonds of the Department deposited with escrow agents at June 30, 2013, are as follows:

Original Issue	Type	Escrow Maturity Date	Balance
2003 Series	Highway Revenue Bonds	July 1, 2013	\$ 89,895,000
2003 Series A	Highway Revenue Bonds	July 1, 2014	75,465,000
2004 Series B	Highway Revenue Bonds	July 1, 2014	92,265,000
2003 Series A	Grant Anticipation Notes	July 1, 2013	18,335,000
2004 Series B	Grant Anticipation Notes	July 1, 2014	25,665,000
Total refunded bonds deposited with escrow agent			<u>\$ 301,625,000</u>

Advances and Notes Payable

The Department’s outstanding advances and notes payable as of June 30, 2013, were \$105,816,381 in governmental activities. The advances and notes payable represent amounts for other intergovernmental advances.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

Annual debt service requirements to maturity for advances and notes payable are as follows:

Fiscal year ending June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 704	\$ -	\$ -	\$ -	\$ 704	\$ -
2015	83,637,034	-	-	-	83,637,034	-
2020	151,430	-	-	-	151,430	-
2021	22,027,213	-	-	-	22,027,213	-
	<u>\$ 105,816,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,816,381</u>	<u>\$ -</u>

Changes in non-current liabilities

The activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes:					
Highway Revenue Bonds	\$ 1,619,965,000	\$ 715,470,000	\$ <602,150,000>	\$ 1,733,285,000	\$ 58,485,000
Transportation Excise Tax					
Revenue Bonds	981,845,000	-	<55,870,000>	925,975,000	58,600,000
Grant Anticipation Notes	335,230,000	-	<38,990,000>	296,240,000	48,530,000
Premium on bonds	248,891,687	128,862,512	<27,014,797>	350,739,402	27,383,360
Total bonds and notes	3,185,931,687	844,332,512	<724,024,797>	3,306,239,402	192,998,360
Capital leases	10,728,825	15,157,729	<3,615,344>	22,271,210	5,360,832
Compensated absences	14,890,371	14,790,557	<13,062,180>	16,618,748	12,377,502
Advances and notes payable	55,666,443	51,549,938	<1,400,000>	105,816,381	704
Total governmental activities	<u>3,267,217,326</u>	<u>925,830,736</u>	<u>&lt;742,102,321&gt;</u>	<u>3,450,945,741</u>	<u>210,737,398</u>
<b>Business-type Activities</b>					
Compensated absences	147,402	102,498	<88,876>	161,024	20,750
Total business-type activities	<u>147,402</u>	<u>102,498</u>	<u>&lt;88,876&gt;</u>	<u>161,024</u>	<u>20,750</u>
Total non-current liabilities	<u>\$ 3,267,364,728</u>	<u>\$ 925,933,234</u>	<u>\$ &lt;742,191,197&gt;</u>	<u>\$ 3,451,106,765</u>	<u>\$ 210,758,148</u>

The Internal Service Fund predominantly serves the governmental funds. Accordingly, long-term liabilities for that fund are included as part of the above totals for governmental activities. At year-end, \$738,840 of the Internal Service Fund's compensated absences is included in the above amounts.

The capital leases will be liquidated by the General Fund (State Highway Fund). The General Fund (State Highway Fund) has paid compensated absences in the past while the advances and notes payable will be repaid with funds from the General Fund (State Highway Fund) and the Maricopa Regional Area Road Construction Fund.

Bonds and notes issued by the Department require compliance with a number of covenants. The Department believes that it is in compliance with all such covenants. In addition, certain of the Department's obligations are subject to Internal Revenue Service regulations pertaining to issuance of tax-exempt debt by governmental entities. The Department does not have and has not accrued a liability under these regulations.

Arizona Department of Transportation  
Notes to the Financial Statements (continued)  
June 30, 2013

**G. Fund Balances**

The Department's fund balance, as of June 30, 2013, is composed of the following:

	Unassigned	Nonspendable	Restricted	Committed	Total
Administration	\$ -	\$ -	\$ 1,722,748	\$ 137,842,000	\$ 139,564,748
Highway Operations	-	-	1,175,923,500	147,238	1,176,070,738
Highway Maintenance	-	-	-	2,926,663	2,926,663
Motor Vehicle	<8,128,423>	-	-	4,237,651	<3,890,772>
Inventories	-	7,206,835	-	-	7,206,835
Land Held for Resale	-	-	-	19,058,878	19,058,878
Other	-	-	698,679	-	698,679
	<u>\$ &lt;8,128,423&gt;</u>	<u>\$ 7,206,835</u>	<u>\$ 1,178,344,927</u>	<u>\$ 164,212,430</u>	<u>\$ 1,341,635,769</u>

The <\$8.1> million in the unassigned portion of the fund balance is due to Arizona Revised Statutes, §28-6542 (B), which prohibits adjustments more than 24 months after the original distribution.

**6. OTHER INFORMATION**

**A. Contingent Liabilities**

Risk Management Insurance Losses

The Department 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 Department is a participant in the state's self-insurance program and, in the opinion of the Department's management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Department 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.

Claims

The Department has a variety of claims pending against it that arose during the normal course of its activities. Management of the Department believes, based on the advice of legal counsel, that losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the Department.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

Light Rail Transit System

Arizona Revised Statutes, §28-9201, requires the Department to establish, implement, and enforce minimum safety standards for light rail transit systems. If a violation of the safety standards is discovered, the Department shall report the violation in writing to the Federal Transit Administration. Furthermore, the organization that operates a light rail transit system shall include a safety oversight function and pay the Department's costs resulting from administration.

**B. Pension and Other Postemployment Benefits**

Plan descriptions – The Department contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes, Title 38, Chapter 5, Article 2.

The System issues a Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

Funding policy – The Arizona state legislature establishes and may amend active plan members’ and the Department’s contribution rates. For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll and the Department was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.51 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

The Department’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Fiscal year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total
2013	\$ 18,233,215	\$ 1,088,444	\$ 456,141	\$ 19,777,800
2012	17,230,639	1,441,900	451,367	19,123,906
2011	14,551,983	1,175,632	423,310	16,150,925

The Department's total payroll for fiscal year 2013 was \$190.1 million. The System is funded through payroll deductions from employees' gross earnings and amounts contributed by the Department. Retirement benefits, health care benefits, and long term disability benefits are obligations of the System and not of the Department. The Arizona Revised Statutes provide statutory authority for employee and employer contributions. The contribution requirement for fiscal year 2013 was \$19.8 million each by both the employees and the Department.

# Required Supplementary Information

(Other than MD&A)

**Budgetary Comparison Schedule – General Fund (State Highway Fund)**

**Note to Required Supplementary Schedule**

**Information About Infrastructure Assets Reported Using the Modified Approach**

Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2013

Budgetary Comparison Schedule  
(Non-GAAP Basis)  
General Fund (State Highway Fund)  
for the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive <Negative>
	Original	Final		
<b>Expenditures appropriated by State legislature in 2013 budget</b>				
Department of Transportation	\$ 326,789,200	\$ 326,789,200	\$ 326,566,325	\$ 222,875
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			7,068,842	
Basis differences:				
Net increase <decrease> from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			7,211,753	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			4,153,816	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			443,897,296	
Distributions to Arizona counties and cities			42,495,963	
Distributions to other state agencies			6,915,696	
Interest expense			340,013	
Principal repayment of debt			5,015,344	
<b>Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4</b>			<b>\$ 843,665,048</b>	

*The note to required supplementary information is an integral part of this schedule.*

Arizona Department of Transportation  
Required Supplementary Information (continued)  
June 30, 2013

Note to Required Supplementary Information

**1. Budgets and budgetary accounting**

An annual budget for the operating expenditures of the General Fund (State Highway Fund) is submitted to the governor in accordance with state law. The budget is legally enacted as appropriations after approval by the state legislature and signature of the governor. The legal level of control for operating expenditures is set at the agency level and expenditure budgets are appropriated using a lump-sum by agency format. Revenue budgets are developed internally by the Department and are not part of the appropriation process.

Amendments to the approved appropriations require legislative approval. However, since the Department's appropriation is a lump sum appropriation by agency, the allocation of funds between personal services, employee-related expenditures, and other operating expenditures is an internal decision. Accordingly, transfers between line items such as personal services and other operating expenditures within a particular program may be made by the program manager. Expenditures may not exceed appropriations. All transfers of funds are reported to the Department's Office of Strategic Planning and Budgeting for monitoring purposes.

Budgets are prepared on the cash basis except that liabilities incurred before the end of the fiscal year and paid within the first month of the subsequent fiscal year are charged against the prior fiscal year's budget. The Department's appropriations lapse at fiscal year-end unless exempted by the legislature.

For financial reporting purposes, the accompanying financial statements present the legally adopted budget for the operations of the General Fund (State Highway Fund) that is subject to legislative appropriation.

In addition, budgets for capital outlay, including land, building, and improvements for the General Fund (State Highway Fund) and State Aviation Fund, are also submitted to the governor in accordance with state law. The capital outlay appropriation includes state highway construction and land, building, and improvements for the General Fund (State Highway Fund). A legal limitation is adopted for land, building, and improvements; however, legislation allows the Department to spend in excess of its appropriation for state highway construction up to the current fund balance. The Department monitors expenditures through an internal budgetary process and the Five-Year Transportation Facilities Construction Program approved by the Transportation Board.

Arizona Department of Transportation  
Required Supplementary Information (continued)  
June 30, 2013

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB 34)*, as amended, the Arizona Department of Transportation (Department) reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,751 center lane miles (21,213 travel line miles) of roads and 4,754 bridges that the Department is responsible to maintain.

In order to utilize the modified approach, the Department is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Department.
- Document that the assets are being preserved approximately at or above the established condition level.

As adopted by the Transportation Board of the State of Arizona Department of Transportation (Transportation Board) on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadway and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2013 and beyond was adopted by the Transportation Board on June 15, 2012.

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

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

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

**Roads**

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

The PMS has developed performance goals for the condition level of the pavement in the state highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called “Serviceability” which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many

Arizona Department of Transportation  
 Required Supplementary Information (continued)  
 June 30, 2013

Information About Infrastructure Assets Reported Using the Modified Approach (continued)

surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called Present Serviceability Rating and abbreviated as PSR. PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the Department is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the state highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2013, an overall rating of 3.67 was achieved, as shown in the following graph:

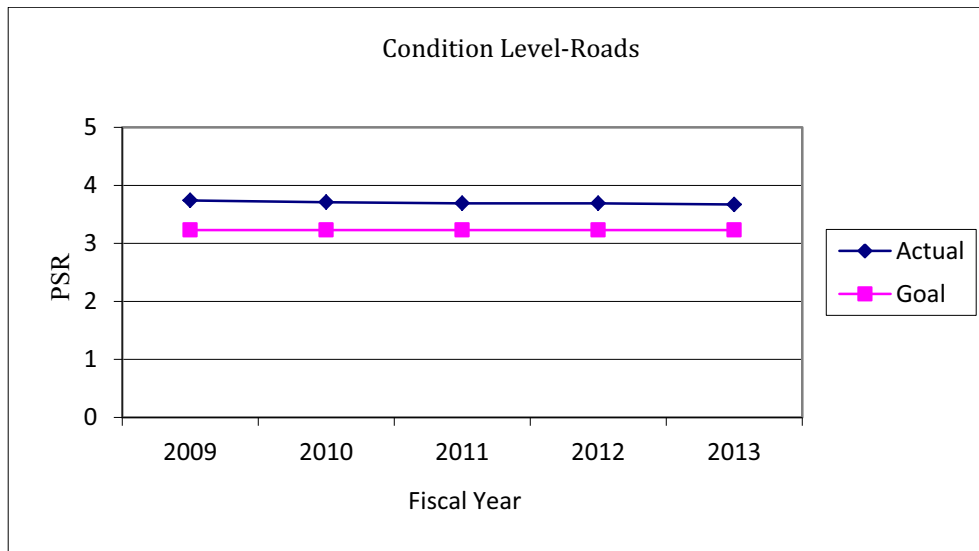


Figure 1

Arizona Department of Transportation  
 Required Supplementary Information (continued)  
 June 30, 2013

Information About Infrastructure Assets Reported Using the Modified Approach (continued)

Preservation of the roads is accomplished through programs managed primarily by the Department's PMS, as well as other units within the Department. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2009 through 2013 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2009	\$264.4	\$236.0
2010	227.4	220.9
2011	265.7	373.4
2012	261.9	373.6
2013	276.3	291.3

**Bridges**

The Department's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2013, the Department owned and maintained 4,754 bridges with an approximate total deck area of 48,250,819 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges." The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona-specific rating item not included in the FHWA condition rating guidelines, whereas the other three condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one the ratio of the sum of the deck areas of all bridges with a condition rating of four or less (see table below), which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

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

Arizona Department of Transportation  
 Required Supplementary Information (continued)  
 June 30, 2013

Management of the bridge inventory is a major function of the Department's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the Department to maintain state highway bridges so that the CRI exceeds 92.5%. In fiscal year 2013, the CRI was computed at 93.2%.

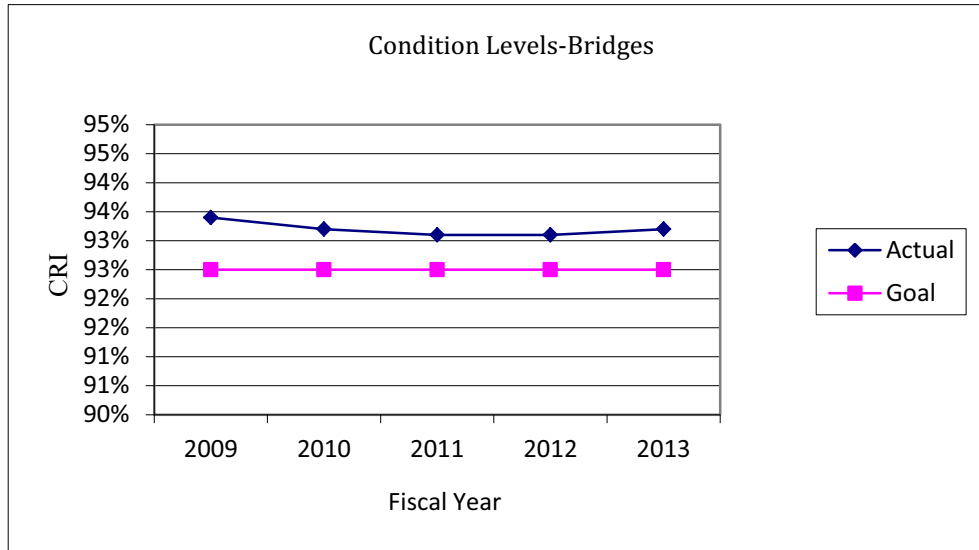


Figure 2

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the Department in its mission of providing products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 57% of the bridges in the state were constructed prior to the 1970s while only 14% have been constructed since 2000.

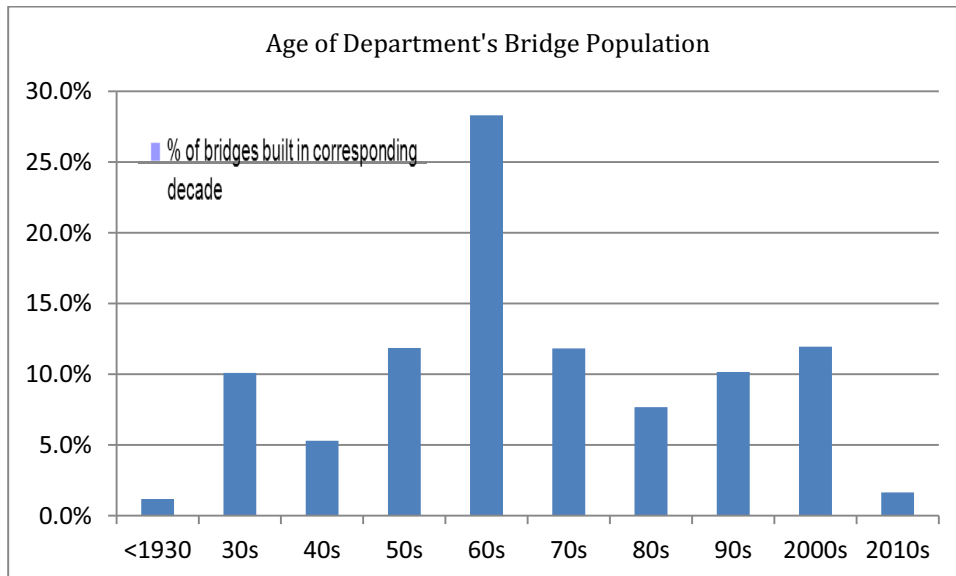


Figure 3

Arizona Department of Transportation  
Required Supplementary Information (continued)  
June 30, 2013

Information About Infrastructure Assets Reported Using the Modified Approach (continued)

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2009 through 2013 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2009	\$14.3	\$17.3
2010	16.1	22.4
2011	11.8	26.0
2012	12.5	20.6
2013	14.7	10.7

# NON-MAJOR GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**The State Aviation Fund** is appropriated by the legislature and receives monies from aviation gasoline taxes, sale of abandoned or seized aircraft, flight property taxes, and the operation of the Grand Canyon National Park Airport. The State Aviation Fund monies are used to build and maintain airport facilities throughout Arizona.

**The Safety Enforcement and Transportation Infrastructure Fund** is appropriated by the legislature and receives monies from registration fees for non-resident vehicles and single trip and limited use fuel tax permits. Monies are used for enforcement of vehicle safety requirements, and construction and maintenance of transportation facilities within twenty-five miles of the border between Arizona and Mexico.

**The Motor Vehicle Liability Insurance Enforcement Fund** is appropriated by the legislature and receives reinstatement fees for insurance-related driver license and vehicle registration suspensions. Monies are used to administer the State's Mandatory Liability Insurance Program.

**The Vehicle Inspection and Title Enforcement Fund** is appropriated by the legislature and receives monies from the fees charged for certain vehicle inspections. Monies are used to defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement, and other enforcement related issues.

**The Motor Carrier Safety Revolving Fund** receives fees to administer and enforce the rules governing the safety operations of motor carriers, shippers, and vehicles transporting hazardous materials, substances, or waste.

**The Underground Storage Tank Fund** receives certain Department revenues for distribution to the Department of Environmental Quality.

**The Economic Strength Project Fund** receives monies from the Highway User Revenue Fund for use on approved economic strength projects recommended by the Department of Commerce and Economic Development Commission.

**The Grant Anticipation Notes Fund** receives revenues from the Federal Highway Administration under various grant agreements for the repayment of Grant Anticipation Notes (GARVEE bonds).

**The Local Agency Deposits Fund** receives monies from the U.S. Government and local agencies for the payment of local agency sponsored county secondary road construction projects.

Arizona Department of Transportation  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2013

	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Motor Vehicle Liability Insurance Enforcement Fund</u>	<u>Motor Vehicle Inspection and Title Enforcement Fund</u>
<b>Assets</b>				
Unrestricted cash on deposit with the State Treasurer	\$ 27,334,801	\$ 950,702	\$ 2,277,292	\$ 738,326
Receivables:				
Interfund	43,841	68,489	88,443	41,255
Notes and loans	3,750,820	-	-	-
Other (net)	3,457,502	-	-	-
Amounts due from U.S. Government	-	-	-	-
Restricted cash on deposit with the State Treasurer	-	-	-	-
Total assets	<u>\$ 34,586,964</u>	<u>\$ 1,019,191</u>	<u>\$ 2,365,735</u>	<u>\$ 779,581</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 275	\$ -	\$ -	\$ -
Accrued payroll and other accrued expenditures	23,984	17,761	15,323	18,924
Contracts and retainage payable	1,108,299	-	-	-
Interfund payables	-	-	-	-
Amounts due to:				
Other state agencies	-	-	-	-
Arizona counties and cities	-	-	-	-
Deferred revenue	3,750,820	-	-	-
Total liabilities	<u>4,883,378</u>	<u>17,761</u>	<u>15,323</u>	<u>18,924</u>
Fund balances:				
Restricted	-	-	-	-
Committed	29,703,586	1,001,430	2,350,412	760,657
Total fund balances	<u>29,703,586</u>	<u>1,001,430</u>	<u>2,350,412</u>	<u>760,657</u>
Total liabilities and fund balances	<u>\$ 34,586,964</u>	<u>\$ 1,019,191</u>	<u>\$ 2,365,735</u>	<u>\$ 779,581</u>

Motor Carrier Safety Revolving Fund	Underground Storage Tank Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Fund	Total Non-Major Governmental Funds
\$ 33,852	\$ -	\$ 2,508,263	\$ -	\$ -	\$ 33,843,236
-	2,672,297	-	-	-	2,914,325
-	-	-	-	-	3,750,820
-	-	-	-	2,371,660	5,829,162
-	-	-	-	16,670,229	16,670,229
-	39,346	-	2,692	14,430,368	14,472,406
<u>\$ 33,852</u>	<u>\$ 2,711,643</u>	<u>\$ 2,508,263</u>	<u>\$ 2,692</u>	<u>\$ 33,472,257</u>	<u>\$ 77,480,178</u>
\$ -	\$ -	\$ -	\$ -	\$ 72,279	\$ 72,554
-	-	-	-	-	75,992
-	-	-	-	17,643,344	18,751,643
-	-	-	-	-	-
-	2,711,643	-	-	-	2,711,643
-	-	2,508,263	-	-	2,508,263
-	-	-	-	-	3,750,820
-	<u>2,711,643</u>	<u>2,508,263</u>	-	<u>17,715,623</u>	<u>27,870,915</u>
-	-	-	2,692	15,756,634	15,759,326
33,852	-	-	-	-	33,849,937
<u>33,852</u>	-	-	<u>2,692</u>	<u>15,756,634</u>	<u>49,609,263</u>
<u>\$ 33,852</u>	<u>\$ 2,711,643</u>	<u>\$ 2,508,263</u>	<u>\$ 2,692</u>	<u>\$ 33,472,257</u>	<u>\$ 77,480,178</u>

Arizona Department of Transportation  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Non-Major Governmental Funds  
for the fiscal year ended June 30, 2013

	State Aviation Fund	Safety Enforcement and Transportation Infrastructure Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
<b>Revenues</b>				
Vehicle registration, title, license, and related taxes and fees	\$ 8,463,286	\$ 2,942,042	\$ -	\$ -
Fuel and motor carrier taxes and fees	367,375	-	2,577,092	1,377,869
Flight property taxes	8,084,374	-	-	-
Reimbursement of construction expenditures - federal aid	403,840	-	-	-
Other federal grants and reimbursements	-	-	-	-
Reimbursements from Arizona counties and cities	962,028	-	-	-
Interest on loans receivable	205,236	-	-	-
Income from investments	254,012	9,337	-	-
Grand Canyon National Park Airport	1,044,326	-	-	-
Other	184,552	20,870	-	-
Total revenues	<u>19,969,029</u>	<u>2,972,249</u>	<u>2,577,092</u>	<u>1,377,869</u>
<b>Expenditures</b>				
Current:				
Administration	7,936,198	-	-	-
Highway	-	-	-	-
Motor vehicle	-	1,876,333	1,072,109	1,452,508
Total current expenditures	<u>7,936,198</u>	<u>1,876,333</u>	<u>1,072,109</u>	<u>1,452,508</u>
Intergovernmental:				
Distributions to other state agencies	-	1,510,300	327,600	-
Distributions to Arizona counties and cities	9,106,572	-	-	-
Capital outlay	419,357	-	-	-
Total expenditures	<u>17,462,127</u>	<u>3,386,633</u>	<u>1,399,709</u>	<u>1,452,508</u>
Excess <deficiency> of revenues over <under> expenditures	2,506,902	<414,384>	1,177,383	<74,639>
<b>Other financing sources &lt;uses&gt;</b>				
Transfers out for debt service	-	-	-	-
Total other financing sources <uses>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,506,902	<414,384>	1,177,383	<74,639>
Fund balances - July 1	27,196,684	1,415,814	1,173,029	835,296
<b>Fund balances - June 30</b>	<u>\$ 29,703,586</u>	<u>\$ 1,001,430</u>	<u>\$ 2,350,412</u>	<u>\$ 760,657</u>

Motor Carrier Safety Revolving Fund	Underground Storage Tank Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,405,328
-	28,075,654	1,000,000	-	-	33,397,990
-	-	-	-	-	8,084,374
-	-	-	55,070,317	-	55,474,157
-	-	-	-	100,948,366	100,948,366
-	-	-	-	2,497,255	3,459,283
-	-	-	-	-	205,236
-	11,814	19,216	25	-	294,404
-	-	-	-	-	1,044,326
2,083	-	-	-	-	207,505
<u>2,083</u>	<u>28,087,468</u>	<u>1,019,216</u>	<u>55,070,342</u>	<u>103,445,621</u>	<u>214,520,969</u>
-	-	-	2	102,332,256	110,268,456
-	-	-	-	-	-
-	64,405	1,226	-	-	4,466,581
-	<u>64,405</u>	<u>1,226</u>	<u>2</u>	<u>102,332,256</u>	<u>114,735,037</u>
-	28,023,063	-	-	-	29,860,963
-	-	1,017,990	-	-	10,124,562
-	-	-	-	-	419,357
-	<u>28,087,468</u>	<u>1,019,216</u>	<u>2</u>	<u>102,332,256</u>	<u>155,139,919</u>
2,083	-	-	55,070,340	1,113,365	59,381,050
-	-	-	<55,070,206>	-	<55,070,206>
-	-	-	<55,070,206>	-	<55,070,206>
2,083	-	-	134	1,113,365	4,310,844
31,769	-	-	2,558	14,643,269	45,298,419
<u>\$ 33,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,692</u>	<u>\$ 15,756,634</u>	<u>\$ 49,609,263</u>

# FIDUCIARY FUNDS FINANCIAL STATEMENTS

**Combining Statement of Net Position**

**Statement of Changes in Assets and Liabilities**

## **AGENCY FUNDS**

**Highway Properties - Privilege Tax Fund** collects monies from renters of properties previously acquired by the Department for use in future highway development. Monies collected are distributed to the Department of Revenue.

**Highway Properties - 24 Percent Fund** collects 24 percent of the Department's rental income from properties for use in future highway development. Monies collected are distributed to the local counties.

Arizona Department of Transportation  
Combining Statement of Net Position  
Agency Funds  
June 30, 2013

	Highway Properties - Privilege Tax Fund	Highway Properties - 24 % Lieu Tax Fund	Total
<b>ASSETS</b>			
Restricted cash on deposit with the State Treasurer	\$ <12>	\$ 376,534	\$ 376,522
Due from Department of Revenue	<u>12</u>	<u>-</u>	<u>12</u>
Total assets	<u>\$ -</u>	<u>\$ 376,534</u>	<u>\$ 376,534</u>
<b>LIABILITIES</b>			
Due to Arizona counties	<u>\$ -</u>	<u>\$ 376,534</u>	<u>\$ 376,534</u>
Total liabilities	<u>\$ -</u>	<u>\$ 376,534</u>	<u>\$ 376,534</u>

Arizona Department of Transportation  
Statement of Changes in Assets and Liabilities  
Agency Funds  
for the fiscal year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Highway Properties - Privilege Tax Fund</b>				
<b>Assets</b>				
Restricted cash on deposit with the State Treasurer	\$ 721	\$ 7,102	\$ <7,835>	\$ <12>
Due from Department of Revenue	-	12	-	12
Total assets	\$ 721	\$ 7,114	\$ <7,835>	\$ -
<b>Liabilities</b>				
Due to Department of Revenue	\$ 721	\$ -	\$ <721>	\$ -
Total liabilities	\$ 721	\$ -	\$ <721>	\$ -
<b>Highway Properties - 24 Percent Fund</b>				
<b>Assets</b>				
Restricted cash on deposit with the State Treasurer	\$ 412,324	\$ 425,409	\$ <461,199>	\$ 376,534
Total assets	\$ 412,324	\$ 425,409	\$ <461,199>	\$ 376,534
<b>Liabilities</b>				
Due to Department of Revenue				
Due to Arizona counties	\$ 412,324	\$ 425,409	\$ <461,199>	\$ 376,534
Total liabilities	\$ 412,324	\$ 425,409	\$ <461,199>	\$ 376,534
<b>Total</b>				
<b>Assets</b>				
Restricted cash on deposit with the State Treasurer	\$ 413,045	\$ 432,511	\$ <469,034>	\$ 376,522
Due from Department of Revenue	-	12	-	12
Total assets	\$ 413,045	\$ 432,523	\$ <469,034>	\$ 376,534
<b>Liabilities</b>				
Due to Department of Revenue	\$ 721	\$ -	\$ <721>	\$ -
Due to Arizona counties	412,324	425,409	<461,199>	376,534
Total liabilities	\$ 413,045	\$ 425,409	\$ <461,920>	\$ 376,534

# STATISTICAL SECTION

Arizona Department of Transportation  
Overview – Statistical Section  
for the fiscal year ended June 30, 2013

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This part of the Arizona Department of Transportation's (Department) Comprehensive Annual Financial Report provides detail in the form of graphs and tables intended to assist the reader of the report with understanding the information presented in the financial statements, note disclosures, and required supplementary information regarding the overall financial health of the Department.

Financial Trends

These schedules show trend information that gives an insight into the Department's financial well-being and performance over time.

Revenue Capacity

Information about the Motor Vehicle Fuel Tax and the Highway User Revenue Fund, the Department's most significant own-source revenues, is presented in these tables.

Debt Capacity

These tables present information to help the reader assess the affordability of the Department's current levels of outstanding debt as well as the Department's ability to issue additional debt in the future.

Demographic and Economic Information

The demographic and economic indicators presented in this section offer an understanding of the environment in which the Department's financial activities take place.

Operating Information

The Department's relationship of the financial report to the services provided as well as its activities is illustrated in these tables depicting service and infrastructure information.

*Sources: Unless otherwise stated, all information in the following tables is derived from the Comprehensive Annual Financial Reports for the years shown.*

Arizona Department of Transportation  
Index – Statistical Section  
for the fiscal year ended June 30, 2013

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	<u>Page</u>
<b><u>Financial Trends</u></b>	
Table A-1 – Change in Net Position .....	68-71
Table A-2 – Statement of Revenues, Expenditures, and Changes in Fund Balances .....	72-75
Table A-3 – Fund Balances of Governmental Funds .....	76-77
Table A-4 – Expenditures of Federal Awards .....	78
Table A-5 – Government-wide Expenses by Function .....	79-80
Table A-6 – Government-wide Revenues .....	81-82
Table A-7 – Net Position by Component.....	83-84
<b><u>Revenue Capacity</u></b>	
Table B-1 – Highway User Revenue Fund Collections .....	85
Table B-2 – Highway User Revenue Fund Distributions .....	86
Table B-3 – Fuel Tax Rates .....	87
Table B-4 – Motor Vehicle Fuel Tax – Top Ten Suppliers.....	88
Table B-5 – Gasoline Volume Sold – Top Twenty-Five Suppliers.....	89-90
<b><u>Debt Capacity</u></b>	
Table C-1 – Highway User Revenue Fund – Legal Debt Margin.....	91
Table C-2 – Highway Revenue Bonds – Bond Coverage .....	92
Table C-3 – Transportation Excise Tax Revenue Bonds – Bond Coverage .....	93
Table C-4 – Transportation Excise Tax Revenue Bonds – Debt Service Revenue and Cost Per Capita .....	94
Table C-5 – Ratios of Outstanding Debt by Type .....	95-96
<b><u>Demographic and Economic Information</u></b>	
Table D-1 – Number of Vehicle Registrations Per Year .....	97
Table D-2 – Vehicle Registrations Per Year Compared to Fuel Sales.....	98
Table D-3 – Demographic and Economic Statistics.....	99
Table D-4 – Principal Employers .....	100
<b><u>Operating Information</u></b>	
Table E-1 – Full Time Equivalent (FTEs).....	101
Table E-2 – Capital Assets – Schedule by Function and Activity .....	102
Table E-3 – Capital Assets – Schedule of Changes by Function and Activity .....	103
Table E-4 – Total Public Road Mileage by Highway Class and Governmental Ownership.....	104
Table E-5 – Daily Vehicle Miles Traveled with Population Data .....	105

**Arizona Department of Transportation**  
**Change in Net Position**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

<b>Expenses</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities:</b>			
Administration	\$ 57,703	\$ 42,298	\$ 45,002
Aeronautics	7,512	9,804	10,705
Highway <sup>1</sup>	93,656	125,889	118,147
Highway maintenance	95,642	105,037	114,119
Motor vehicle	86,845	91,676	96,937
Other	9,815	6,871	9,394
Non-capital, including asset preservation <sup>1</sup>	333,930	156,678	<53,981>
Distributions to other state agencies	161,029	306,853	206,903
Distributions to Arizona counties and cities	1,022,768	1,086,955	1,095,671
Local governmental assistance	39,205	42,440	36,771
Interest on long-term debt	89,431	86,870	88,279
Total governmental activities expenses	<u>1,997,536</u>	<u>2,061,371</u>	<u>1,767,947</u>
<b>Business-type Activities:</b>			
Arizona Highways Magazine	10,007	10,270	8,175
Highway Expansion and Extension Loan Program	4,414	4,360	4,273
Total business-type activities expenses	<u>14,421</u>	<u>14,630</u>	<u>12,448</u>
Total primary government expenses	<u>\$ 2,011,957</u>	<u>\$ 2,076,001</u>	<u>\$ 1,780,395</u>
<b>Program Revenues</b>			
<b>Governmental Activities:</b>			
Charges for services:			
Administration	\$ -	\$ -	\$ -
Aeronautics	902	919	1,214
Highway	-	-	-
Highway maintenance	-	1,518	537
Motor vehicle	108,346	113,506	121,179
Other	4,848	5,564	7,099
Local governmental assistance	4,129	4,760	4,040
Operating grants and contributions	44,008	58,948	67,241
Capital grants and contributions	418,174	484,276	387,614
Total governmental activities program revenues	<u>580,407</u>	<u>669,491</u>	<u>588,924</u>
<b>Business-type Activities:</b>			
Charges for services:			
Arizona Highways Magazine	9,271	8,443	8,012
Highway Expansion and Extension Loan Program	3,529	3,009	3,281
Total business-type activities program revenues	<u>12,800</u>	<u>11,452</u>	<u>11,293</u>
Total primary governmental program revenues	<u>\$ 593,207</u>	<u>\$ 680,943</u>	<u>\$ 600,217</u>
<b>Net &lt;expenses&gt;/revenues:</b>			
Governmental Activities	\$ <1,417,129>	\$ <1,391,880>	\$ <1,179,023>
Business-type Activities	<u>&lt;1,621&gt;</u>	<u>&lt;3,178&gt;</u>	<u>&lt;1,155&gt;</u>
Total primary government net expense	<u>\$ &lt;1,418,750&gt;</u>	<u>\$ &lt;1,395,058&gt;</u>	<u>\$ &lt;1,180,178&gt;</u>

NOTES: <sup>1</sup> Adjustments were made to Highway and Non-capital, including asset preservation, for the years 2004 - 2007 to conform to the current year's presentation.

**Arizona Department of Transportation**  
**Change in Net Position**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

2007	2008	2009	2010	2011	2012	2013
\$ 51,667	\$ 54,918	\$ 56,066	\$ 65,781	\$ 93,040	\$ 94,075	\$ 101,370
5,418	4,373	10,993	-	-	-	-
138,788	132,874	116,742	34,721	37,070	39,632	46,076
120,163	137,100	110,963	102,932	129,700	125,331	139,762
105,961	112,880	133,415	102,926	99,949	116,095	107,655
-	-	-	-	-	-	-
113,569	187,004	216,198	122,747	345,590	351,116	257,126
114,795	176,692	413,940	251,392	254,702	307,885	213,394
1,219,208	1,238,383	1,091,893	1,057,720	1,024,756	1,005,114	1,074,086
48,760	37,285	48,571	83,230	163,035	93,557	102,332
82,450	92,295	114,683	129,626	128,768	164,081	187,315
<u>2,000,779</u>	<u>2,173,804</u>	<u>2,313,464</u>	<u>1,951,075</u>	<u>2,276,610</u>	<u>2,296,886</u>	<u>2,229,116</u>
8,072	7,712	7,410	6,288	5,664	4,979	4,637
4,355	4,053	2,112	147	126	75	46
<u>12,427</u>	<u>11,765</u>	<u>9,522</u>	<u>6,435</u>	<u>5,790</u>	<u>5,054</u>	<u>4,683</u>
<u>\$ 2,013,206</u>	<u>\$ 2,185,569</u>	<u>\$ 2,322,986</u>	<u>\$ 1,957,510</u>	<u>\$ 2,282,400</u>	<u>\$ 2,301,940</u>	<u>\$ 2,233,799</u>
\$ 8,843	\$ 9,706	\$ 8,752	\$ 9,766	\$ 10,770	\$ 11,947	\$ 12,254
1,133	940	936	-	-	-	-
2,953	1,451	1,765	1,266	2,798	1,681	842
577	1,765	887	1,858	2,667	2,290	1,887
132,274	127,900	117,267	111,412	117,427	111,429	119,733
-	-	-	-	-	-	-
12,239	8,263	9,789	5	-	-	-
72,679	79,747	90,619	146,936	220,759	161,992	168,436
354,024	523,728	552,488	575,448	743,718	776,814	651,798
<u>584,722</u>	<u>753,500</u>	<u>782,503</u>	<u>846,691</u>	<u>1,098,139</u>	<u>1,066,153</u>	<u>954,950</u>
8,060	7,624	6,291	5,975	5,619	5,581	5,188
2,909	1,755	1,128	566	154	2	6
<u>10,969</u>	<u>9,379</u>	<u>7,419</u>	<u>6,541</u>	<u>5,773</u>	<u>5,583</u>	<u>5,194</u>
<u>\$ 595,691</u>	<u>\$ 762,879</u>	<u>\$ 789,922</u>	<u>\$ 853,232</u>	<u>\$ 1,103,912</u>	<u>\$ 1,071,736</u>	<u>\$ 960,144</u>
\$ <1,416,057>	\$ <1,420,304>	\$ <1,530,961>	\$ <1,104,384>	\$ <1,178,471>	\$ <1,230,733>	\$ <1,274,166>
<1,458>	<2,386>	<2,103>	106	<17>	529	511
<u>\$ &lt;1,417,515&gt;</u>	<u>\$ &lt;1,422,690&gt;</u>	<u>\$ &lt;1,533,064&gt;</u>	<u>\$ &lt;1,104,278&gt;</u>	<u>\$ &lt;1,178,488&gt;</u>	<u>\$ &lt;1,230,204&gt;</u>	<u>\$ &lt;1,273,655&gt;</u>

**Arizona Department of Transportation**  
**Change in Net Position**  
**for fiscal year ended June 30 (continued)**  
**(Thousands of Dollars)**

<b>General Revenues and Other Changes in Net Position</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:			
Transportation excise taxes	\$ 288,600	\$ 316,806	\$ 316,491
Vehicle registration, title, license, and related taxes and fees	914,657	966,885	994,052
Fuel and motor carrier taxes and fees	698,406	759,633	770,596
Flight property taxes	6,321	13,180	13,686
Income from investments	8,352	19,245	28,538
Other	24,775	27,120	11,026
Transfers	-	-	-
Governmental activities before accounting change	<u>1,941,111</u>	<u>2,102,869</u>	<u>2,134,389</u>
Special Item - State appropriation for Statewide Transportation Acceleration Needs (STAN)	-	-	-
Total governmental activities	<u>1,941,111</u>	<u>2,102,869</u>	<u>2,134,389</u>
Business-type Activities:			
Income from investments	1,588	2,764	3,518
Other	505	380	-
Transfers	-	-	-
Total business-type activities	<u>2,093</u>	<u>3,144</u>	<u>3,518</u>
Total primary government	<u>\$ 1,943,204</u>	<u>\$ 2,106,013</u>	<u>\$ 2,137,907</u>
<b>Change in Net Position</b>			
Governmental Activities	\$ 523,982	\$ 710,989	\$ 955,366
Business-type Activities	<u>472</u>	<u>&lt;34&gt;</u>	<u>2,363</u>
Total primary government	<u>\$ 524,454</u>	<u>\$ 710,955</u>	<u>\$ 957,729</u>

(continued)

**Arizona Department of Transportation**  
**Change in Net Position**  
**for fiscal year ended June 30 (continued)**  
**(Thousands of Dollars)**

2007	2008	2009	2010	2011	2012	2013
\$ 262,264	\$ 253,742	\$ 219,165	\$ 199,672	\$ 206,545	\$ 216,281	\$ 227,800
1,029,001	1,033,505	976,075	893,287	874,191	899,345	913,326
790,909	766,394	667,200	690,503	704,727	700,620	708,062
15,303	13,822	11,975	9,527	9,798	10,735	8,084
55,760	59,528	33,588	16,347	9,415	11,388	11,781
9,998	38,772	22,831	8,966	16,095	10,442	13,411
-	-	<500>	-	<851>	-	-
2,163,235	2,165,763	1,930,334	1,818,302	1,819,920	1,848,811	1,882,464
245,000	-	-	-	-	-	-
2,408,235	2,165,763	1,930,334	1,818,302	1,819,920	1,848,811	1,882,464
5,563	4,788	1,612	514	554	783	747
<3>	<17>	<1>	-	-	-	-
-	-	500	-	851	-	-
5,560	4,771	2,111	514	1,405	783	747
\$ 2,413,795	\$ 2,170,534	\$ 1,932,445	\$ 1,818,816	\$ 1,821,325	\$ 1,849,594	\$ 1,883,211
\$ 992,178	\$ 745,459	\$ 399,373	\$ 713,918	\$ 641,449	\$ 617,239	\$ 608,298
4,102	2,385	8	620	1,388	1,313	1,257
\$ 996,280	\$ 747,844	\$ 399,381	\$ 714,538	\$ 642,837	\$ 618,552	\$ 609,555

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

	2004	2005	2006
<b>Revenues</b>			
Transportation excise taxes	\$ 288,600	\$ 316,806	\$ 316,491
Vehicle registration, title, license, and related taxes and fees	1,023,004	1,080,391	1,207,265
Fuel and motor carrier taxes and fees	698,406	759,633	770,596
Flight property taxes	6,321	13,180	13,686
Reimbursement of construction expenditures - federal aid	421,220	503,646	407,891
Other federal grants and reimbursements	6,146	9,078	32,044
Reimbursements from Arizona counties and cities	38,012	32,186	13,566
Distributions from other state agencies	933	2,349	1,490
Interest on loans receivable	1,880	945	739
Income from investments	8,333	19,162	28,351
Grand Canyon National Park Airport	902	919	1,214
Rental income	1,635	1,596	1,702
Other	5,161	6,216	6,490
Total revenues	<u>2,500,553</u>	<u>2,746,107</u>	<u>2,801,525</u>
<b>Expenditures</b>			
Current:			
Transportation:			
Administration	56,484	40,599	43,372
Aeronautics	7,228	9,517	10,470
Highway	130,117	159,408	161,496
Highway maintenance	95,144	105,887	111,378
Motor vehicle	84,921	90,208	95,198
Other	2,940	1,802	2,309
Total Transportation	<u>376,834</u>	<u>407,421</u>	<u>424,223</u>
Transportation not appropriated by State legislature:	-	-	-
Intergovernmental:			
Distributions to other state agencies	160,029	306,852	206,903
Distributions to Arizona counties and cities	1,022,768	1,086,955	1,190,962
Debt service:			
Principal	284,815	302,202	173,745
Interest	92,371	94,344	83,017
Bond issuance costs	2,546	1,996	1,252
Non-capital, including asset preservation	333,929	156,678	250,736
Capital outlay	<u>599,819</u>	<u>623,829</u>	<u>663,316</u>
Total expenditures	<u>2,873,111</u>	<u>2,980,277</u>	<u>2,994,154</u>
Excess <deficiency> of revenues over <under> expenditures	\$ <372,558>	\$ <234,170>	\$ <192,629>

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

2007	2008	2009	2010	2011	2012	2013
\$ 262,264	\$ 253,742	\$ 219,165	\$ 199,672	\$ 206,545	\$ 216,281	\$ 227,800
1,159,379	1,159,474	1,064,147	1,002,312	991,335	1,010,548	1,032,846
792,717	768,046	696,075	692,632	704,727	700,620	708,062
15,303	13,822	11,975	9,527	9,799	10,735	8,084
334,376	494,584	531,981	544,498	736,803	770,900	653,236
72,548	79,747	94,521	146,936	219,743	157,437	165,939
34,971	38,609	27,498	31,503	10,078	9,645	1,079
1,799	463	876	936	845	1,842	989
928	697	427	596	436	351	298
55,393	59,197	33,221	15,853	9,083	11,130	11,576
1,133	940	936	866	798	821	1,044
1,434	1,367	1,788	1,800	2,554	3,096	5,244
7,088	6,206	21,579	6,370	9,913	8,177	7,987
<u>2,739,333</u>	<u>2,876,894</u>	<u>2,704,189</u>	<u>2,653,501</u>	<u>2,902,659</u>	<u>2,901,583</u>	<u>2,824,184</u>
44,875	44,322	46,056	52,971	81,477	80,627	190,606
3,876	4,089	10,471	-	-	-	-
184,240	171,134	163,570	115,061	200,216	135,908	42,996
118,940	135,629	111,346	94,014	120,716	118,230	143,972
103,801	110,982	131,665	101,142	98,115	114,327	105,462
-	-	-	-	-	-	-
<u>455,732</u>	<u>466,156</u>	<u>463,108</u>	<u>363,188</u>	<u>500,524</u>	<u>449,092</u>	<u>483,036</u>
-	-	-	-	-	-	-
114,795	173,405	404,569	244,836	254,210	305,218	213,395
1,217,883	1,241,110	1,100,959	1,046,576	1,022,512	1,004,768	1,073,876
100,395	192,663	199,687	144,232	201,219	196,338	160,415
90,836	102,583	126,932	143,133	144,748	137,213	142,524
1,592	3,447	3,967	121	2,099	3,043	2,455
63,273	158,991	142,604	217,338	313,179	286,217	200,638
<u>741,506</u>	<u>989,882</u>	<u>1,077,835</u>	<u>998,502</u>	<u>709,250</u>	<u>701,657</u>	<u>715,714</u>
<u>2,786,012</u>	<u>3,328,237</u>	<u>3,519,661</u>	<u>3,157,926</u>	<u>3,147,741</u>	<u>3,083,546</u>	<u>2,992,053</u>
\$ <46,679>	\$ <451,343>	\$ <815,472>	\$ <504,425>	\$ <245,082>	\$ <181,963>	\$ <167,869>

(continued)

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**for fiscal year ended June 30 (continued)**  
**(Thousands of Dollars)**

	2004	2005	2006
<b>Other financing sources &lt;uses&gt;</b>			
Transfers in	\$ 449,100	\$ 388,046	\$ 262,216
Transfers out for debt service	<374,852>	<374,162>	<251,891>
Transfers out other	<74,249>	<13,885>	<10,325>
Capital leases	-	-	-
Sale of capital assets	16,023	18,392	11,118
Insurance recovery	1,407	1,518	537
Debt issuance	319,942	292,645	118,250
Debt issuance - refunding bond	130,573	-	147,400
Premium from debt issuance	31,647	24,726	22,407
Payment to refunded bond escrow agent	<145,965>	-	<161,726>
Total other financing sources<uses>	<u>353,626</u>	<u>337,280</u>	<u>137,986</u>
Net change in fund balances before accounting change	<18,932>	103,110	<54,643>
Special item - State appropriation for Statewide Transportation Acceleration Needs (STAN)	-	-	-
Net change in fund balances	<18,932>	103,110	<54,643>
Fund balances - July 1	<u>452,884</u>	<u>433,952</u>	<u>537,062</u>
<b>Fund balances - June 30</b>	<b><u>\$ 433,952</u></b>	<b><u>\$ 537,062</u></b>	<b><u>\$ 482,419</u></b>
Debt service as a percentage of non-capital expenditures	16.7%	16.9%	11.1%
Debt service as a percentage of total revenues	15.2%	14.5%	9.2%

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**for fiscal year ended June 30 (continued)**  
**(Thousands of Dollars)**

2007	2008	2009	2010	2011	2012	2013
\$ 225,499	\$ 303,513	\$ 239,447	\$ 271,408	\$ 331,547	\$ 330,856	\$ 283,066
<186,856>	<231,563>	<221,232>	<266,934>	<331,547>	<330,856>	<283,066>
<38,643>	<71,950>	<17,252>	<9,013>	<2,400>	-	-
2,129	-	-	-	-	-	-
10,162	28,233	2,127	3,088	3,712	1,815	1,636
577	1,765	887	1,765	2,529	1,818	1,679
325,000	711,479	796,819	32,628	349,698	269,001	261,003
-	-	-	-	-	499,725	521,175
26,201	31,862	58,123	-	38,876	90,753	128,863
-	-	-	-	-	<560,228>	<611,874>
<u>364,069</u>	<u>773,339</u>	<u>858,919</u>	<u>32,942</u>	<u>392,415</u>	<u>302,884</u>	<u>302,482</u>
317,390	321,996	43,447	<471,483>	147,333	120,921	134,613
245,000	-	-	-	-	-	-
<u>562,390</u>	<u>321,996</u>	<u>43,447</u>	<u>&lt;471,483&gt;</u>	<u>147,333</u>	<u>120,921</u>	<u>134,613</u>
<u>482,419</u>	<u>1,044,809</u>	<u>1,366,805</u>	<u>1,410,252</u>	<u>938,769</u>	<u>1,086,102</u>	<u>1,207,023</u>
<b>\$ 1,044,809</b>	<b>\$ 1,366,805</b>	<b>\$ 1,410,252</b>	<b>\$ 938,769</b>	<b>\$ 1,086,102</b>	<b>\$ 1,207,023</b>	<b>\$ 1,341,636</b>
9.4%	12.8%	13.5%	13.3%	14.3%	14.1%	14.7%
7.0%	10.4%	12.2%	10.8%	12.0%	12.1%	12.0%

**Arizona Department of Transportation**  
**Fund Balances of Governmental Funds**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

	2004	2005	2006	2007
<b>General Fund (State Highway Fund):</b>				
Reserved	\$ 155,755	\$ 166,420	\$ 172,784	\$ 507,723
Unreserved	48,619	57,123	9,342	<10,032>
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
<b>Total General Fund</b>	<b><u>\$ 204,374</u></b>	<b><u>\$ 223,543</u></b>	<b><u>\$ 182,126</u></b>	<b><u>\$ 497,691</u></b>
<b>All other governmental funds</b>				
Reserved:				
Debt service	\$ 18,592	\$ 2,288	\$ 2,159	\$ 2,688
Capital projects	190,640	277,884	258,236	495,428
Unreserved, reported in:				
Non-major special revenue funds	20,346	33,348	39,898	49,002
Unassigned	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 229,578</u></b>	<b><u>\$ 313,520</u></b>	<b><u>\$ 300,293</u></b>	<b><u>\$ 547,118</u></b>
<b>Total general and other governmental funds</b>	<b><u>\$ 433,952</u></b>	<b><u>\$ 537,063</u></b>	<b><u>\$ 482,419</u></b>	<b><u>\$ 1,044,809</u></b>

## NOTE:

<sup>1</sup> GASB 54 rules state that Fund Balances should be reported with the categories listed in the above table for 2011. Years 2004 - 2010 will continue to be reported in the old format until 10 years of information is available.

<sup>2</sup> Estimated in 2012 CAFR and have been revised for 2012 actuals.

(continued)

**Arizona Department of Transportation**  
**Fund Balances of Governmental Funds**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

2008	2009	2010	2011 <sup>1</sup>	2012 <sup>2</sup>	2013
\$ 505,691	\$ 230,885	\$ 270,550	\$ -	\$ -	\$ -
57,899	94,686	80,251	-	-	-
-	-	-	9,765	8,235	7,207
-	-	-	229,559	240,444	267,414
-	-	-	102,350	25,229	123,662
<u>\$ 563,590</u>	<u>\$ 325,571</u>	<u>\$ 350,801</u>	<u>\$ 341,674</u>	<u>\$ 273,908</u>	<u>\$ 398,283</u>
\$ 3,212	\$ 2,692	\$ 1,894	\$ -	\$ -	\$ -
774,644	1,078,478	576,331	-	-	-
25,359	3,574	9,743	-	-	-
-	-	-	-	<8,128>	<8,128>
-	-	-	-	-	-
-	-	-	719,966	789,547	910,931
-	-	-	24,462	37,352	40,550
<u>\$ 803,215</u>	<u>\$ 1,084,744</u>	<u>\$ 587,968</u>	<u>\$ 744,428</u>	<u>\$ 826,899</u>	<u>\$ 943,353</u>
<u>\$ 1,366,805</u>	<u>\$ 1,410,315</u>	<u>\$ 938,769</u>	<u>\$ 1,086,102</u>	<u>\$ 1,100,807</u>	<u>\$ 1,341,636</u>

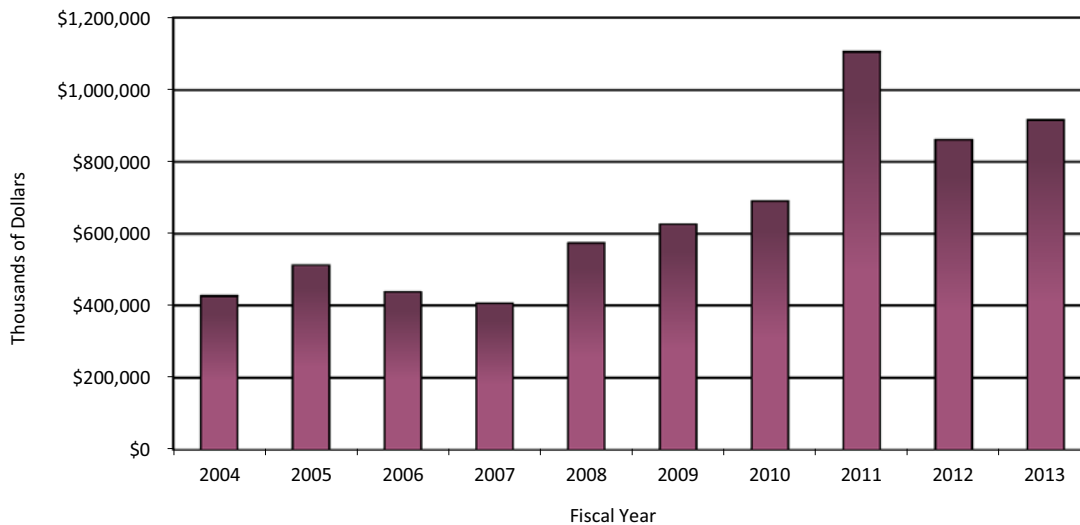
**Arizona Department of Transportation  
Expenditures of Federal Awards<sup>1</sup>  
for the fiscal year ended June 30  
(Thousands of Dollars)**

Fiscal Year	FAA	FTA	NHTSA	FHWA	FMCSA	BLM	BIA	USGSA	USDA	Sub-total	LAD	Total
2013	\$ 198	\$ 19,056	\$ 123	\$ 793,218	\$ 2,747	\$ -	\$ -	\$ -	\$ -	\$ 815,342	\$ 100,948	\$ 916,290
2012	488	19,261	-	755,092	1,518	-	-	541	80	776,359	85,557	861,916
2011	3,844	21,451	1,132	904,735	3,891	1,004	-	-	-	936,057	169,779	1,105,836
2010	7,938	22,769	120	574,068	4,148	124	-	-	-	609,167	82,267	691,434
2009	3,902	13,853	101	571,867	4,734	268	-	-	-	594,725	31,776	626,501
2008	715	15,530	106	523,810	2,642	57	-	-	-	542,860	31,472	574,332
2007	610	10,169	101	353,192	1,769	544	<21>	-	-	366,364	40,559	406,923
2006	4,338	8,837	69	389,575	2,231	162	-	-	-	405,212	33,268	438,480
2005	4,203	8,466	96	456,924	282	152	278	-	-	470,401	42,323	512,724
2004	480	5,549	84	384,416	434	79	-	-	-	391,042	36,324	427,366

SOURCE: Single Audit Reports - fiscal years 2004 through 2013

NOTE: <sup>1</sup> Federal Aviation Administration (FAA); Federal Railroad Administration (FRA); Federal Transit Administration (FTA) - previously Urban Mass Transit Administration (UMTA); National Highway Transportation Safety Administration (NHTSA); Federal Highway Administration (FHWA); Federal Motor Carrier Safety Administration (FMCSA); Bureau of Land Management (BLM); Bureau of Indian Affairs (BIA); and Local Agency Deposit Fund (LAD)

**Total Expenditures of Federal Awards**



**Arizona Department of Transportation  
Government-wide Expenses by Function  
for the fiscal year ended June 30  
(Thousands of Dollars)**

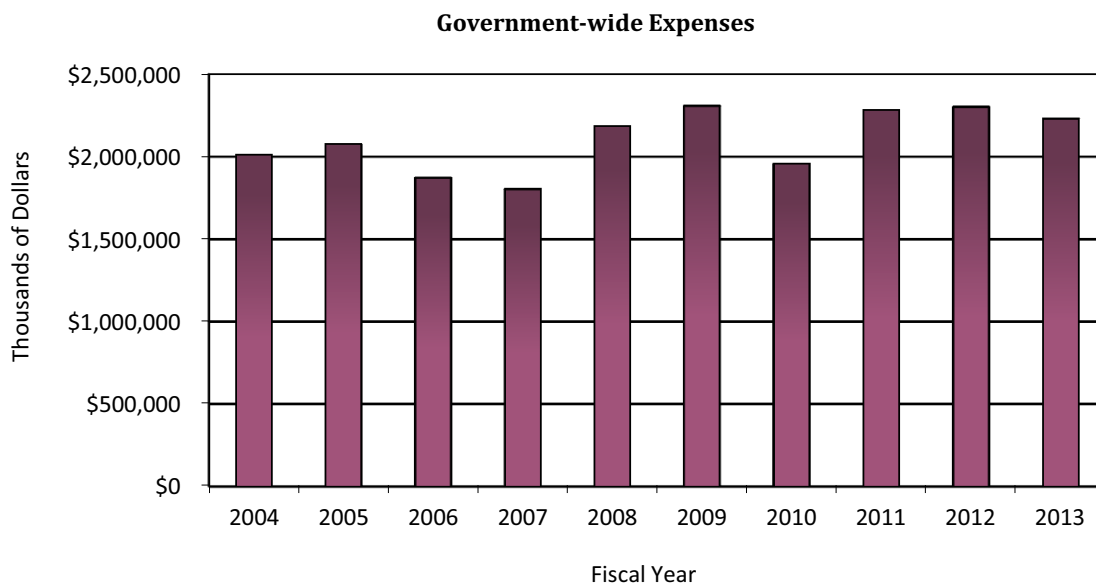
Fiscal Year	Admin.	Aeronautics	Highway	Highway Maintenance <sup>1</sup>	Motor Vehicle	Distributions to Arizona Counties, Cities and Other State Agencies
2013	\$ 101,370	\$ -	\$ 46,076	\$ 139,762	\$ 107,655	\$ 1,287,481
2012	94,075	-	39,632	476,447	116,095	1,312,999
2011	93,040	-	37,070	475,290	99,949	1,279,459
2010	65,781	-	34,721	225,679	102,926	1,309,112
2009	56,282	10,993	116,697	311,605	133,243	1,505,835
2008	54,918	4,373	132,874	324,104	112,880	1,415,075
2007	51,667	5,418	138,788	233,732	105,961	1,334,003
2006	45,002	10,705	118,147	60,138	96,937	1,394,609
2005	42,298	9,804	125,889	261,714	91,676	1,393,808
2004	57,703	7,512	93,656	429,571	86,845	1,183,797

NOTE: <sup>1</sup> Includes Non-capital, including asset preservation.

(continued)

**Arizona Department of Transportation  
Government-wide Expenses by Function  
for the fiscal year ended June 30  
(Thousands of Dollars)**

	Local				Highway Expansion		Total
	Governmental Assistance	Premium on Long-Term Debt	Interest on Long-Term Debt	Other	Arizona Highways Magazine	and Extension Loan Program	
\$	102,332	\$ -	\$ 187,315	\$ 257,126	\$ 4,637	\$ 46	\$ 2,233,800
	93,557	1,419	162,662	-	4,978	75	2,301,939
	163,035	-	128,768	-	5,664	126	2,282,401
	83,230	-	129,626	-	6,288	147	1,957,510
	48,571	-	114,683	-	7,410	2,110	2,307,429
	37,285	-	92,295	-	7,712	4,053	2,185,569
	48,760	-	82,450	-	8,072	4,355	2,013,206
	36,771	-	88,278	9,394	8,175	4,273	1,872,429
	42,440	-	86,870	6,871	10,270	4,360	2,076,000
	39,205	-	89,431	9,815	10,007	4,414	2,011,956



**Arizona Department of Transportation**  
**Government-wide Revenues**  
**for the fiscal year ended June 30**  
**(Thousands of Dollars)**

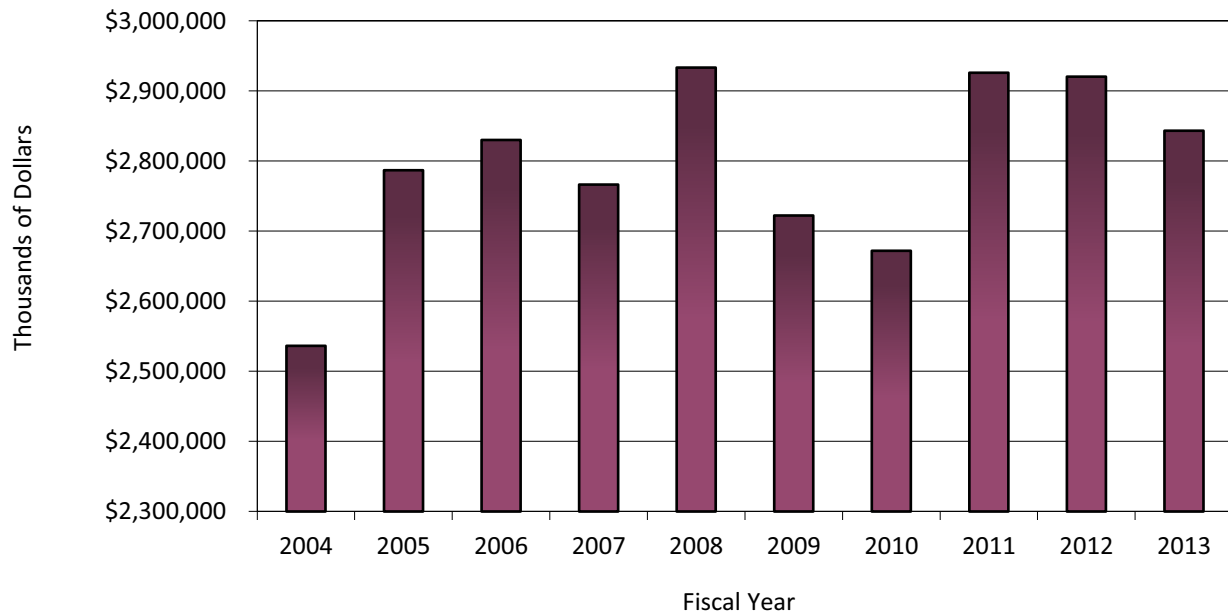
Fiscal Year	Program Revenues			
	Governmental			Business-Type
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services
2013	\$ 134,716	\$ 168,436	\$ 651,798	\$ 5,194
2012	127,347	161,992	776,814	5,583
2011	133,661	220,759	743,718	5,773
2010	124,307	146,936	575,448	6,541
2009	139,396	90,619	552,488	7,418
2008	150,024	79,747	523,728	9,379
2007	158,019	72,679	354,024	10,969
2006	134,068	67,241	387,614	11,293
2005	126,267	58,948	484,276	11,452
2004	118,225	44,008	418,174	12,800

NOTE: <sup>1</sup> Includes transfers for multiple years.

**Arizona Department of Transportation  
Government-wide Revenues  
for the fiscal year ended June 30  
(Thousands of Dollars)**

General Revenues						Total
Governmental			Business-Type			Government-wide Revenues
Taxes	Other Revenues <sup>1</sup>	Income from Investments	Other Revenues <sup>1</sup>	Income from Investments		
\$ 1,857,273	\$ 13,290	\$ 11,781	\$ 121	\$ 747	\$ 2,843,356	
1,826,980	9,604	11,388	-	783	2,920,491	
1,795,291	16,079	9,402	851	555	2,926,089	
1,792,989	8,965	16,347	-	514	2,672,047	
1,874,415	22,331	33,588	500	1,612	2,722,367	
2,067,464	38,772	59,528	(18)	4,788	2,933,412	
2,097,476	9,998	57,760	(3)	5,563	2,766,485	
2,186,859	11,026	28,538	-	3,518	2,830,157	
2,056,503	27,120	19,245	381	2,764	2,786,956	
1,907,984	24,775	8,352	505	1,588	2,536,411	

**Government-wide Revenues**



**Arizona Department of Transportation**  
**Net Position by Component**  
**for fiscal year ended June 30**  
**(Thousands of Dollars)**

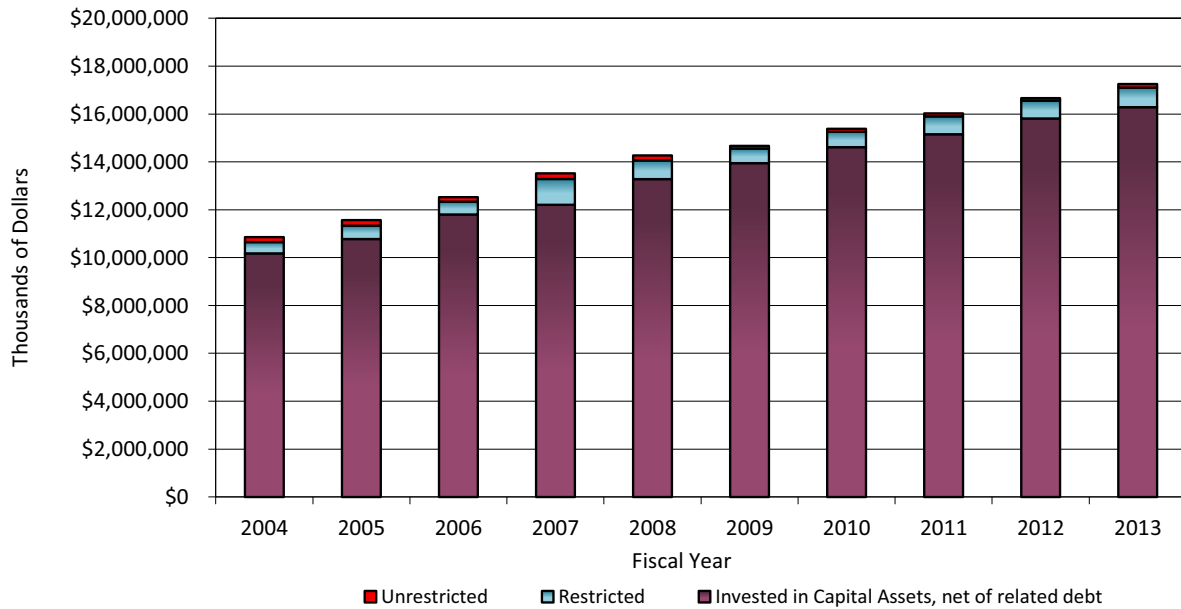
Fiscal Year	Governmental Activities				Business-type Activities
	Net Investment in Capital			Total	Net Investment in Capital
	Assets	Restricted	Unrestricted		Assets
2013	\$ 16,290,605	\$ 738,969	\$ 150,721	\$ 17,180,295	\$ 30
2012	15,818,053	666,828	106,932	16,591,813	43
2011	15,159,086	669,811	125,860	15,954,757	54
2010	14,620,099	566,794	126,415	15,313,308	92
2009	13,951,802	534,535	113,053	14,599,390	131
2008	13,285,438	704,929	209,650	14,200,017	173
2007	12,211,861	1,006,512	236,186	13,454,559	225
2006	11,806,376	466,337	189,669	12,462,382	249
2005	10,780,474	491,995	234,548	11,507,017	499
2004	10,179,585	408,410	208,032	10,796,027	810

(continued)

**Arizona Department of Transportation  
Net Position by Component  
for fiscal year ended June 30  
(Thousands of Dollars)**

Business-type Activities			Primary Government			
Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total
\$ 77,564	\$ 1,414	\$ 79,008	\$ 16,290,635	\$ 816,533	\$ 152,135	\$ 17,259,303
76,882	825	77,750	15,818,096	743,710	107,757	16,669,563
76,192	192	76,438	15,159,139	746,003	126,052	16,031,194
75,619	(663)	75,048	14,620,191	642,413	125,752	15,388,356
74,703	(406)	74,428	13,951,933	609,238	112,647	14,673,818
74,115	132	74,420	13,285,611	779,044	209,782	14,274,437
71,708	102	72,035	12,212,086	1,078,220	236,288	13,526,594
67,713	(30)	67,932	11,806,625	534,050	189,639	12,530,314
65,273	(204)	65,568	10,780,973	557,268	234,344	11,572,585
63,900	892	65,602	10,180,395	472,310	208,924	10,861,629

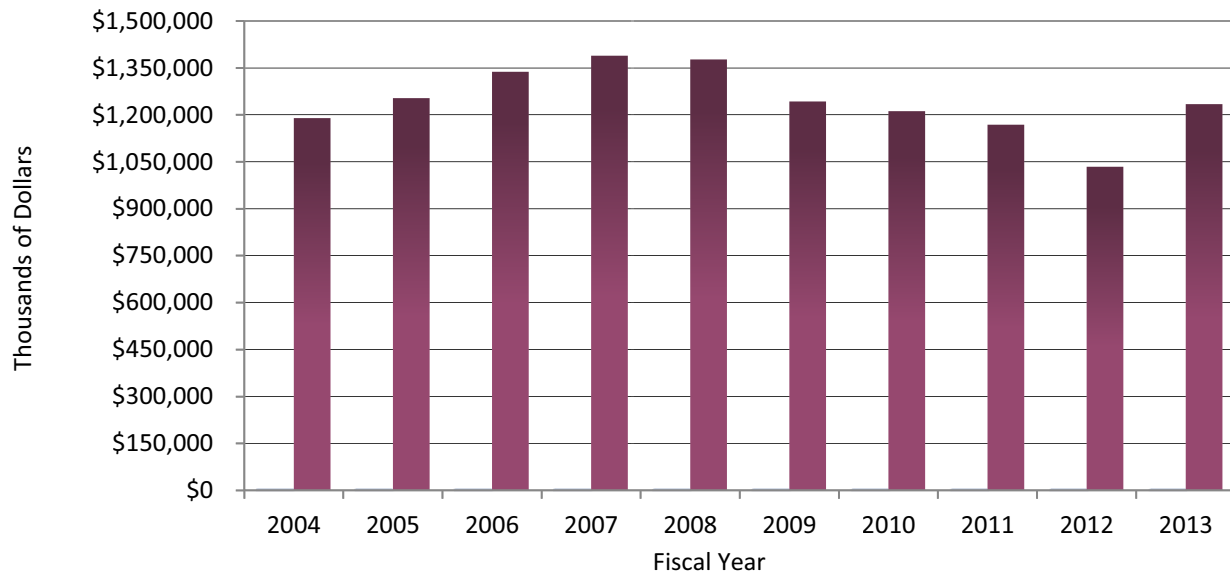
**Primary Government Net Assets By Component**



**Arizona Department of Transportation  
Highway User Revenue Fund Collections  
for the fiscal year ended June 30  
(Thousands of Dollars)**

Fiscal Year	Motor Vehicle Fuel Tax Revenues	Motor Vehicle Reg. Fee Revenues	Motor Carrier Tax Revenues	Motor Vehicle Operators' License Fees and Other Fees	Motor Vehicle License (In Lieu) Tax Revenues	Total Deposited to Arizona HURF
2013	\$ 647,858	\$ 180,115	\$ 17,103	\$ 67,373	\$ 321,864	\$ 1,234,313
2012	538,352	180,685	17,085	69,765	228,317	1,034,204
2011	636,507	175,179	17,466	64,361	275,132	1,168,645
2010	633,771	170,453	17,157	59,431	331,080	1,211,892
2009	637,054	178,953	18,930	58,500	349,399	1,242,836
2008	697,771	196,151	21,758	60,630	400,787	1,377,097
2007	725,787	194,308	22,473	57,085	389,503	1,389,156
2006	710,115	178,112	20,824	56,495	372,168	1,337,714
2005	701,965	163,463	18,573	50,789	318,689	1,253,479
2004	656,881	163,689	16,623	42,829	309,688	1,189,710

**Highway User Revenue Fund Collections**



**Arizona Department of Transportation  
Highway User Revenue Fund Distributions  
for the fiscal year ended June 30  
(Thousands of Dollars)**

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Fiscal Year	State	Cities and Towns	Counties	Department	Economic	Other <sup>1</sup>	Total
	Highway Fund			of Public Safety	Strength Project Fund		
2013	\$ 555,030	\$ 327,732	\$ 219,228	\$ 119,965	\$ 1,000	\$ 11,358	\$ 1,234,313
2012	401,172	306,376	190,857	123,211	1,000	11,588	1,034,204
2011	522,556	341,502	212,739	79,216	1,000	11,631	1,168,644
2010	520,484	399,900	211,741	78,626	1,000	60,141	1,271,892
2009	513,379	346,443	215,817	84,950	1,000	81,247	1,242,836
2008	680,530	415,556	258,871	10,000	1,000	11,140	1,377,097
2007	688,451	417,541	260,107	10,000	1,000	12,057	1,389,156
2006	636,094	385,759	240,309	63,999	1,000	10,553	1,337,714
2005	483,047	362,965	226,110	52,216	1,000	128,141	1,253,479
2004	570,801	344,699	214,731	48,698	1,000	9,781	1,189,710

The Highway User Revenue Fund receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed: 50.5% to the State Highway Fund, 27.5% to Cities and Towns, 3% to Cities with population over 300,000, and 19% to Counties based on Arizona Revised Statutes - Section 28-6538.

SOURCES: Basic Financial Statements - fiscal years 2004 through 2013

NOTE: <sup>1</sup>An appropriation for Arizona State Parks is included. Fiscal years 2005, 2009, 2010, 2011 and 2012 include distributions to State General Fund.

**Arizona Department of Transportation**  
**Fuel Tax Rates**  
**for the fiscal year ended June 30**  
**(Cents per Gallon)**

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Fiscal Year	Gasoline Tax	Use Fuel Tax <sup>1</sup>
2013	\$ 0.18	\$ 0.26
2012	0.18	0.26
2011	0.18	0.26
2010	0.18	0.26
2009	0.18	0.26
2008	0.18	0.26
2007	0.18	0.26
2006	0.18	0.26
2005	0.18	0.26
2004	0.18	0.26

SOURCE: Arizona Revised Statutes §28-5606  
 Imposition of Motor Fuel Taxes

NOTES: Gasohol is currently taxed at the same rate as gasoline and use fuel. Use fuel is primarily diesel.

<sup>1</sup> Lightweight motor vehicles under 26,000 pounds pay \$.18 per gallon.

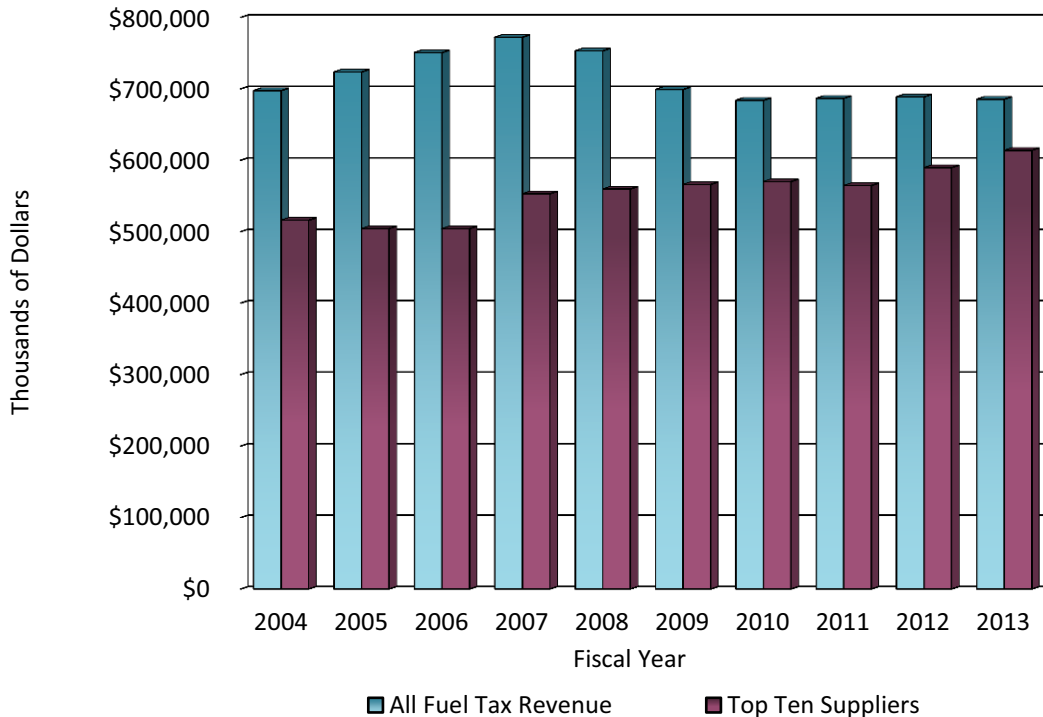
**Arizona Department of Transportation  
Motor Vehicle Fuel Tax - Top Ten Suppliers  
for fiscal year ended June 30  
(Thousands)**

Fiscal Year	Gallons from Top Ten Suppliers	Revenue from Top Ten Suppliers	All Motor Vehicle Fuel Tax Revenue	Revenue Percentage
				from Top Ten Suppliers
2013	3,110,955	\$ 613,799	\$ 685,320	89.6%
2012	3,025,722	589,607	688,642	85.6%
2011	2,898,241	564,353	686,591	82.2%
2010	2,905,890	569,974	683,880	83.3%
2009	2,871,995	565,889	698,959	81.0%
2008	2,839,622	559,609	753,036	74.3%
2007	2,807,989	552,997	772,100	71.6%
2006	2,588,981	504,052	750,574	67.2%
2005	2,545,685	504,128	723,425	69.7%
2004	2,627,194	515,901	697,428	74.0%

SOURCE: Revenue & Fuel Tax Administration reporting, based on gallonage data reported by fuel suppliers.

NOTE: Above data reflects a change in gasoline and use fuel gallons reported by the Revenue & Fuel Tax Administration for 2004 - 2013.

**Motor Vehicle Fuel Tax Sources**



**Arizona Department of Transportation  
Gasoline Volume Sold - Top Twenty-Five Suppliers  
for fiscal year ended June 30**

Range - in Millions of Gallons	2004		2005		2006		2007		2008	
	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold
< 25	4	1.6%	3	1.5%	5	2.4%	6	2.0%	8	1.5%
26 - 50	4	3.9%	4	3.1%	2	2.4%	1	1.0%	6	4.2%
51 - 100	8	16.7%	6	13.0%	5	12.0%	5	11.1%	3	12.1%
101 - 200	2	9.4%	6	27.0%	6	21.8%	6	24.5%	5	11.1%
201 - 300	4	27.6%	3	19.0%	3	17.6%	3	18.2%	3	34.8%
> 300	3	35.4%	3	30.9%	4	38.5%	4	40.4%	-	32.7%
	25	94.6%	25	94.5%	25	94.7%	25	97.2%	25	96.4%

Total Gallons of Gasoline (Thousands)	2,650,746	2,730,911	2,781,197	2,871,528	2,797,714
Gasoline % of Total	75.8%	75.5%	74.3%	74.5%	74.5%
Total Gallons of Use Fuel (Diesel) (Thousands)	845,256	887,406	963,551	981,647	959,406
Diesel % of Total	24.2%	24.5%	25.7%	25.5%	25.5%

Note: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 2004 - 2013.

(continued)

**Arizona Department of Transportation  
Gasoline Volume Sold - Top Twenty-Five Suppliers  
for fiscal year ended June 30**

Range - in Millions of Gallons	2009		2010		2011		2012		2013	
	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold
< 25	7	3.3%	7	2.7%	7	3.2%	15	5.9%	14	5.9%
26 - 50	5	5.2%	8	9.2%	5	4.9%	1	1.3%	2	2.4%
51 - 100	2	3.2%	1	1.5%	3	4.6%	1	1.8%	1	2.0%
101 - 200	3	11.4%	2	9.8%	3	15.3%	3	16.1%	2	10.2%
201 - 300	3	17.9%	3	21.7%	3	19.0%	1	7.7%	2	12.7%
> 300	5	55.8%	4	51.6%	4	49.8%	4	65.3%	4	64.2%
	25	96.8%	25	96.5%	25	96.8%	25	98.1%	25	97.4%

Total Gallons of Gasoline (Thousands)	2,634,840	2,607,660	2,616,186	2,616,570	2,612,577
Gasoline % of Total	75.3%	76.0%	75.9%	75.8%	76.0%
Total Gallons of Use Fuel (Diesel) (Thousands)	864,455	824,996	829,530	837,151	827,138
Diesel % of Total	24.7%	24.0%	24.1%	24.2%	24.0%

Note: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 2004 - 2013.

**Arizona Department of Transportation  
Highway User Revenue Fund  
Legal Debt Margin  
for the fiscal year ended June 30  
(Thousands of Dollars)**

Fiscal Year	Debt Limit <sup>1,2</sup>	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit
2013	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A
2006	\$ 1,300,000	\$ 1,223,425	\$ 76,575	94.11%
2005	1,300,000	1,161,355	138,645	89.34%
2004	1,300,000	1,017,360	282,640	78.26%

NOTES: <sup>1</sup> The statutory limitation on the issuance of bonds, as outlined in ARS §28-7510, applies only to the Highway User Revenue Fund (HURF). The only limitation on Maricopa County Regional Area Road Fund (RARF) and Grant Anticipation Notes (GARVEE) is the ability to secure the debts with available excise tax monies and available grant revenues, respectively, pursuant to the applicable bond resolutions.

<sup>2</sup> As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the \$1.3 billion debt limit is eliminated from ARS §28-7510. The general effective date of this change was September 21, 2006.

**Arizona Department of Transportation  
Highway Revenue Bonds  
Bond Coverage  
for the fiscal year ended June 30  
(Thousands of Dollars)**

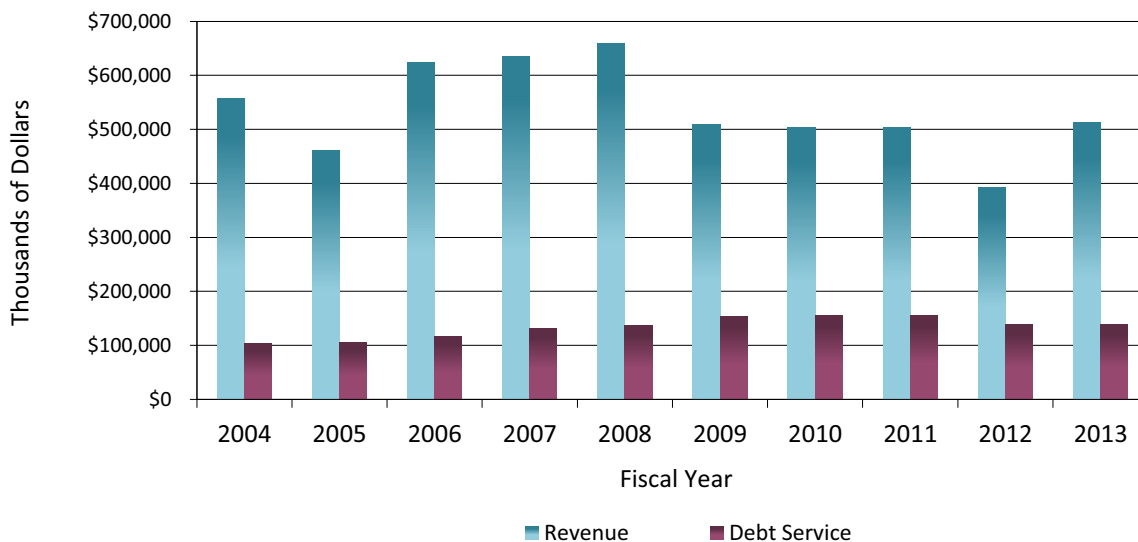
Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1,2</sup>	Coverage
2013	\$ 60,540	\$ 78,198	\$ 138,738	\$ 512,971	3.7
2012	67,885	71,113	138,998	392,648	2.8
2011	71,770	83,960	155,730	504,175	3.2
2010	68,140	87,661	155,801	502,874	3.2
2009	64,190	89,825	154,015	509,183	3.3
2008	60,645	75,538	136,183	658,616	4.8
2007	57,825	73,785	131,610	635,140	4.8
2006	54,830	62,222	117,052	624,408	5.3
2005	44,265	60,459	104,724	461,763	4.4
2004	51,155	53,149	104,304	557,854	5.3

SOURCES: Highway User Revenue Fund Schedule fiscal years 2004 through 2013; Debt Service Funds fiscal years 2004 through 2013.

NOTES: <sup>1</sup> Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2005 is net of a \$118 million distribution to the State General Fund. Fiscal year 2009 is net of \$66 million, 2010 is net of \$44 million and 2011 is net of \$45 million distribution to the State General Fund.

<sup>2</sup> The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.

**Highway Revenue Bonds - Bond Coverage**



**Arizona Department of Transportation  
Transportation Excise Tax Revenue Bonds  
Bond Coverage  
for the fiscal year ended June 30  
(Thousands of Dollars)**

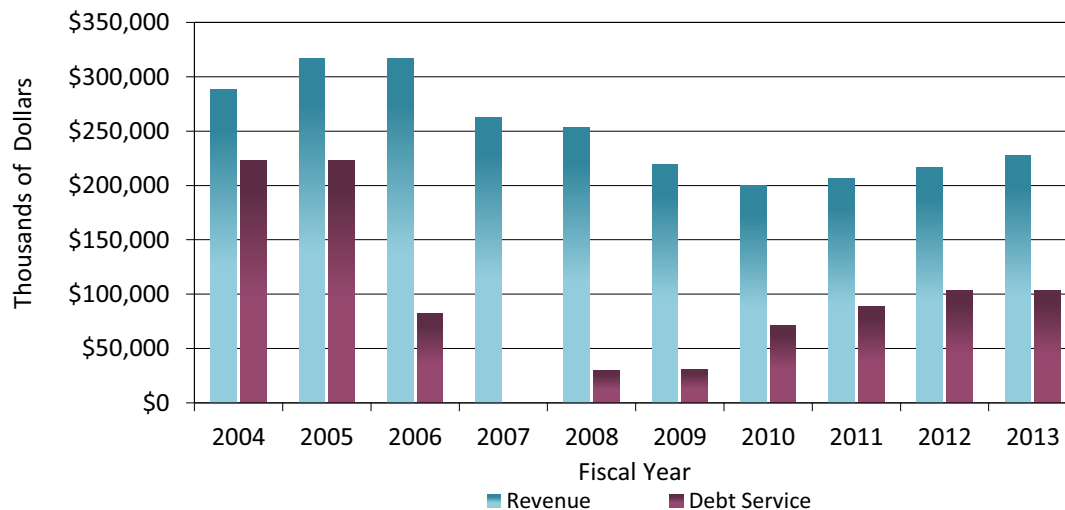
Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1</sup>	Coverage
2013	\$ 55,870	\$ 47,721	\$ 103,591	\$ 227,800	2.2
2012	55,460	48,129	103,589	216,281	2.1
2011	45,970	42,496	88,466	206,545	2.3
2010	33,315	38,225	71,540	199,672	2.8
2009	13,825	17,193	31,018	219,165	7.1
2008	19,045	10,673	29,718	253,742	8.5
2007	-	-	-	262,264	N/A
2006	80,375	1,566	81,941	316,491	3.9
2005	208,625	14,318	222,943	316,806	1.4
2004	199,400	23,553	222,953	288,600	1.3

SOURCE: Maricopa County Regional Area Road Fund Report

NOTES: Bond coverage ratio is based upon total Maricopa County Transportation Excise Tax collections.

<sup>1</sup> The Transportation Excise Tax Revenue Bonds are secured by transportation excise taxes collected by the Department of Revenue on behalf of Maricopa County.

**Transportation Excise Tax Revenue Bonds - Bond Coverage**

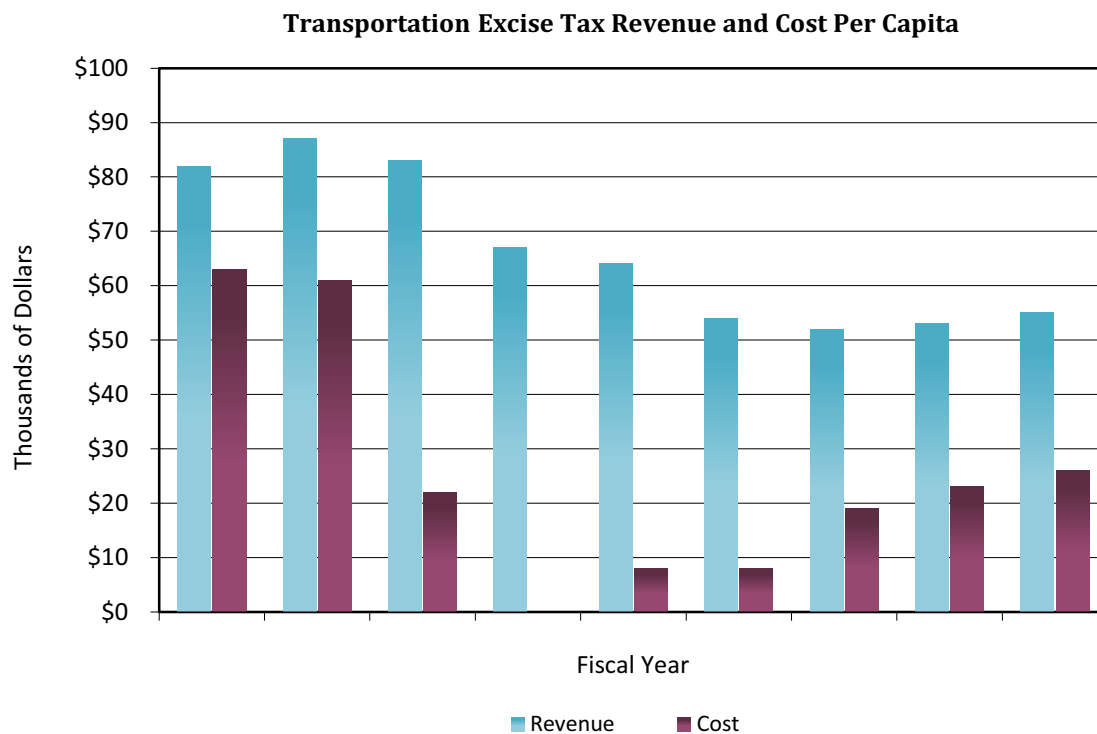


**Arizona Department of Transportation  
 Transportation Excise Tax Revenue Bonds  
 Debt Service Revenue and Cost Per Capita  
 for the fiscal year ended June 30  
 (Thousands)**

Fiscal Year	Principal	Interest	Total Cost	Revenue <sup>1</sup>	Maricopa County Population	Cost per capita	Revenue per capita
2012	\$ 55,460	\$ 48,129	\$ 103,589	\$ 216,281	3,942	\$ 26	\$ 55
2011	45,970	42,496	88,466	206,545	3,880	23	53
2010	33,315	38,225	71,540	199,672	3,817	19	52
2009	13,825	17,193	31,018	219,165	4,023	8	54
2008	19,045	10,673	29,718	253,742	3,955	8	64
2007	-	-	-	262,264	3,907	-	67
2006	80,375	1,567	81,942	316,491	3,793	22	83
2005	208,625	14,318	222,943	316,806	3,649	61	87
2004	199,400	23,553	222,953	288,600	3,538	63	82

SOURCES: Maricopa County Regional Area Road Fund Report; population data from the U.S. Census Bureau available only through 2012

NOTE: <sup>1</sup> Based upon total Maricopa County Transportation Excise Tax collections.



**Arizona Department of Transportation**  
**Ratios of Outstanding Debt by Type**  
**for the fiscal year ended June 30**  
**(Thousands of Dollars)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities</b>				
Highway Revenue Bonds	\$ 932,700	\$ 1,017,360	\$ 1,161,355	\$ 1,223,425
Transportation Excise Tax Revenue Bonds	488,400	289,000	80,375	-
Grant Anticipation Notes (GARVEE)	169,145	308,585	363,970	325,430
Premium on bonds	34,423	60,481	76,721	90,852
Capital leases	916	1,121	5,910	11,130
Advances and notes payable	<u>180,438</u>	<u>165,305</u>	<u>169,473</u>	<u>195,018</u>
Total Governmental activities	<u>1,806,022</u>	<u>1,841,852</u>	<u>1,857,804</u>	<u>1,845,855</u>
<b>Business-Type Activities</b>				
Notes payable	<u>151,545</u>	<u>142,414</u>	<u>146,454</u>	<u>150,494</u>
Total Business-type Activities	<u>151,545</u>	<u>142,414</u>	<u>146,454</u>	<u>150,494</u>
<b>Total Primary Government</b>	<u>\$ 1,957,567</u>	<u>\$ 1,984,266</u>	<u>\$ 2,004,258</u>	<u>\$ 1,996,349</u>
Debt as a Percentage of Personal Income	1.26%	1.17%	1.07%	0.96%
Amount of Debt per Capita <sup>1</sup>	\$ 350	\$ 345	\$ 335	\$ 322

**SOURCES:**

U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures);  
U.S. Bureau of the Census (also for population) population data only available through 2012

**NOTE:**

<sup>1</sup>The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Year 2003 through 2009 have been revised to reflect revisions made by the U.S. Bureau of the Census. Per capital personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census. Previous years have been revised to reflect revisions in personal income and population estimates.

(continued)

**Arizona Department of Transportation**  
**Ratios of Outstanding Debt by Type**  
**for the fiscal year ended June 30**  
**(Thousands of Dollars)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	1,490,600	\$ 1,623,905	\$ 1,740,765	\$ 1,672,625	\$ 1,600,855	\$ 1,619,965
	-	350,955	777,130	743,815	877,845	981,845
	282,860	298,280	329,650	304,480	392,495	335,230
	108,034	128,586	173,313	158,601	180,225	248,892
	10,601	7,535	4,326	1,304	4,910	10,729
	168,287	56,739	42,668	60,711	59,892	55,666
	<u>2,060,382</u>	<u>2,466,000</u>	<u>3,067,852</u>	<u>2,941,536</u>	<u>3,116,222</u>	<u>3,252,327</u>
	154,534	2,170	-	-	-	-
	<u>154,534</u>	<u>2,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>2,214,916</u>	<u>2,468,170</u>	<u>3,067,852</u>	<u>2,941,536</u>	<u>3,116,222</u>	<u>3,252,327</u>
	1.01%	1.10%	1.40%	1.31%	1.37%	1.38%
\$	348	\$ 380	\$ 465	\$ 441	\$ 481	\$ 496

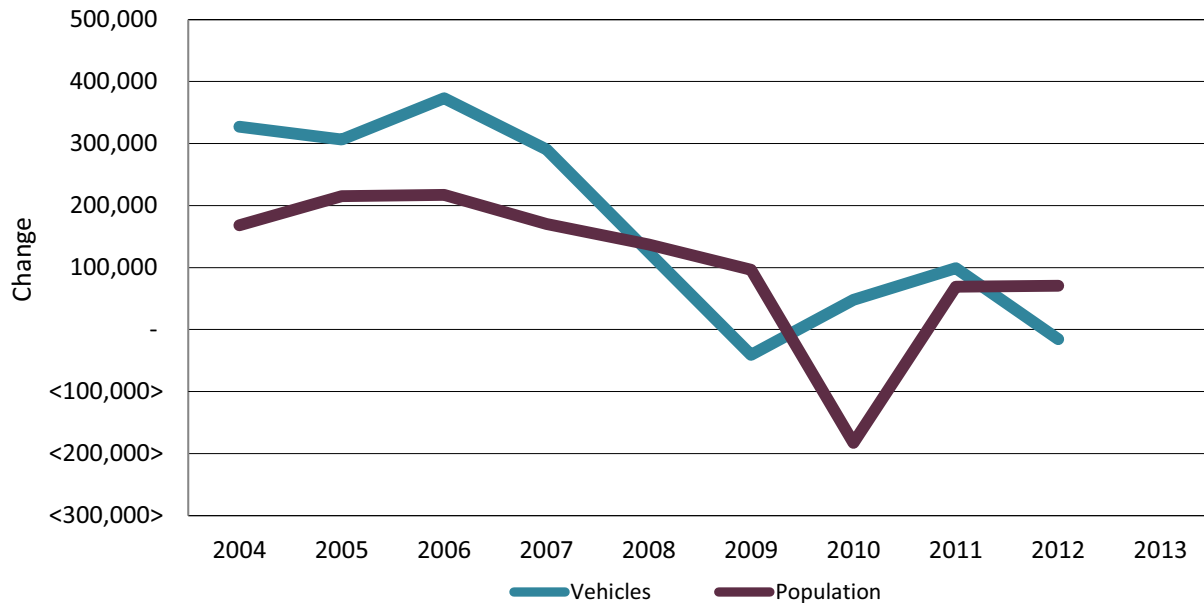
**Arizona Department of Transportation  
Number of Vehicle Registrations Per Year  
for fiscal year ended June 30  
(Thousands)**

Fiscal Year	Total Vehicles	Change in Number of Registered Vehicles	Arizona Population <sup>1</sup>	Change in Population	Vehicles Per Person
2012	6,824	<16>	6,553	71	1.041
2011	6,840	99	6,483	69	1.055
2010	6,741	48	6,413	<183>	1.051
2009	6,693	<41>	6,596	96	1.015
2008	6,734	125	6,499	137	1.036
2007	6,609	290	6,362	170	1.039
2006	6,318	373	6,192	217	1.020
2005	5,945	306	5,975	215	0.995
2004	5,639	327	5,759	168	0.979
2003	5,312	193	5,591	139	0.950

SOURCE: Vehicle registrations from Motor Vehicle Division's annual reports.

NOTES: <sup>1</sup> The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Year 2010 has been revised to reflect revisions made by the U.S. Bureau of the Census. Population data available only through fiscal year 2012.

**Change in Vehicles Registered Compared to Population Change**



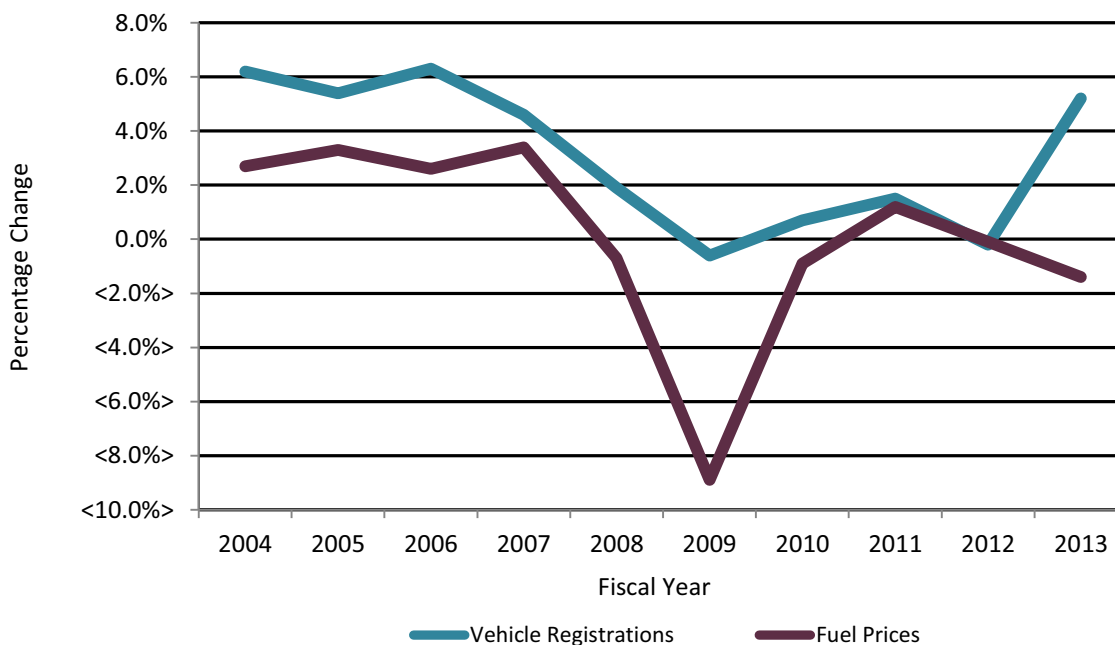
**Arizona Department of Transportation  
Vehicle Registrations Per Year Compared to Fuel Sales  
for fiscal year ended June 30  
(Thousands)**

Fiscal Year	Vehicle Registrations	Percentage Change	Fuel Sales <sup>1</sup>	Percentage Change
2013	7,181	5.2%	3,360,587	<1.4%>
2012	6,824	<0.2%>	3,409,594	<0.1%>
2011	6,840	1.5%	3,411,652	1.2%
2010	6,741	0.7%	3,369,732	<0.9%>
2009	6,693	<0.6%>	3,398,866	<8.9%>
2008	6,734	1.9%	3,731,808	<0.7%>
2007	6,609	4.6%	3,759,465	3.4%
2006	6,318	6.3%	3,636,195	2.6%
2005	5,945	5.4%	3,542,631	3.3%
2004	5,639	6.2%	3,429,136	2.7%

SOURCES: Vehicle registrations from Motor Vehicle Division's annual reports; fuel sales from Motor Vehicle Division data reported by fuel suppliers

NOTES: <sup>1</sup> Fuel sales include both gasoline and use fuel (primarily diesel) sales. Fuel Sales numbers for 2009 and 2010 have been revised to reflect revisions made to the Motor Vehicle Division data.

**Percentage Change in Vehicle Registrations and Fuel Sales**



**Arizona Department of Transportation  
Demographic and Economic Statistics  
for the Last Ten Calendar Years**

Calendar Year Ended December 31	Population <sup>1</sup>	Personal Income <sup>2</sup> (in thousands)	Per Capita Personal Income <sup>3</sup>	Unemployment Rate <sup>4</sup>
2012	6,553,255	235,780,739	\$ 35,979	9.5%
2011	6,482,505	227,286,519	35,062	10.0%
2010	6,676,627	223,716,314	33,507	9.7%
2009	6,587,653	219,026,704	33,248	5.9%
2008	6,499,207	223,961,131	34,460	3.8%
2007	6,360,238	218,587,551	34,368	4.1%
2006	6,190,987	206,958,398	33,429	4.7%
2005	5,973,970	188,152,439	31,495	5.0%
2004	5,758,692	170,026,128	29,525	5.7%
2003	5,590,820	155,607,258	27,833	6.0%

SOURCES: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures); U.S. Bureau of the Census (also for population); Arizona Department of Economic Security's website, [www.workforce.az.gov](http://www.workforce.az.gov) (for unemployment rates)

NOTES: <sup>1</sup>The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Previous years have been revised to reflect revisions made by the U.S. Bureau of the Census.

<sup>2</sup>Personal income estimates for previous years were revised to reflect revisions made by the U.S. Bureau of the Census.

<sup>3</sup>Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census. Previous years have been revised to reflect revisions in personal income and population estimates.

<sup>4</sup>The unemployment rates were revised to reflect a revision made by the Arizona Department of Commerce website, [www.workforce.az.gov](http://www.workforce.az.gov).

**Arizona Department of Transportation  
Principal Employers  
Current and Nine Years Ago**

Employer	Calendar Year Ended December 31, 2012			Calendar Year Ended December 31, 2003		
	Full-Time Equivalent	Rank	Percentage of Total State Employment	Full-Time Equivalent	Rank	Percentage of Total State Employment
	Employees			Employees		
State of Arizona	52,076	1	1.72%	50,363	1	1.85%
Wal-Mart Stores Inc.	31,837	2	1.05%	18,677	2	0.68%
Banner Health	25,126	3	0.83%	13,756	3	0.50%
City of Phoenix	14,983	4	0.49%	13,095	5	0.48%
Wells Fargo	13,679	5	0.45%			0.00%
Maricopa County	13,308	6	0.44%	13,482	4	0.49%
Bank of America	12,500	7	0.41%			0.00%
Arizona State University	12,222	8	0.40%	10,005	9	0.37%
Raytheon Co.	11,500	9	0.38%	10,200	8	0.37%
J P Morgan Chase & Co.	11,407	10	0.38%			0.00%
Honeywell International, Inc.			0.00%	12,000	6	0.44%
U.S. Postal Services			0.00%	11,406	7	0.42%
Alberston's-Osco			0.00%	9,500	10	0.35%
Intel Corp.			0.00%	9,500	10	0.35%
<b>Total</b>	<b>198,638</b>		<b>6.55%</b>	<b>171,984</b>		<b>6.30%</b>

SOURCES: Business Journal, Book of Lists 2012 and 2003 for employers; Arizona Department of Commerce website, [www.workforce.az.gov](http://www.workforce.az.gov) (for annual State employment)

**Arizona Department of Transportation  
Full-Time Equivalents (FTEs)  
for the fiscal year ended June 30**

Fiscal Year	Appropriated						Non-appropriated				Total All FTEs
	Admin.	Highways	Multimodal Planning Division	Motor Vehicle Division	Enforcement & Compliance Division <sup>1</sup>	Total Appropriated FTEs	Arizona Highways Magazine	HELP	Other	Total Non- Appropriated FTEs	
2013	792	2,235	78	1,075	368	4,548	18	-	45	63	4,611
2012	756	2,262	87	1,075	368	4,548	23	1	44	68	4,616
2011	745	2,267	52	1,111	373	4,548	22	2	44	68	4,616
2010	692	2,153	46	1,657	-	4,548	23	2	43	68	4,616
2009	692	2,255	46	1,755	-	4,748	28	-	24	52	4,800
2008	692	2,255	46	1,751	-	4,744	28	-	24	52	4,796
2007	692	2,223	46	1,730	-	4,691	60	3	49	112	4,803
2006	692	2,223	46	1,688	-	4,649	72	3	38	113	4,762
2005	686	2,227	48	1,665	-	4,626	72	3	31	106	4,732
2004	685	2,223	48	1,649	-	4,605	72	3	13	88	4,693

NOTES <sup>1</sup> ECD FTE total was included in the Motor Vehicle Division 2004-2010.

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2013**  
**(Thousands of Dollars)**

Function and Activity	Land	Buildings and Improvements	Improvements other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
Administration	\$ 879	\$ 47,266	\$ 18,574	\$ 13,397	\$ -	\$ -	\$ 80,116
Highway:							
Administrative and other services	936	37,855	1,798	3,235	-	-	43,824
Highway construction	2,808,958	10,567	384	3,934	12,951,193	3,285,417	19,060,453
Highway development	710	105	-	2,667	-	-	3,482
Materials engineering	-	4,908	7	4,265	-	-	9,180
Traffic engineering	-	357	22	1,207	-	-	1,586
Transportation planning and research	-	153	123	316	-	-	592
Highway maintenance	4,907	45,260	9,396	8,848	-	-	68,411
Motor vehicle	11,641	47,244	3,572	7,831	-	-	70,288
Total governmental funds capital assets	<u>\$ 2,828,031</u>	<u>\$ 193,715</u>	<u>\$ 33,876</u>	<u>\$ 45,700</u>	<u>\$ 12,951,193</u>	<u>\$ 3,285,417</u>	<u>\$ 19,337,932</u>

## Note:

<sup>1</sup> This schedule presents only the cost of the capital asset balances related to governmental funds. Accordingly, the cost of the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of the internal service fund are included as governmental activities in the statement of net assets.

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity<sup>1</sup>**  
**for the fiscal year ended June 30, 2013**

Function and Activity	Governmental Funds Capital Assets July 1, 2012	Additions	Deductions	Governmental Funds Capital Assets June 30, 2013
Administration	\$ 79,582,382	\$ 533,165	\$ -	\$ 80,115,547
Highway:				
Administrative and other services	43,787,074	38,258	<479>	43,824,853
Highway construction	14,966,406,578	840,644,704	<32,014,754>	15,775,036,528
Highway development	3,331,138	151,256	-	3,482,394
Materials engineering	9,088,030	91,964	-	9,179,994
Traffic engineering	1,585,297	-	-	1,585,297
Transportation planning and research	531,159	60,522	-	591,681
Highway maintenance	69,154,355	1,112,792	<1,855,792>	68,411,355
Motor Vehicle	<u>70,075,719</u>	<u>211,877</u>	<u>-</u>	<u>70,287,596</u>
Functional sub-total	15,243,541,732	842,844,538	<33,871,025>	16,052,515,245
Construction in progress	<u>3,443,198,162</u>	<u>604,150,537</u>	<u>&lt;761,931,722&gt;</u>	<u>3,285,416,977</u>
Total governmental funds capital assets	<u>\$ 18,686,739,894</u>	<u>\$ 1,446,995,075</u>	<u>\$ &lt;795,802,747&gt;</u>	<u>\$ 19,337,932,222</u>

NOTE: <sup>1</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of the internal service fund are included as governmental activities in the statement of net assets.

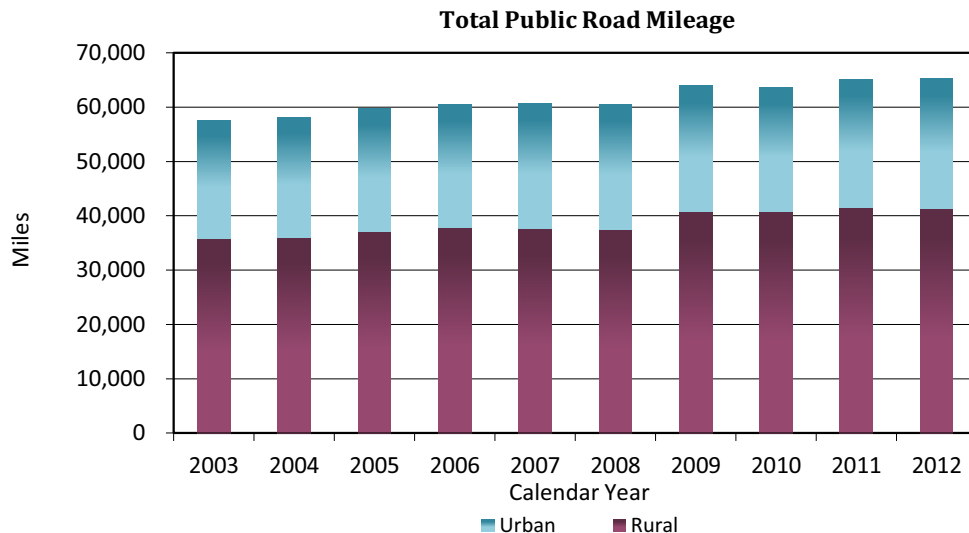
**Arizona Department of Transportation  
Total Public Road Mileage by Highway Class and Governmental Ownership  
for the calendar year ended December 31  
(In Center Lane Miles)**

Functional Classification	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Rural:</b>										
Interstate Freeway	980	980	981	981	980	980	980	980	980	982
<sup>1</sup> Principal Arterial Freeways & Expressways	Additional categorization beginning 2011								25	43
Principal Arterial	1,141	1,187	1,167	1,168	1,167	1,167	1,167	1,259	1,267	-
Minor Arterial	1,276	1,343	1,363	1,359	1,357	1,358	1,378	1,276	1,328	1,267
Major Collector	4,233	4,301	4,332	4,303	4,301	4,302	4,342	4,338	4,413	1,308
Minor Collector	2,117	2,210	2,188	2,186	2,185	2,191	2,134	1,735	2,032	6,416
Local	26,004	26,016	27,015	27,819	27,685	27,525	30,845	31,157	31,548	31,370
<b>Total Rural</b>	<b>35,751</b>	<b>36,037</b>	<b>37,046</b>	<b>37,816</b>	<b>37,675</b>	<b>37,523</b>	<b>40,846</b>	<b>40,745</b>	<b>41,593</b>	<b>41,386</b>
<b>Urban:</b>										
Interstate freeway	187	188	188	188	188	188	188	188	188	187
<sup>2</sup> Principal Arterial Freeways & Expressways	145	150	156	168	171	176	176	175	178	181
Principal arterial	1,087	1,156	1,400	1,400	1,400	1,399	1,400	1,390	1,435	1,437
Minor arterial	1,189	1,279	1,790	1,791	1,792	1,807	1,808	1,752	1,788	1,786
Urban collector	2,200	2,161	1,645	1,632	1,632	1,632	1,649	1,631	1,653	1,642
Local	16,969	17,142	17,564	17,380	17,735	17,735	17,817	17,806	18,256	18,645
<b>Total urban</b>	<b>21,777</b>	<b>22,076</b>	<b>22,743</b>	<b>22,559</b>	<b>22,918</b>	<b>22,937</b>	<b>23,038</b>	<b>22,942</b>	<b>23,498</b>	<b>23,878</b>
<b>Statewide composite:</b>										
Freeways and expressways	1,312	1,318	1,325	1,337	1,339	1,344	1,344	1,343	1,346	1,350
Arterials	4,693	4,965	5,720	5,718	5,716	5,731	5,753	5,677	5,843	4,533
Collectors	8,550	8,672	8,165	8,121	8,118	8,125	8,125	7,704	8,098	9,366
Locals	42,973	43,158	44,579	45,199	45,420	45,260	48,662	48,963	49,804	50,015
<b>Total statewide composite</b>	<b>57,528</b>	<b>58,113</b>	<b>59,789</b>	<b>60,375</b>	<b>60,593</b>	<b>60,460</b>	<b>63,884</b>	<b>63,687</b>	<b>65,091</b>	<b>65,264</b>

SOURCE: Arizona's Highway Performance Monitoring System (HPMS)

<sup>1</sup>Additional category created for 2011 reporting.

<sup>2</sup>Before 2012 this category was titled "Urban Expressway".



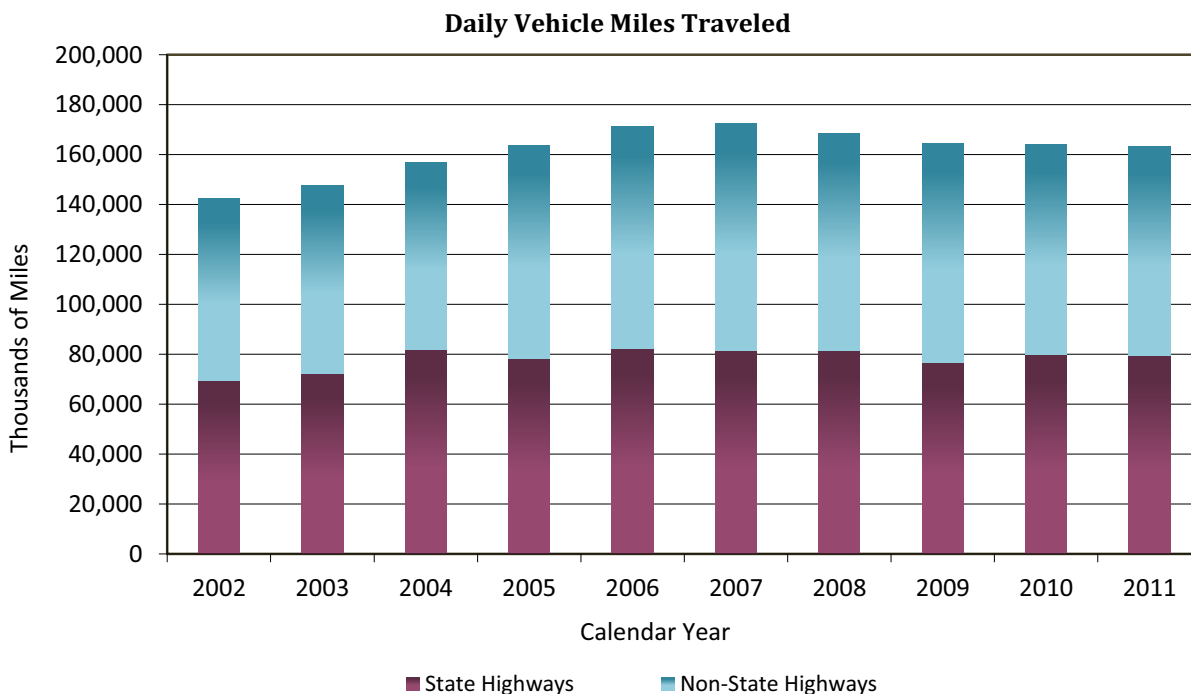
**Arizona Department of Transportation  
Daily Vehicle Miles Traveled with Population Data  
for calendar year ended December 31  
(Thousands)**

Calendar <sup>1</sup> Year Ended December 31	Non-State Highways	State Highways	All Public Highways	Arizona <sup>2</sup> Population	Daily Miles per capita
2012	85,285	79,003	164,288	6,553	25.1
2011	83,955	79,312	163,267	6,483	25.2
2010	84,427	79,699	164,126	6,413	25.6
2009	87,608	76,714	164,322	6,588	24.9
2008	86,886	81,496	168,382	6,499	25.9
2007	91,042	81,456	172,498	6,360	27.1
2006	89,016	82,178	171,194	6,191	27.7
2005	85,352	78,473	163,825	5,974	27.4
2004	75,070	81,808	156,878	5,759	27.2
2003	75,396	72,258	147,654	5,591	26.4

SOURCES: Arizona's Highway Performance Monitoring System (HPMS); ADOT Multimodal Planning Division office records. The Arizona population data are midyear population estimates of the U.S. Bureau of the Census.

NOTES: <sup>1</sup>Year 2012 is the latest population information available at the time of publication.

<sup>2</sup>Years 2002 through 2009 and 2011 population information has been revised to reflect revisions made by the U.S. Bureau of the Census.



## **ACKNOWLEDGMENTS**

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